Review of Employer Engagement and Knowledge Transfer

Year 1 report for

Scottish Funding Council

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Table of Contents Page

Executive Summary

Introduction

This is the year one report of a three year formative evaluation of the Developing Employer Engagement Programme (DEEP) and Knowledge Transfer Grant (KTG) programmes for the Scottish Funding Council. The evaluation has been designed not only to record, monitor and feedback, but also to actively engage with the programmes, understand how they operate, draw learning from experience and identify development needs that will help improve their future performance.

In 2007 the Scottish Funding Council (SFC) created two streams of funding to help colleges built capacity to support social and economic development by engaging with public and private sector organisations. The funds (£2m per programme per annum) are available over three years to 2009/10 and are:

- Developing Employer Engagement Programme (DEEP) – focusing on skills and learning needs and development for businesses and employees
- Knowledge Transfer Grant (KTG) – looking at how college knowledge and intellectual assets can be used to improve business products and processes

The evaluation was commissioned to:

- identify a range of measures – demonstrating where these programmes bring benefits to each of the stakeholders
- evaluate the processes to enable further feedback to SFC and Scotland's colleges – investigating how to improve their effectiveness
- assess the outcomes and summative assessment of the programmes – recognising what they are delivering in terms of the total benefits

Method of work

To deliver this first year evaluation, the following areas of work were completed:

- 43 senior college staff interviews were undertaken, the vast majority face to face
- a monitoring and evaluation framework has been developed
- a competency framework has been developed
- a college questionnaire was completed for 38 colleges
- a self-appraisal maturity model for colleges has been developed
- a survey to measure economic impacts was completed by 113 employers

SFC funding

The SFC announced additional funding of £2M in 2007-08 to help colleges build their capacity to engage with employers to meet employer and employee demand for skills development; and a further £2M in the same year to assist colleges to build infrastructure for undertaking and developing knowledge transfer (KT) activities. In June 2007, SFC agreed to extend the duration of this funding from one to three years (that is £2M per annum in 2007-08, 2008-09 and 2009-10 for each of the two activities).

For DEEP, all colleges receive an annual allocation of £30k, plus an additional amount which is calculated according to each college's relative share of overall teaching activity - measured in Student Units of Measurement (SUM's).

For KTG the funding was divided into fixed and variable elements. As colleges had not previously received any financial support in this area, all colleges were allocated a fixed element of £30k to ensure they have resources to develop their KT activities. In acknowledgement that many colleges had already engaged with the KT agenda and had established activity in this area the remaining funds are allocated to colleges in three bands based on their current levels of KT activities in specific areas. (Current levels of KT activity were measured using a selected range of KT income data from 2005-06).

Use and value of funding mechanism

Feedback from the colleges indicates that they use the funding to support existing initiatives and add new capacities. The DEEP and KTG funding helps them to do more, sooner and to a higher quality.

The funding is ring-fenced and this is appreciated by the majority of colleges because it means that the money is spent on this specific and important area. There was general recognition that without ring-fencing, other spending priorities may have taken precedence.

Colleges are satisfied that they are making progress – at varying speeds – and believe that the funding provided through DEEP and KTG has given them the breathing space and opportunity to make real progress in tackling barriers.

College survey

Forty three interviews were undertaken with senior staff from every college that received funding under the programmes. The objective being to find out the drivers that colleges had for undertaking employer engagement and knowledge transfer and the issues they were facing in working with employers. Following these interviews, a questionnaire was developed to go out to colleges to consider the use made of the funding, the difference it had made, the benefits that were emerging and for any evidence of outputs because of the funding.

Thirty eight colleges were interviewed by telephone using a structured questionnaire sent to every college in advance. Colleges described the three major barriers to progress as:

- targeting the ‘right’ employers and then making a professional contact, offering a service based on knowledge of the likely demand from employers
- delivering a service and then building the relationship to enable employers – particularly local SME’s and micro-businesses - to realise the breadth of activity that colleges can offer
- turning good relationships into professional relationships – delivering win-win solutions where employers are making step changes in their activity by using the knowledge that colleges provide

A key issue is sustainability – as this would demonstrate that the funding had made a step change in the way that colleges operated. The two biggest single uses of the funding were to buy in skills to deliver employer engagement or knowledge transfer activity, or to backfill to allow the ‘right’ college staff to deliver. This suggests strongly that the funding is tackling a recognised deficiency in colleges’ capabilities and readiness to operate in more commercial, customer facing ways.

Curriculum development

All colleges said that employers supporting areas of curriculum development is directly or partly attributable to using DEEP or KTG funding.

Almost all colleges (91.7%) report the funding has improved the quality, and has added value to courses. Most evidence stems from employer feedback about the relevance and value of college courses. A number of colleges stated that their repeat business from employers is an indication that they are developing courses in line with employer and industry requirements. Approximately half of the colleges felt able to attribute a value to the difference made by DEEP and KTG funds through the sources of evidence used to measure improvement in course provision and quality. The impact has been most noted through employer feedback and student attraction.

Staff development

Colleges are positive in their approach to staff development and deliver a wide variety of opportunity to staff. While this would, on the whole, go ahead regardless of DEEP or KTG funds, there was, in some cases, a focus on development activities with an emphasis on working with employers and industry.

Income

Colleges believe that DEEP and KTG funding streams have had a positive impact on increasing college income. Provision of training courses and the recruitment of part time students have been particularly effective in increasing income and these have been strongly influenced by DEEP and KTG funding. It is noticeable that many colleges appear to be focusing more on a long term, sustainable approach that would give them a stronger foothold as a ‘solution provider’ to their customers.

Most of the colleges see the surpluses generated from additional employer engagement as a valuable substitute to other declining sources of funds such as European Union (EU) or Skills Development Scotland. These monies are used to support other non-funded activities that are core to their mission, such as community programmes.

Student progression

Most (80%) colleges said that they believed that students had a better chance of employment because of employer engagement supported by DEEP and KTG. Most attribute this to recruitment requests from employers, with over 70% citing this as evidence.

Economic credibility

The majority of colleges (80.6%) said that they now had more employers involved with the college, and over half (55.6%) cited that a greater number of placements indicated that their economic credibility had improved. Colleges responded positively when attributing a percentage value to the contribution that DEEP and KTG funds have made to increase their economic credibility. A number quantified the contribution between 76% and 100% and this is particularly evident in the impact on input into sector strategies and representation on Boards.

Summary

Colleges have responded positively to DEEP and KTG funds, and the benefits and opportunities they bring. Funding has facilitated greater awareness of the need for contact with employers and local partners. Colleges have been very proactive in involving employers and sector representatives in their course design decisions and what they are actually delivering to learners.

There are still areas for improvement in linking colleges more closely with employers and ensuring that knowledge transfer systems are in place to share learning and best practice, both across the further education sector and between colleges and industry. The funding has helped a number of colleges to refocus their activity. They are thinking more commercially and responding to the current and future needs of employers.

Driving up performance

A focus of the formative part of this evaluation is in helping drive up performance in employer engagement and knowledge transfer. To do this, and based on the feedback from the initial interviews, a competency framework was developed that reflected the requirements for employer engagement and knowledge transfer. Allied to this, a maturity model was developed to support colleges in measuring the progress they are making. Detail on both the competence framework and the maturity are contained in section 4 of the main report.

Competency framework

The competency framework was met with great enthusiasm by some, but generally there was no tangible commitment to its implementation. If the competency frameworks are to reap benefits for the colleges, they must have ownership of them. There was a concern that these were being 'done to' the colleges and this may result in rejection. A way to drive this forward would be to establish a college group or community of practice to develop and roll this out.

Maturity model

A maturity model was developed and colleges reacted more favourably to this. More focused work needs to be done with colleges to support them using it. The model allows colleges to self-assess how they are performing in different areas and to consider development routes. The objective of each college should be to make progress towards 'best in class.'

The competency frameworks and maturity model have been developed, and ownership needs to lie with the colleges. A key part of this formative evaluation in the coming year will be to support colleges to make the frameworks work for them.

Employer consultation

This evaluation was tasked with identifying impacts that considered the contribution that colleges make to the wider economy through engaging with employers. Overall, the results have been very positive as set out in this brief section. For further detail refer to sections 5 and 6 of the main report.

To measure the impacts of engaging with Scottish colleges and understand employers' perceptions of the services offered, over 300 organisations were approached to complete a survey. In total, 113 organisations (37%) provided feedback to support the evaluation, including a number of responses from organisations that had not engaged with Scottish colleges to provide a counter factual viewpoint.

The benefits and impacts that organisations gained from working with Scotland's colleges have been distinguished between the impacts made to public and private sector organisations as they have different objectives. The methods used to calculate economic impact in this report are those used by the Scottish Government and by Scottish Enterprise.

Economic impacts for businesses

From the survey, the impacts that are attributable to colleges working with businesses are significant:

- the net turnover impact amounts to £38.6 million Present Value (PV).
- the Gross Value Add (GVA) impact amounts to £10.97m PV GVA

The net turnover impact accruing as a direct result of college engagement over the period 2006-2008, amounts to £38.6 million PV. This is a strong performance indicating a substantial impact on the economy through business college engagement.

The GVA impact accruing over the period 2006-2008, amounts to £10.97m PV GVA. This is a high level of impact from business college engagement and provides further evidence of the role of colleges in delivering economic benefit to the Scottish economy.

The total number of jobs either safeguarded or created as a result of college engagement amounted to:

- 270 jobs in 2008
- 280 jobs in 2007
- 253 jobs in 2006

Whilst this may seem a modest employment impact, it is unsurprising given that college engagement is focused on improving organisational performance and the use of businesses assets rather than job creation. The key message is that college engagement with business can have an employment impact over and above what would have happened anyway. It therefore makes a contribution to the Scottish economy.

Benefits to businesses

Private sector organisations were asked to indicate skills or qualifications impacts they received as a result of college engagement (the results are very similar to public sector replies). They noted benefits in:

- improved knowledge of staff skills (66%)
- improved knowledge on job specific skills (53%)
- a greater number of better qualified staff (53%)
- improved staff skills (51%)

The largest impact to productivity noted by private sector organisations was a reduction in the time taken for staff to complete tasks. This may relate to corresponding increases in staff and job specific skills as noted above. Other productivity benefits cited by private sector organisations included:

- improved company practice around productivity (32%)
- cost savings (27%)
- improved knowledge on company productivity (16%)
- reduction in equipment time taken to complete tasks (14%)

Public sector benefits

The skills and qualifications impacts indicated by public sector organisations align with objectives for staff training, skills development or CPD suggesting that colleges are delivering benefits in line with client needs.

There were also improvements around wider organisational benefits. The majority of public sector respondents (56%) indicated improved quality of products or services. In addition organisations cited:

- improved organisational processes and procedures (41%)
- introduction of new products and services (31%)

The extent of the impacts on public sector organisations can be seen when looking at the extent to which the work helped them to achieve their strategic objectives, with all organisations suggesting some level of contribution:

- 47% suggesting a small positive contribution
- 44% suggesting a large positive contribution

No attempt has been made to put a cash value on the benefits to the public sector customers. Given the economic climate and the future pressures in public finance, the benefits to 'Scotland plc' of the work may be considerable in service efficiency, productivity and cost savings.

Overall this is a very strong message that Scotland's colleges can demonstrate economic benefit through DEEP and KTG – with evidence provided by both public and private sector employers.

DEEP and KTG – taking a systems view

This evaluation was designed to take a formative look at DEEP and KTG, and gain an understanding of how they are working and how the benefits might be increased. A system model of how DEEP and KTG are creating value and benefits for stakeholders, and for the Scottish economy, is presented in section 7 of the main report.

This year 1 evaluation identifies significant economic and social benefits to Scotland. The model identifies a number of positive feedback loops within the system. These suggest a series of potentially self-sustaining and value adding processes that have been created or accelerated by the DEEP and KTG funding. This will be explored in the second and third years of this evaluation.

1 Introduction

This is the year one report of a three year formative evaluation of the Developing Employer Engagement Programme (DEEP) and Knowledge Transfer Grant (KTG) programmes for the Scottish Funding Council. The evaluation has been designed not only to record, monitor and feedback, but also to actively engage with the programmes, understand how they operate, draw learning from experience and identify development needs that will help improve their future performance.

Colleges work with a wide array of individuals and communities across Scotland, and they are contributing to the Scottish Government's strategic objectives in a number of ways. Perceptions of their value are changing. However, concerns remain about colleges' ability to reach deeply into the business community and to maximise the benefits from two of their distinctive capabilities:

- developing skills – helping employees and employers in ways that enhance individual and business performance and competitiveness, and the economic growth potential of Scotland
- transferring knowledge – bringing knowledge into businesses in ways that improve performance either incrementally, as in continuous improvement, or in innovative, step-changes that transform success

At first sight, this should be a straightforward problem as Scotland has:

- willing buyers – if we believe that most employers want to take up opportunities to be more successful
- willing sellers – if we believe that most colleges want to maximise their income and experiential opportunities for staff and learners

A first sight analysis suggests that this should be easy; evidence tells us it is not. Indeed, evidence of education-business engagement across a wide array of activities in tertiary education makes it clear that this process is difficult and complex, and has been recognised as a problem for a long time.

Recognising the potential benefits for all stakeholders in this process, and an apparent market and process failure, the Scottish Funding Council (SFC) created two funds and made them available to colleges:

- Developing Employer Engagement Programme (DEEP) – focusing on skills and learning needs and development for businesses and employees
- Knowledge Transfer Grant (KTG) – looking at how college knowledge and intellectual assets can be used to improve business products and processes

While these programmes address different content, they have the same group of providers and company users, and have broadly similar processes. This evaluation was commissioned to look at these programmes with the purpose of:

- identifying a range of measures that is meaningful to all stakeholders – demonstrating where these programmes bring benefits to each of the stakeholders
- evaluating the processes to enable further feedback to SFC and Scotland's colleges – investigating how these programmes are working and from that experience what might be done to improve their effectiveness
- assessing the outcomes and summative assessment of the programmes – recognising what they are delivering in terms of the total benefits to all stakeholders

The overall purpose of both streams of funding is to help the college sector support social and economic development by building capacity to engage with public and private sector organisations. The employer engagement strand is focused on meeting the skills and learning needs of businesses and individuals in the workforce. The knowledge transfer strand is focused on generating effective knowledge exchange using the intellectual assets from colleges.

1.1 Evaluation objectives

The specific objectives for the evaluation over three years are to:

- prepare a periodic overview over the three years of the evaluation of the use that colleges have made of the DEEP and KTG funds (including a suite of case studies)
- develop appropriate, unambiguous evaluation criteria and impact measures for the purposes of evaluating the programmes as a whole, and for the colleges to use for the purposes of internal self-evaluation
- provide objective formative input to the Council and the sector on the progress and effectiveness of the programmes, including the sustainability of college activity after the period of funding which ends in summer 2010
- provide a summative assessment of the effectiveness of the programmes including the effectiveness of the approach that the Council has adopted, the direct and indirect benefits generated, and observations on the future sustainability of the approaches developed and implemented
- provide an assessment of employers' perspectives on the range of college services and their effectiveness and, through case study and sampled analysis, an assessment of factors for successful practice and barriers to this
- support college good practice development during the period of funding by identifying, showcasing and disseminating good practice including the development of typologies of approach and a framework for college development that fits the diversity of the sector

1.2 Method of work

The work programme in this first year evaluation is detailed below.

- senior college staff interviews
- development of a monitoring and evaluation framework
- development of a competency framework
- college questionnaire
- maturity model
- employer survey

1.2.1 Senior college staff interviews

Forty three interviews were completed with senior staff from every college that received programme funding. The objective was to identify the drivers for college work in employer engagement and knowledge transfer, and the issues they face in working with employers.

1.2.2 Development of a monitoring and evaluation framework

Effective monitoring and evaluation procedures are a crucial part of any programme design. This is the set of unambiguous evaluation criteria and impact measures for the programmes as a whole, and for the colleges to use in the self-evaluation and in-house development. A framework document was prepared that set out how the programmes would be monitored over time by capturing key inputs, processes, outputs and outcomes.

1.2.3 Development of a competency framework

From the initial interviews a competency framework was developed that reflected the requirements of employer engagement and knowledge transfer.

The Association for University Research and Industry Links (AURIL) were consulted as they already have a continuing professional development framework for knowledge transfer practitioners in higher education. SFC is a member of AURIL and their support was welcomed. As pat of the consultation, it emerged that a new organisation is now in existence, the Institute of Knowledge Transfer (IKT) which is open to individual membership.

1.2.4 College questionnaire

A questionnaire was developed for colleges to help identify and consider

- the use made of the funding
- the difference it had made
- the benefits that were emerging
- any evidence of outcomes generated because of the funding

1.2.5 Maturity model

A maturity model was developed for colleges to use to assess and measure where they were in terms of the delivery of employer engagement and knowledge transfer processes. The maturity model was created using feedback from colleges in the initial interviews and developed by subsequent comments from the colleges.

1.2.6 Employer survey

An initial employer survey proved difficult as employers that were 'cold contacted' were reluctant to complete the depth of survey required to give the evidence needed. Colleges were then asked to put forward a list of employers and an on-line survey was completed (backed by telephone follow up). One hundred and thirteen responses were received.

The report, analysis and recommendations from this work are presented in the following chapters of this report.

2 College Interviews

The purpose of the initial interviews with colleges was to find out what they were doing in the areas of employer engagement and knowledge transfer. First assumptions about the diversity of the activity proved correct and these scoping discussions were valuable in designing the survey process. It was also important to emphasise that this evaluation was not a 'pass or fail' judgement, but a supportive process to assist development and future success KTG and DEEP. Colleges needed to know that this evaluation is about measuring the impact that the sector as a whole is having in an important economic objective. It is not about a 'league table'.

Colleges appreciated the heightened feeling of involvement in the process from face to face rather than telephone discussion and these were held with all but the most northern colleges. Whilst the college principal was the initial contact, a variety of college staff were interviewed including:

- principals
- vice and deputy principals
- entire senior management teams
- business development managers and directors
- finance directors

This mix gave different perspectives on strategic or operational focus, but the breadth of input enabled a wide view to be considered. A pro forma was used in interviews, but this proved to be less effective than originally planned, and a relaxed tone was taken at interview to allow colleges to bring out what they viewed as their priorities. While this reduced the level of consistency, it produced a wider viewpoint on the 'coal face' issues from colleges.

2.1 Why colleges engage with employers

Responses to the fundamental question of 'why engage' included:

- generate income
- support curriculum development
- get learners more of a real world 'feel'
- staff development
- support student employability
- quality and added value
- keep college 'on toes' and relevant
- wider economic credibility
- let employers know what colleges do

All of these answers are valid – but difficult to measure as a snap-shot. During the discussions some colleges acknowledged that they were not getting as much value as they might from the engagement, and were now seeking to address this.

The generation of income was often the first response, but during the interviews this came through as a measurable benefit of the activities delivered rather than an objective in its own right. The concern over income generation was heightened by the deepening recession, and colleges appreciated that the funding was supporting them strengthen working practices and build capacities that would be valuable and sustainable in difficult times ahead. A number of colleges see the financial surplus from this work as a replacement funding stream for other unfunded work, eg in the community.

2.2 How colleges engage with employers

Each college works within a slightly different economic environment with differing sets of challenges and opportunities. This is reflected in the way that they approach and work with employers. Engagement can be considered as being either reactive or proactive.

2.2.1 Reactive colleges:

Reactive college answers on engagement tools and processes included:

- 'our prospectus is our key marketing tool'
- 'employers can access our website'
- 'we network in our economy'
- 'we wait for the phone to ring'

In some cases, the reason for a predominantly reactive stance was that they have well established, long standing relationships with their employer base. However, colleges with this advantage were also trying to develop these relationships further. Only a very small minority had 'reactive only' approaches.

2.2.2 Proactive colleges:

Almost all colleges were highly proactive using terms including:

- 'we target by department/school to ensure we don't over commit'
- 'we focus on demand from employers'
- 'we manage and mine our employer database'
- 'we focus on customer care'
- 'we promote through the right media'
- 'we now sell what's in it for employers (win-win)'
- 'we ask what's next continually'
- 'we network widely'
- 'we buy focused business and subscription lists'Not only do these approaches represent a proactive stance for employer engagement, they also evidence high levels of commercial behaviour.

2.3 Knowledge transfer – Why?

'Knowledge transfer' is not a popular term as it is subject to wide interpretation. These interviews focused on working with employers in a commercial way that was beyond the core business of the college. Some of the answers to the 'why do it' question were bullish and may reflect a rising confidence in colleges that their economic contribution is becoming more widely recognised and valued. The most popular response was that knowledge transfer would generate income, however the majority of colleges are also comfortable that if services are delivered well and a professional, commercial approach is taken, then income will follow. The main responses included:

- 'to generate income'
- 'because we can'
- 'driven by economic need'
- 'it is a strategic driver'

Some colleges now see the generation of 'alternative' income as a necessity – particularly those that are faced with uncertainties (with an assumption of reduction) in funding from Europe and Skills Development Scotland.

However, many now see the generation of income as a natural progression – based on the confidence that they have a valuable product to take to a receptive market. As noted above, a number of colleges see the 'profit' from successful employer engagement as a valuable source of income to support other non-funded activities such as community support projects. This is valuable evidence of colleges seeing KT and DEEP as an integrated part of the overall portfolio of college services with a range of direct and indirect benefits to the college and its stakeholders.

2.4 Transferring knowledge

Colleges transfer knowledge through better market research, building demand led products and then highly targeted marketing. This is a strong, commercially focused approach and should be encouraged. The responses included:

- changing good relationships into commercial partnerships
- Knowledge Transfer Partnership (KTP) – now open to colleges but it is hard and expensive to get off the ground
- developing more student placements to allow colleges to cross-sell into businesses

Many colleges that have worked well with employers, whether through courses or apprenticeships, were now looking at ways of turning 'warm, fuzzy feelings' into hard commercial relationships. The most popular ways of doing this were:

- 'sending out the 'right' staff to find out what the employer needed in a wider context'
- 'assessing demand and gauging whether the college can provide a commercial solution'
- 'seek 'win-win' to ensure long-term relationships'
- 'act professionally in a business-like fashion'
- 'saying no when you should'

Knowledge Transfer Partnerships are being considered by a number of colleges and this is being encouraged in other parts of the UK. A number of colleges are in a consortium with university partners to examine ways forward. The constraint is that they can be expensive to set up, or to get wrong, but there is scope for KTP programmes to be delivered by colleges.

2.5 SFC funding

The funding being ring-fenced was appreciated by the majority of colleges because it meant that the money would be spent on this specific and important area. There was general recognition that without ring-fencing other spending priorities may have taken precedence.

In many cases colleges did not use the money to do something new or completely different. They supported initiatives that were already planned and the DEEP and KTG funding helped them to do more, sooner and to a better quality.

The funding allowed many colleges to approach SMEs more proactively and this led to some working with numbers of these companies for the first time. An example was in supporting funding a college open day. The focus was on attracting SMEs into the college to see what was available, and to hear the message that colleges were open for business and wanting to support their local economy.

SME leaders' perceptions of colleges were identified as being significantly out of date, reflecting, 'when I was at college' (20-30 years ago). The open day was designed to comprehensively recalibrate those perceptions to FE in the 21st Century as a credible provider of high quality services.

In most cases the colleges used both the DEEP and KT funding together and it proved difficult to break down how colleges used the funding. In the majority of cases it was spent in a number of ways.

Colleges appreciated the funding but commented that it was not a substantial amount in their overall budgets. Views on whether this was the best way of funding for this activity varied, and while some colleges felt that a bidding process might be a way forward, the majority were comfortable with the current approach. Some colleges were uncomfortable with the 'loose' guidance on how to use the funding. However, the majority were enjoying the opportunity to support new ideas.

Many colleges used the funding to buy in people and skills. Some of these were to support a new, more commercial approach, whilst others backfilled staff who were being freed up to work with employers. Greater clarity on this approach to capacity building was obtained in the college survey later in the evaluation.

2.6 Driving up performance – barriers to progress

There was broad agreement that employer engagement was all about relationship building and recognising that strong relationships had a far higher chance of turning into opportunities for knowledge transfer. Interestingly, the initial interviews with senior college staff tended to focus on knowledge transfer and commercial work – but when direct feedback was given, it largely revolved around employer engagement and the strong relationships built up over a number of years with local employers.

The three important barriers to progress were identified as:

- targeting the 'right' employers and then making a professional contact, offering a service that was based on a good knowledge of the likely demand from employers
- delivering a service and then building the relationship to enable employers – particularly local SME's and micro-businesses - to realise the breadth of activity that colleges can offer
- turning good relationships into professional relationships, delivering win-win solutions where employers are making step changes to their activity by using the knowledge that colleges can provide

Colleges were satisfied that they are making progress – at varying speeds – and believed that the funding provided through DEEP and KTG has given them the opportunity to make real progress in tackling these barriers by building their capacities and capabilities.

3 College Survey

As part of this first year review of DEEP and KTG funding streams, 38 colleges were interviewed by telephone using a structured questionnaire sent out in advance. The results of the interviews are detailed below.

To understand the context for each college, they were asked for background on where they were prior to DEEP and KT funding, and the types of employer engagement and knowledge transfer activities they already had. This was also useful for gauging how forward thinking colleges are, and the extent to which they had already started to work with a more commercial focus and drive. A large amount of anecdotal evidence from colleges was collected – examples of which are used in this chapter.

Whilst anecdotal evidence is rarely a convincing argument in its own right, the volume of similar responses indicates that comparable results are being achieved across all colleges. When the college feedback in this chapter is considered along with the employer survey evidence, a compelling case emerges that significant progress is being made.

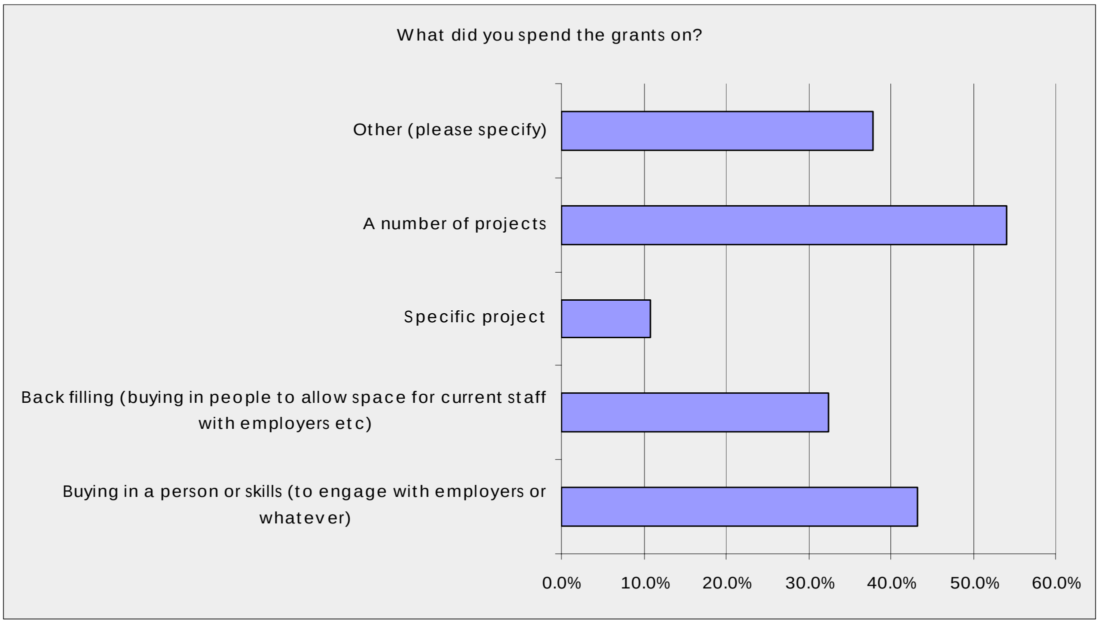
> "The funding has enabled the college to do more of what we were already doing. We have developed KT partnerships, including one with Strathclyde University. A new KT hub is to be opened in the college. There is a formal KT strategy in place at the college and 50+ companies are now committed to the KT hub. The KT strategy (already in place, pre-funding) has improved college awareness and focus. More employer engagement leads to greater KT, more networking events have increased participation. The funding has made realisation of KT/EE much easier".

> "The KT and DEEP grants have provided the college with a vital opportunity to build a foundation for employer engagement and to address credibility issues. The college has used the fund for a wide range of research programmes and these have been instrumental in developing a dialogue with business. Examples of the research programmes include identifying modules across the curriculum which would be of interest to employers and then marketing them to relevant employers. The college is aware of the remote nature of its business base and undertook a piece of research to identify how services could be effectively provided to this group. The college has developed detailed profiles of students and has marketed these to employers directly with a view to assisting employers saving money on recruitment".

Colleges were very open in their responses and provided many examples to evidence the effectiveness of the funds, the difference they have made to college direction, and to their ability to engage more effectively with industry. Survey questions were designed to get specific insight on how the funds had been spent, and what the impacts, or expected impacts, of the funded activities were.

A critical element of this process was to establish if the DEEP and KTG funds supported activity and impacts that are additional to what the colleges have would done anyway. To discover this, colleges were asked to assess what difference was attributable to the funding.

3.1 What were DEEP and KT funds used for?



The chart above shows that the majority of respondents (54.1%) used the funding for a number of different projects within their college, both supporting current, and starting new, initiatives. Just under half (43.2%) of respondents used the money to buy in extra people or skills to engage with employers. Those replying 'other' included buying in services such as:

- guest lectures from industry representatives
- deploying teaching staff to deliver employer engagement and knowledge transfer activity
- events to promote activity
- website enhancement
- marketing
- subsidies for new business clients
- CRM system developed
- virtual learning environment development
- learning and teaching materials
- new innovative technology

Most colleges use DEEP and KT funds collectively. This has made administration easier and given some flexibility on how the funding was used.

> "Spent grants on a raft of small projects. College has used grants to support work with shipping companies, the International Maritime Institute, attending a range of meetings and conferences, supported events for shipping companies to come in and meet with students, also arranged visits for the Port Authorities and the Nuclear Skills Academy".

> "We have done a number of things, including a host of events targeting employers to come in to the college eg business breakfast, then get the names to target them. We have launched a centre for supply chain development. We had 115 representatives from business into the college – the First Minister speaking. We used it to get lots of company information to further target them to do TNA and bespoke courses. After engaging with them we have started developing personal development plans and courses – computing, legal courses, business and financial services. We are now developing a bespoke website to target employers and employees to push e-learning programmes and employer courses in general. We can also do an internal audit of where the leads are going. We have restructured the college and the team is more reflective of our engagement with the community and businesses.

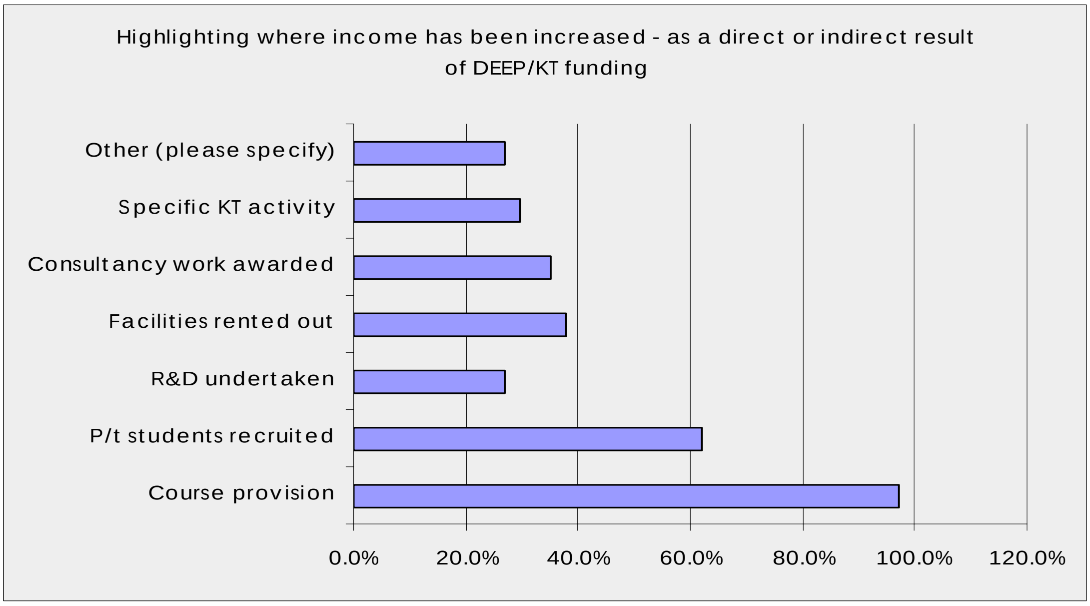
A key issue is whether the activity is sustainable – as this would demonstrate that the funding had made a step change in the way that colleges operate. The two main single uses of the funding were to:

- buy in skills to either undertake employer engagement or knowledge transfer activity
- backfill to allow the 'right' staff to deliver out in the field

This suggests that the funding is being used to tackle a recognised deficiency in college's readiness and ability to operate in more commercial, customer facing ways. In-house capacity is being built and sustainable value is being added to colleges.

3.2 Has additional income been generated as a result of using DEEP and/or KT funding?

Almost all colleges (97.1%) report that DEEP and KT funding has led to increased levels of income. Only one disagreed, stating that their KT strategy had been the driver for increased commercial activity rather than the funding itself, although it has been useful. Those answering positively gave more detail on which college activities had benefited in the table below.



The majority (97.3%) of colleges cite course provision as the main cause of increased income. Colleges were encouraged to 'tick' as many appropriate boxes as were applicable for this question. As highlighted in the first question, most colleges used DEEP and KTG funds for a number of different projects, hence the total exceeds 100%.

More detail for each of these categories was provided by colleges.

3.2.1 Course provision

- aspects of the curriculum have been amended to meet the specific requirements of commercial customers. For example, the college works with a Libyan oil company and provides 'bespoke' courses for them, which has helped to increase income
- short courses for industry
- adapting the method of delivering courses for commercial customers
- developed close links with relevant sector skills councils to design commercial provision
- CPD
- participating in industry panels has brought more commercial customers to the college

- new bespoke courses have made the college the 'preferred supplier' in the area, thanks to DEEP and increased levels of employer engagement
- distance learning now offered
- e-learning provided

3.2.2 Part time students recruited

- enrolments for 1-3 day courses are up significantly
- online courses enable employers to keep employees at work while they learn
- extra 375 part time students this year, thanks to KT funding
- more international students
- student applications have increased by 50%

3.2.3 R&D undertaken

- ad hoc research, mainly
- market research
- pump priming from DEEP and KT funds has kick-started this. Research into CPD models would not have been done with the funding.

3.2.4 Facilities rented out

- equine centre is open to industry 24/7
- we have high hopes once the buildings are completed
- meeting space & boardroom. Golf course and sports facilities also rented out
- funding has enabled this to happen
- sound studio and business centre
- as part of employer engagement, have held employer events in facilities to showcase them and what the college can provide

3.2.5 Consultancy work

- research work carried out for BECTA
- R&D work for projects in Botswana and China
- extra £20,000 worth of consultancy work won this year
- now on council consultancy framework, doing work with commercial partners
- working with HSE to develop learning materials for foreign construction workers
- £12k - £15k income in carrying out quality assurance services for the craft / knitwear industry
- this is our biggest growth area. The college now has the capacity to bid for consultancy work and has had some success in doing this

3.2.6 Specific knowledge transfer activity

- Apple/Adobe/Prince Project Management training for staff, funded through KT money
- work with Historic Scotland to improve public knowledge around conservation and home repair
- heritage tours, events and involvement in tourism forums
- have joined Borders Food Network, running Borders Union show and building networks

3.2.7 'Other' activity includes:

- risk assessment work for local businesses
- creation of a knowledge transfer hub – KT used as match funding for ERDF
- communication – telling businesses what the college has to offer
- additional income through specialised training
- clients often pay in kind – student placements etc

Colleges also commented on the effects of the DEEP and KT funding on college income. These include:

> "Income has increased substantially and is now twice what it was before the funding began. More work has been undertaken with existing employers, as well as new ones. The college now has time 'freed up' to talk to employers and gauge their actual needs"

> "Income has definitely increased as, without the funding, engagement with employers could not be sustained. We are a small college, so the extra money has been particularly significant".

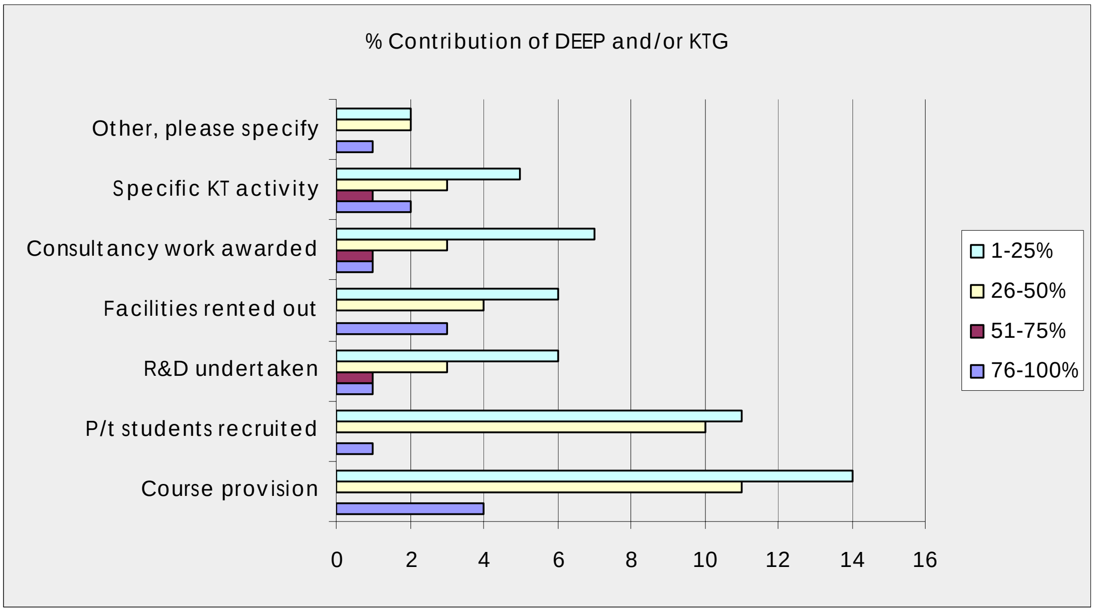
The feedback was that many colleges were focusing on a long term, sustainable approach that would give them a strong foothold as a 'solution provider'. A common thread was to do more of what they were recognised as being good at, as opposed to what might seem to be more profitable, but potentially risky, activity.

3.3 Quantifying benefits the to college income

Throughout the questions, very few colleges were able to quantify the benefits for each type of activity. A large number skipped this question, even when pressed for a numeric response. Of the colleges that did respond, some claimed that course provision had increased by up to £2.1m and this was the greatest increase in revenue. Smaller, although relatively significant, increases in facilities rented out and part-time students recruited were reported.

3.4 Measuring the difference made by DEEP and KTG funds

The colleges recognise that DEEP and KTG funding has pump primed activity resulting in income generation. To attribute the level of contribution that the funding made, colleges were asked to quantify how much of an impact the funding had had on their increased activity/revenue. Responses are in the chart below:

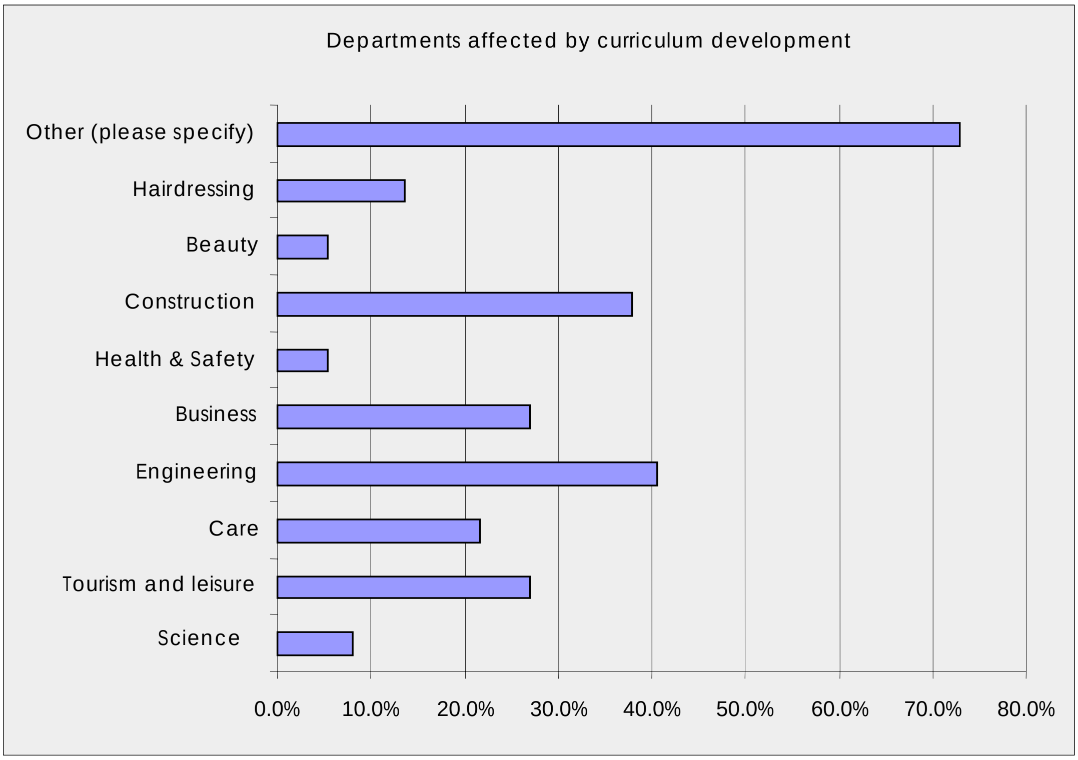


Colleges believe that DEEP and KT funding has had a positive impact on increasing college income. As noted above, course provision and the recruitment of part time students have been particularly effective in increasing income and these have been influenced by DEEP and KT funding. This is a good positive correlation that is recognised by colleges.

It would appear that colleges have been realistic on recognising the difference that the funding packages have made. The (relatively) small funding streams were responsible for increasing income and levels of activity within established portfolios. The DEEP and KT funds have made a valuable contribution to driving up income.

3.5 Curriculum development

All colleges said that working with employers has supported areas of curriculum development directly or partly attributable to DEEP or KT funding.



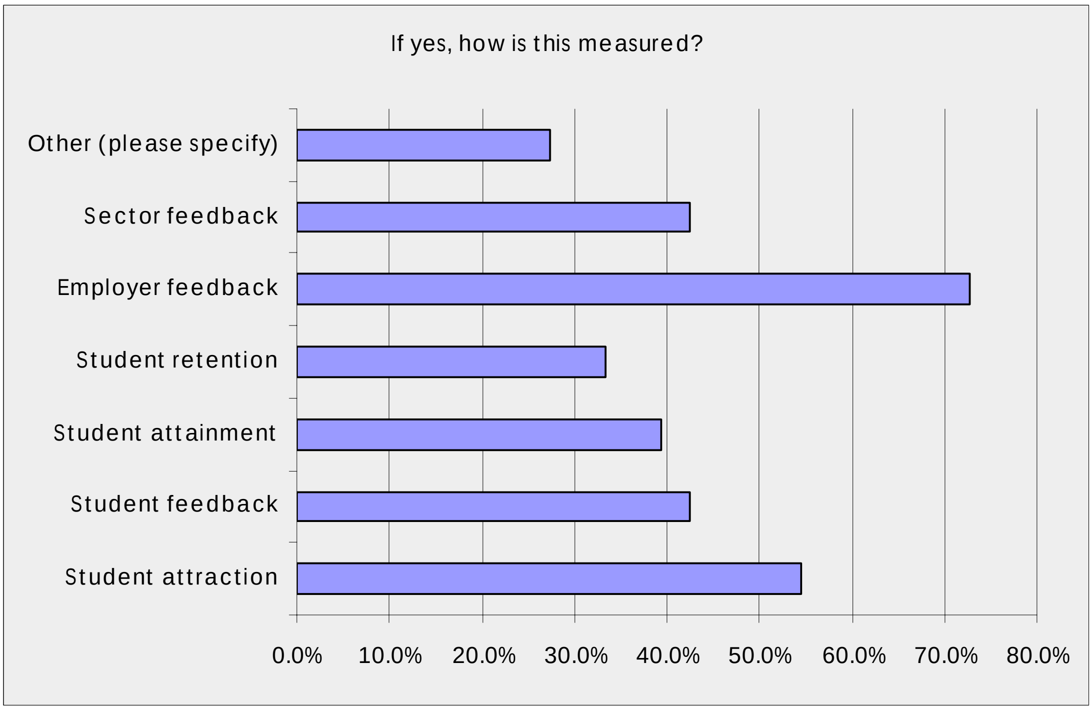
Colleges highlighted curriculum development in the departments in the chart above. Those cited most frequently were construction and engineering. Interestingly, there are also references to less traditional departments, which are not as readily associated with vocational learning, including creative industries. The 'other' departments included:

- agriculture
- forestry
- farriery
- land-based engineering
- aquaculture
- horticulture
- green keeping
- creative industries
- textiles & design
- oil & gas
- legal

One college observed that 'it is challenging to involve employers in curriculum development', but they all agreed that the funding had beneficial effects in supporting employers to become involved in this work.

3.6 Improved quality and added value to courses

Almost all colleges (91.7%) said that the funding has improved the quality and added value to courses. This improvement is seen in the metrics in the chart below. Most of this evidence stems from employer feedback about the relevance and value of college courses. Some of the colleges also noted that the repeat business from employers is an indicator that they are developing courses in line with employer and industry requirements.



College comments on this issue include:

> "The Local Authority has invested in [us]. This shows their confidence in what the college is doing - and has added value for students and employers".

> "This is difficult to quantify. The funding enables the college to understand industry needs better, but not sure about 'added value'. The college does carry out evaluations for each course, on a regular basis, to ensure they are fit for purpose etc. Any feedback is taken seriously. The Scottish Fire Service and Local Authority contracts ask the college to provide course evaluations and so, arguably, quality is monitored and kept as high as possible".

> "Added value to courses is now becoming more relevant - students are definitely more employable and the college has revised courses that were out of date".

> "We worked with OPITO (offshore training organisation) to develop new skills & training for the oil and gas industry - this is additional to what they would normally have done, giving us an additional £10k worth of income".

> "We have purchased Boomerang – software for surveys – and are going to start doing sectoral surveys to get course specific feedback looking at modes of delivery to identify gaps in provision".

"Our storytelling course generated a great deal of interest across the sectors. It seemed to supply a niche market with skills to support professional development. It was featured in both national and local press, and generated many enquiries from prospective students from education, health and social care, the arts, tourism and forestry".

"We are getting centre of excellence status [for our new marketing course] and will be the only college in Scotland with this and no. 2 in the UK".

More detailed comments were made on each of these sources of evidence and they are summarised below.

3.6.1 Student attraction

- applications are up on last year (50% - 150%)
- industry links and one-off courses make the college more attractive to employers
- good industry links are attracting more foreign students
- developing a unique offering has attracted students who would otherwise have gone elsewhere

3.6.2 Student feedback

- 3 students received awards from Lantra this year – highlighting the quality of their college work
- students are routinely monitored and feedback is taken generally, and throughout the work placement period
- students are coming back
- students are consulted on aspects of course improvement and so have greater ownership of developments

3.6.3 Student attainment

- 90% of students go into employment or continued study
- always work with industry to ensure courses are appropriate - which boosts their demand and keeps students well engaged
- engaged and integrated working definitely leads to richer skills
- this has improved significantly, though not all down to funds - been doing a lot of work to improve attainment on national programmes

3.6.4 Student retention

- repeat business brings learners back - predominantly those in work
- the opportunity of employment is a fantastic incentive for students to stay on at college
- student retention is 100%

3.6.5 Employer feedback

- adding value to courses has put them in the employer space - makes sure that employer needs are answered
- belief that college is producing a high quality of future employees
- reinforces good practice in developing courses and their delivery
- employer e-zine keeps employers informed
- fit of offer to what employers need, more employer driven
- this is collected as part of the work placement process and has been very positive
- getting very good testimonials from shipping companies and in hairdressing

3.6.6 Sector feedback

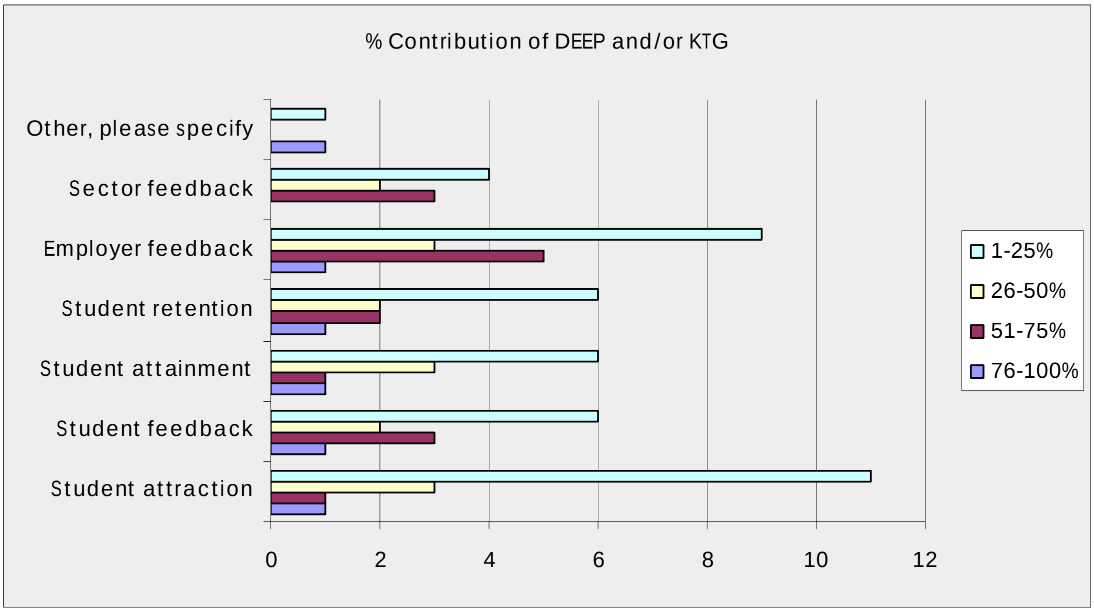
- college has provided resources to make sure that training is relevant and tailored - will be able to measure how successful this in feedback from the sectors
- work closely with SSCs and SDS to ensure best portfolio in place
- work with 6 or 7 different unions that have good relationships with the college. We have positive feedback, a good relationship management system and are customer driven

3.7 Quantifying the impact of funding on the quality and added value of college courses

Colleges struggled to quantify the benefits of the funding in terms of putting either a cash or a numerical value in terms of numbers of students recruited etc. It is now known that colleges have generally experienced increases in applications and student retention, but most were unable to be specific when asked 'how many?' or 'what is it worth?' in this survey.

3.8 Measuring the difference made by DEEP and KT funds

Approximately half of the colleges felt able to attribute a value to the difference made by DEEP and KT funds. The impact has been most noted through employer feedback and student attraction.



Further commentary on the responses shown in the chart above includes:

> "The college has been able to further developed links with industry - guest lectures and induction days. For example, vets coming in and giving practical advice to students. College now has good, strong partners and has access to equipment and resources it would otherwise not have".

> "The college has had great success working with, for example, DFID and GHA and has had repeat business from both".

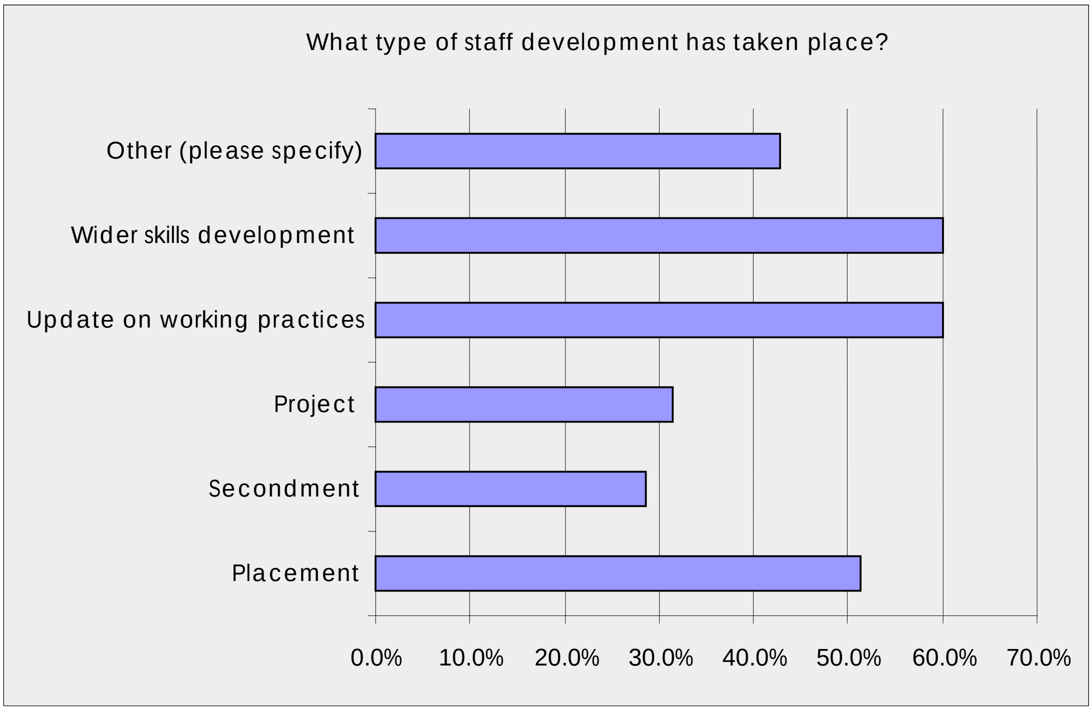
“Feedback has been particularly influential and drives the development of facilities and course provision”.

“HND is now offered over one year, due to demand, and used as a pre-masters course for students from China (a good proxy for demonstrating their ability in written English). Without funding, we would not have been able to get staff abroad to recruit students. These extra courses wouldn't have existed without SFC funding. We also get EU funding, so SFC a good match fund as well as being a good route into securing further funds once there is no EU money left”.

“This definitely contributes to the college’s student placement and employability agenda – the funding has enabled the college to develop work placements for all and to make the college courses more relevant to industry”.

3.9 Staff development

All colleges reported that some staff development had taken place as a result of the funding, with most staff having CPD activities including wider skills development and updates on working practices. Responses are shown in the chart below.



‘Other’ staff training included:

- working with employers to update curriculum
- manufacturers - looking at new products / equipment
- mainly informal. College is very good at providing staff with 'return to industry' programmes - for both teaching and non teaching staff.
- 300 staff members spent a day out with companies as part of employer engagement

Colleges were positive in their approach to staff development and all deliver a wide variety of opportunities. However, it was noted that much of this would go ahead regardless of whether DEEP or KTG funds were available. What the funds achieved, in some cases, was a focus for staff development activities with more emphasis being placed on working with employers and industry.

More detailed comments were made for each type of staff development. These are summarised below.

3.9.1 Placement

- employers have taken staff on placements - skills of staff have increased. Employers now understand the strength of the college. Employer/employee project with DSM Irvine - specialist projects in renewable energy projects
- more of this was done in the past. Not much recently due to lack of resources
- textile industry: Egypt a key customer - staff sent out to liaise and understand working practices out there. Similarly, links with the oil and gas industry in Turkey have taken staff out there too
- doing more placements (economic downturn, business more likely to pursue these), leads to direct knowledge transfer
- all staff had to go out to another organisation – college or employer – for a day to update skills or to 'sell' the college and to get feedback on the college. All took a questionnaire – 300 completed, analysing this just now
- difficult to get these in Shetland
- all project based – all staff to identify a project that is all about employer engagement. Employer engagement seminar programme is included in this. Sabbaticals with Babcock freshens skills and enables staff to find out more about what they do. Babcock training academy on their premises will be staffed with college staff. College has won an award for developing that relationship

3.9.2 Secondment

- staff have a better understanding of what employers need and staff have improved their knowledge of sectors in the area. Employers now have a better understanding of what the college can offer
- teaching staff have access to 5 secondment days per year. Lots done with industries - BBC, McTaggart & Mickel
- mainly in care sector - most staff came from there in first place!

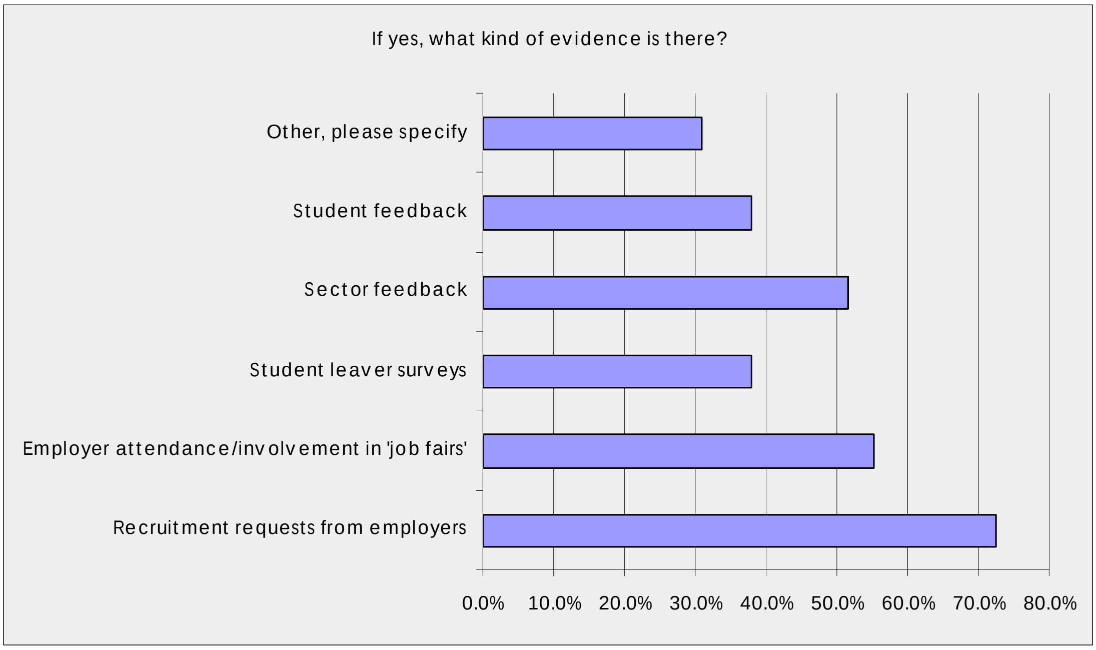
3.9.3 Project

- looking to develop HN provision to Turkey
- project work with businesses (inc European projects), creative industry work
- through the DEEP fund - staff go out for a day to find out what employers are doing. Have done it for 2 years - motivates staff, reassures staff that what they are doing is of relevance, is up to date
- for example, the development of bespoke courses to meet the future needs of companies

"Interacting with employers helps academic staff to see life through the employers' eyes – this is very important for course development".

3.10 Student employability

Eighty per cent of colleges believed that students had a better chance of employment because of employer engagement supported by DEEP and KTG. Most put this down to recruitment requests from employers, with over 70% citing this. Other sources of evidence are summarised in the chart and discussed in more detail below.



3.10.1 Recruitment requests from employers

- employers come to the college specifically - joint interviews with health sector and universities, for example, have helped to get students into work or HE
- council and various big employers - this is as a result of the better relationship and being more proactive about getting in touch with employers, might come through work trials too
- we have an increased demand for our advertising of employment/voluntary opportunities through our on-line portal, notice boards and texting service for learners. We have also held "Open Interviews" for local employers to fill employment vacancies and we react immediately to an immediate vacancies that required to be filled
- there tends to be a high correlation here as the funding has impacted on the college's strategic thinking in terms of employer engagement and knowledge transfer
- printing industry, for example, come straight to the college for recruits
- buoyant construction industry. Employers tend to gauge suitability of SFW pupils (S4). Most in care/hospitality/business are employees already
- all biotech students were offered permanent posts - Bioreliance took ten. Life sciences course has been tailored for skills demanded by industry - this focus is delivering results
- have had requests for part time students to become part time staff, a lot of that comes out of DEEP funded officer who is also placement officer part time. Have had employers come in to interview apprentices with the lecturer involved. Developing a job shop on the college website so students can look for work online. Doing more of things and quicker due to funds, more focused – measuring it now

3.10.2 Employer attendance and involvement in job fairs

- college runs job fairs and has had a lot of interest from employers
- run 2-3 a year, college is seen as a key source of potential workers. Have a bank of employers who regularly come along to these. An increase – more demand
- we have recently held events including a Recruitment Agency Drop-In Clinic and Voluntary Organisation open afternoon to which all employers were delighted with attendance levels. These events are held on a regular basis in line with our annual careerzone calendar of events
- employers have also delivered presentations to learners in a class-room based environments to advise of their organisation, recruitment process and expectations of future employees
- employer visits are co-ordinated so that learners can experience first hand what it is like in the workplace
- more involved in fairs but no evidence yet that it has translated into more students into jobs
- seminars and events – employers becoming more aware of what the college does

3.10.3 Student leaver surveys

- this is not something that is easily measured and we have no formal tracking procedure, however we do encourage learners to feedback on their progress/final destination either verbally or informally
- knitwear - most go into self employment
- doing a post course destination survey - asking whether students are employed in the sector they trained in

3.10.4 Sector feedback

- SSC relationship is very good
- highlight the value of vocational employment
- the college is viewed favourably versus other training providers
- anecdotal evidence from unions on better retention of jobs, companies more able to keep going in the recession as a result of OD work
- inter-college meetings are held regularly with Employability Co-ordinators from colleges Scotland wide to share good practice
- we are a Member of the National Association of Employment Services (NASES) the professional representative body for practitioners from all styles of Student Employment Services

3.10.5 Other responses

- the relevance of courses: courses have become more relevant - hope to see impact with the intake of the next cohort of students
- college specific staff: Work experience officer – offer opportunities for more relevant experience, previously was curriculum staff responsibility now more centralised but still sector focused, should lead to greater employability
- incentives for students: Currently running the Student Employee of the Year awards in line with NASES to recognise and promote the outstanding contributions and achievements of learners who effectively combine part-time work with their study commitments

3.11 Quantifying the impact of funding on the quality and added value of college courses

Colleges found this difficult to quantify, but comments included:

"The college sees itself as a broker between students and industry".

"The college is also working with ENABLE for engaging employers with students with special needs".

"The college has listened to employers about the qualifications they require for their staff. New courses have been run to ensure demand is met (eg switching to City & Guilds instead of SQA qualifications for hospitality students). This year, the college has seen ALL students successfully gain employment or access to further education".

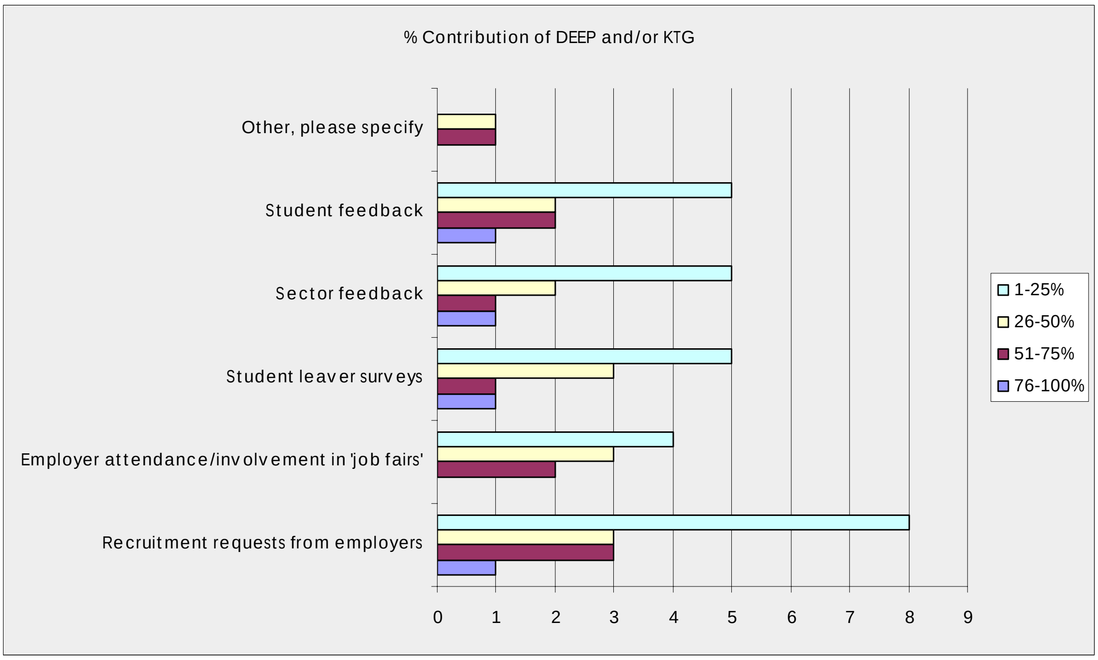
"The funding has been a kick start here, rather than directly contributing to activity".

"Probably too early to say – might even be 100% impact – overall. Definitely wouldn't have sent staff out to work with employers without the funding. Work placements for students have increasingly led to job offers and have built up valuable relationships with local employers".

"Engaging in a different way with employers, as the college (and not a person in a department), more holistic assessment of the companies needs, now have a dedicated business line. The Chairman is very supportive, so at highest level".

"93% of students go onto further study or to work. 40% of those in college are already in work. We only do vocational training, so all courses engage with employers. Only college in Scotland to get PACE money to address the 300+ enrolments of those made redundant from Motorola".

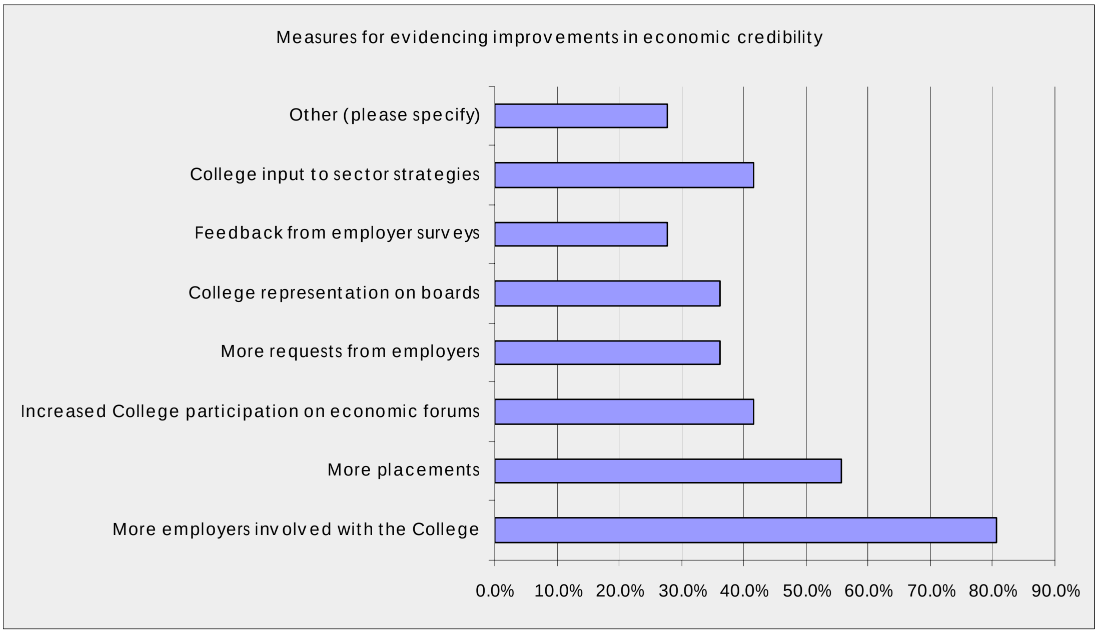
3.12 Measuring the difference made by DEEP and KTG funds



Colleges were able to attribute values to the actual contribution made by DEEP and KTG funds. All of the indicators highlighted were influenced to some degree by the funding. Recruitment requests, attendance at job fairs and student feedback were most affected by the funding streams.

3.13 Economic Credibility

All colleges reported that their economic credibility had been improved with the introduction of DEEP and KT funding. This was evidenced by the indicators in the chart below. Most colleges could highlight more than one measure of success and had an even spread of activity across all measures. The majority (80.6%) reported they had more employers involved with the college, and over half (55.6%) cited a greater number of placements.



It was noted that college credibility is not only economic. Colleges are more credible in the eyes of local businesses as many, particularly small and micro businesses, use the college to remain competitive and up-to-date with specialist skills, eg in compliance with changing regulations. The focus on employment has also given the colleges greater exposure to the media, with national media coverage of employability programmes, engagement with political figures and involvement in industry led initiatives.

Each indicator is discussed in more detail, with supporting anecdotal evidence.

3.13.1 More employers involved with the college

- time is now available to dedicate to communication with employers
- extra 30 employers involved through MAs and other things
- used fund for employers seminar in college training restaurant with local employers – semi-social occasion and speeches to inform what the college is doing and to get a handle on local business needs
- currently initiating an Employer Led Forum for representatives from various industry types to meet at an operational level to discuss their needs
- currently initiating an Employer Ambassador Scheme (by industry type) who will be qualified and experienced professionals who use their enthusiasm and expertise to provide information and careers advice to learners on various opportunities within the sector
- increase in employer classroom based presentations
- not just as a result of funding activity - big focus on this anyway - college really been working hard to improve reputation in recent years

3.13.2 More placements

- due to land based industrial support services work now coming to an end (due to lack of EU funds - used to get around £100k each year)
- offers from employers have been increasing
- developing - for both students and staff
- due to increase in staff resources this has enabled us to source, manage and evaluate an increased amount of work placement experiences. Currently researching all programmes of study that require mandatory (and optional) work placements and looking at implementing full management of these
- spend a lot of time getting more and the right placements, work with employers to maintain placements. The number of programmes with placements has gone up
- more centralised management of placements (and synergy with placement officers)
- full time courses in particular, marketing hairdressing will have an impact

3.13.3 Increased participation in forums etc

- SSC, Glasgow Childcare Partnership, Glasgow Trades Houses, Glasgow South Business Club
- have always done this, but now have more time
- CPP, local forums, all married together and college play a key part
- currently attending the Fife Economy Partnership – Fife Culture of Enterprise Framework for Action
- college has strong links already to economic forums - this has increased in the current economic climate
- More involved with SE, now an account managed company. Work with the council on MCMC agenda

3.13.4 More requests from employers

- lots of repeat business, although college is still making the first move in terms of initial contact
- through advisory boards. Getting into new areas and working closely employers e.g. renewable energy
- more enquiries for bespoke CPD, SVQs the CPD website will take care of this going forward

3.13.5 College representation on Boards

- this has happened in the care sector
- always strong, but now stronger
- principal sits on a few boards, steering group for Support Employment
- principal chairs the CoC education and training forum

3.13.6 Feedback from employer surveys

- dramatic increase in engagement with employers - now a 2 way process
- very positive feedback
- employers and SSC are very positive
- all events that employers attend are followed up with feedback questionnaires. Periodically (where applicable) we receive verbal feedback from employers on the assistance we have given for filling employment vacancies etc

3.13.7 College input to sector strategies

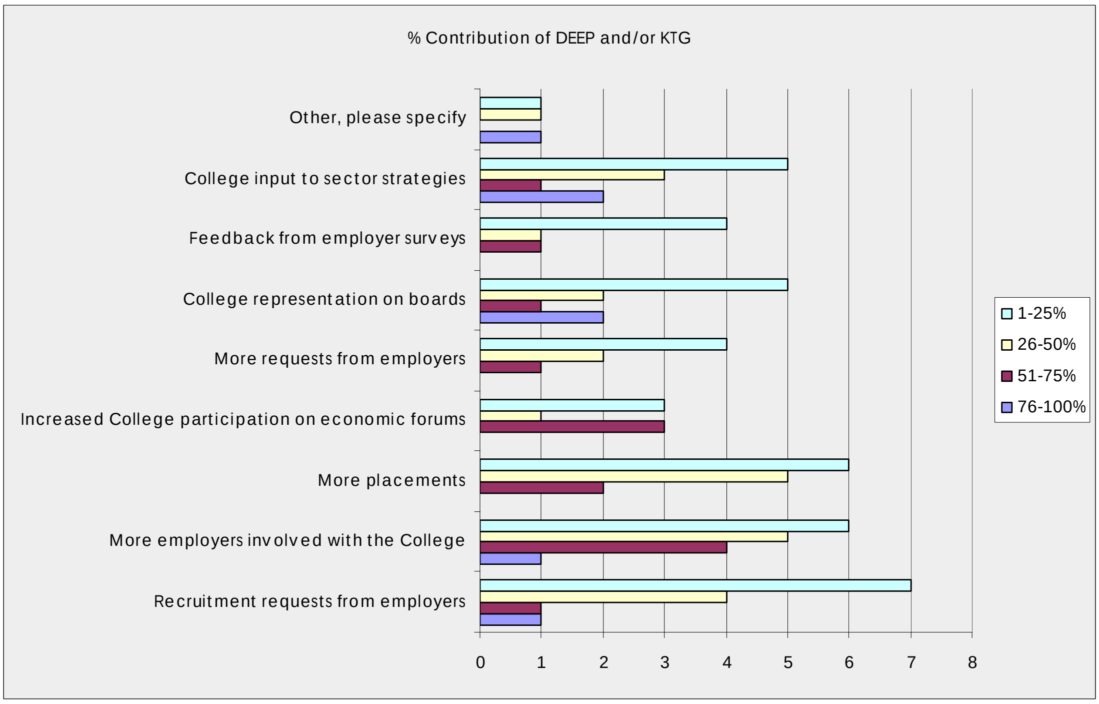
- Lantra and Skills Active
- doing more here as have more free time
- recruitment of women into construction courses
- staff member contribution to tourism planning in Midlothian
- cultural industries, SSCs

3.13.8 Other

- participated in the Make Your Mark Challenge– National Enterprise Week to raise awareness of enterprising, self-employment and employability skills to learners. Activities involved were: The Enterprise Club to inspire and challenge students to consider business start up through first hand accounts from business people as an informal gathering; Shell LiveWire Workshop; Meet the Employers; and Business Gateway Workshop
- we also deliver Citizenship sessions to students to give learners the opportunities to develop a knowledge and understanding of citizenship and thus encourage them to take on responsibilities and exercise choice
- successful joint funding bids to Homecoming Scotland to promote local heritage - Joint representation at Expo 2009

3.14 Measuring the difference made by DEEP/KTG funds

Colleges responded positively in attributing a percentage value to the contribution that DEEP and KT funds have made to increasing their economic credibility. The chart below shows the impact, from the college point of view, of each activity. Colleges are more convinced that the funding has had a direct influence on their economic credibility, as a number of them have quantified the contribution between 76% and 100% - this is particularly evident in the effect on input into sector strategies and representation on Boards.



3.15 Conclusion

Colleges have responded positively to DEEP and KT funds, and the benefits and opportunities they bring. Funding has facilitated greater awareness for the need for contact with employers and local partners. Colleges have been proactive in terms of involving employers and sector representatives in their course design decisions, and in what they are delivering to learners.

There are still areas for improvement in linking FE more closely with employers, and in ensuring that knowledge transfer systems are in place to share learning and best practice, both across the FE sector, and between colleges and industry.

The funding has helped a number of colleges to refocus their activity and build capacity so that they are thinking more commercially, and better able to respond to current and future employer needs.

Colleges were asked to make some general statements about their experience and of the benefits of having access to DEEP and KT funds. These were positive and a number are presented below.

> "KT and DEEP have been very helpful. The college feels that first of all the focus must be on building relationships and that KT will come after that. KT is a long game and the college now feels enabled to play that game. There are enormous commercial pressures on the college so this funding has been very helpful".

> "Five years ago, the college was already at the forefront of engagement and KT. Funding has enabled college to go to next level. It has had a great impact on the college and students. More resources equal more input from industry".

> "As we were already very active in this area, we have found it pretty impossible to attach values to the contribution of the funding received. The funding is appreciated however, and has been used to run employer events, create publications and make real progress in putting our strategy into practice".

> "Economic credibility has improved as the college is now meeting the needs of industry. Their primary focus is to meet the needs of local employers and they have made great progress in achieving this. The college vision has changed – **it was** 'World class centre of excellence for golf and land based activities...' **it is now** 'serving the needs of the local economy and being first choice for local employers'".

> "All of this activity is keeping the college 'sound' and increasing penetration into specific sectors".

> "The college is on the cusp of taking their positive relationships with existing employers and using it to build new relationships with employers they don't yet know. The in-college awareness and focus on commercial activity has risen. Very positive relationships with employers and partners (SCDI have even provided funding for some work the college is doing in Syria). The DEEP and KT funding has been instrumental in this for the college".

> "The two grants have enabled us to work more closely with the economic regeneration departments in our two local authorities. They now know what's on offer at the college and this has been a great benefit to us".

> "The college is delighted with the funding and would not have been able to carry out much of the activity without it".

“The college has a strong profile. Funding has assisted further engagement and KT, although this has always been good at the college. Many employers are engaged and, due to Glasgow Met's specialised offering, will continue to be so. Funding has been really helpful in enabling the college to do more”.

“Funding has really helped to increase credibility, economic stability and awareness. Reputation has been the biggest impact for the college. Funding has increased credibility with the public and private sector with DEEP kick-starting marketing activity and increasing general awareness on what the college has to offer”.

4 Driving up Performance

An objective of this project is to identify ways that performance in DEEP and KT can be improved – while recognising the different economic environments that each college operates in. The approach is to recognise the behaviours and competencies that lead to strong results, and to find ways of supporting 'more of that' across all colleges.

4.1 Competency frameworks

The term competence is part of a widely used and systematic methodology in understanding how to improve successful outcomes in often complex tasks. It is a holistic approach to understanding all the skills and other factors that can be analysed and articulated to describe how successful performance is achieved. That method then allows assessment of current capability and enables a programme of appropriate development activities that will improve performance and outcomes.

To understand how to improve complex processes, the first stage is to define the competences that make for successful performance. Evaluating capability against those competences therefore allows an analytical and robust performance metric that can be used for comparison and improvement. In developing a competence framework, the work that has already been developed by AURIL was used as a benchmark and they were consulted on ways that colleges could work with them, and on how college staff could work with the new Institute of Knowledge Transfer (IKT).

4.1.1 Employer engagement

The base requirement in a competency framework for employer engagement is to ensure the value of relationship building and relationship management is recognised. The framework below sets this out.

		Very Strong	Strong	Medium	Low
1	**Justify employer engagement**				
1.1	Create employer engagement strategy and/or keep it 'fresh'				
1.2	Identify opportunity or weakness that employers could support college with				
1.3	Research the sector				
1.4	Agree approach				
1.5	Set objectives and targets				
1.6	Gain appropriate backing and approvals				
2	**Manage relationships**				
2.1	Identify employer relationships to cultivate				
2.2	Confirm win-win situations with employers				
2.3	Develop, manage and maintain external relationships				
2.4	Time the introduction of wider college engagement				
2.5	Re-evaluate relationship on a regular basis				
2.6	Create and maintain internal relationships in other departments/schools				
2.7	Assist in managing ongoing relationships between college and external clients				
2.8	Manage employer expectation				
2.9	Develop college relationship with wider sector				
3	**Monitor results**				
3.1	Confirm college and employer are gaining benefit				
3.2	Ensure college objectives are being met				
3.3	Use results as Management Information				
3.4	Promote success through the right medium				
3.5	Update employer engagement strategy				

4.1.2 Knowledge transfer

The competency framework set out below, covering knowledge transfer, is wider and reflects a greater requirement for management and leadership approaches.

		Very Strong	Strong	Medium	Low
1	**Manage information and communications**				
1.1	Obtain, evaluate, organise and store information				
1.2	Exchange information both internally and externally to assist in decision making				
1.3	Organise information and communicate using appropriate media				
2	**Manage relationships**				
2.1	Create and maintain internal relationships in other departments/schools				
2.2	Develop, manage and maintain external relationships				
2.3	Assist in managing relationships between college and external clients				
3	**Manage projects**				
	….as a team leader or team member:				
3.1	Development, planning and preparation of a range of KT projects				
3.2	Develop plans to achieve project goals				
3.3	Establish resource requirements and monitoring procedures				
3.4	Ensure projects are on time, meeting quality targets and within budget				
4	**Manage the commercial interface**				
4.1	Recognise and assess the opportunities for marketing college capabilities				
4.2	Develop and manage business opportunities through to successful outcomes				
4.3	Market and promote college KT capabilities to targeted individuals, organisations and the wider community				
5	**Problem solve and manage the decision making process**				
	Through the acquisition and management of data and information; evaluate, review and resolve problem areas:				
5.1	Identify problems				
5.2	Use structured approaches				
5.3	Use both critical and creative thinking				
5.4	Seek solutions				
5.5	Make informed decisions				
6	**Provide leadership**				
6.1	Provide strategic leadership on behalf of the board and senior management				
6.2	Provide operational leadership through:				
6.3	Leading on individual KT projects within the college				
6.4	Leading on the commercial development of new KT projects/products				
6.5	Assessing next steps for clients - and opportunities for further KT solutions				

4.2 Maturity model

This evaluation aims to measure positive change in the ways that colleges operate in DEEP and KT over the three years of the project. To demonstrate progress, a maturity model has been created to allow colleges to consider how they are performing and as an aid to help them drive self improvement.

The model identifies seven activities that are critical for success in this work. Four levels of maturity for each of these are defined: basic, developing, performing and best in class. Within each element of that 7 x 4 matrix, a number of statements describe what would be found in a college demonstrating that level of maturity.

The model below was created following the first set of college interviews and is based on the views and comments of colleges.

Maturity statement	Basic	Developing	Performing	Best in class
Information and communication	• EE/KT is not understood by all in the college • Communications are unplanned • KT is marketed through web-site, prospectus & one-off leaflets • Communication is a one-way process	• A marketing plan has been prepared • Database is up to date and mined regularly • Market research is targeted • EE/KT is promoted well internally	• EE/KT is valued internally • Market research is driving EE/KT activity and decision making • The 'appropriate' media to communicate is selected on a case-by-case approach	• Feedback from businesses constantly sought – and acted upon • Businesses see college as 'easy to buy from' • All staff promote the colleges ability to add value through EE/KT
Relationships	• EE/KT is a separate activity across the college • There is internal competition to deliver • Clients are directed to information points	• EE/KT is an integrated college-wide activity • New clients are introduced to the wider college • businesses are client managed	• Clients shape future KT delivery in a win-win environment • Clients ask for bespoke solutions • Staff value the client management process	• Repeat business is the norm • College is 'supplier of choice' • Client identification to KT delivery is seamless • College is viewed as an equal partner by businesses
Project management	• EE/KT is a 'one-off' activity • Ownership of a project may be unclear	• EE/KT activity is planned in advance • Resource is in place before commitments are made • Monitoring arrangements are in place for each project	• Project plans are made and adhered to • Project goals are the focus • Project ownership and responsibility is clear	• Timescales are met • Quality is assured • Projects come within budget
Commercial interface	• 'Loss leaders' are undertaken regularly • Demand for KT activity is unproven • College is not viewed as businesses externally	• Opportunities for KT are actively sought across the college • A business case is made for each opportunity • KT is targeted where college supply meets external demand	• Staff recognise the importance of being 'first point of contact' • An EE/KT business and/or operating plan is in place • Wider college capability is promoted to clients	• KT aftercare is appreciated internally & externally • KT product is perceived as high quality • Sell-on process starts during KT projects
Decision making	• Decision making process is unclear • Ad-hoc activity is taking place • Problems can be created through good intentions	• A structured, decision making process is in place and is clear • Criteria is in place and understood • Feedback to decisions is given	• Solutions are sought beyond 'no' • Risks are minimised by being addressed in advance • Decisions are reversed if circumstances change	• College decisions are respected externally as business driven • Staff support decisions publicly •
Leadership	• The board is supportive of EE/KT • The management team are supportive of EE/KT • Staff are coming forward with routes to develop EE/KT	• There is an acknowledged strategic drive to develop EE/KT • EE/KT has a champion(s) in the college • Staff look to the EE/KT champion for support	• A portfolio of KT is held and activity is driven at the best time • EE/KT mentoring takes place with departmental staff • Third parties are referred to the college as a role model	• Leadership is demonstrated at all levels in the college for EE/KT • Businesses look to the college to support economic strategy • College leadership in EE/KT is seen as a competitive advantage
Performance and results	• Baselines are not well understood by team or stakeholders	• Hard and stretch targets are set & agreed • Benchmarking is now	• Ideas developed, prioritised & action plan in place	• KT team committed to measure & achieve continuous

Maturity statement	Basic	Developing	Performing	Best in class
	• Objectives & targets are vague • Data requirements determined, but not yet gathered	undertaken • Key areas for improvement are identified with initial ideas developed	• Hard targets being achieved • The reasons and benefits of setting stretch targets is understood by staff	improvement • Stretch targets being achieved • EE/KT is seen as a role model in college for setting and achieving stretch targets

4.3 Maturity model positioning

Each college was asked to indicate where they felt they were on the maturity model at the time of interview. Seventeen colleges responded and the analysis is in the table below.

The maturity model should not be seen as a tool to measure 'good' or 'bad' performance. It should be used to track ongoing development and identify areas for action and improvement on the route to 'best in class' performance. This is a subjective process and those completing the model will have applied different levels of soft or harsh 'marking'. Maturity models reflect college behaviour in their specific environments, rather than quantitative measures. This should be taken into account in reviewing this first self-assessment of 'perceived performance'.

Maturity statement	Basic	Developing	Performing	Best in class
Information and communication	27%	33%	27%	13%
Relationships	14%	21%	29%	36%
Project management		63%	25%	12%
Commercial interface	7%	30%	56%	7%
Decision making	12%	25%	50%	12%
Leadership	6%	65%	12%	17%
Performance and results	25%	31%	38%	6%
% total by category	13%	39%	33%	15%

It is interesting to note that the most positive view is on relationships, and this is given further credibility in the feedback from the employer survey. The importance of relationship building is an issue that the colleges particularly focused on when talking about both DEEP and KTG in the interviews.

Going forward, colleges will be urged to look again at the model and to think about how they can improve what they do and how the do it, using their perceptions of their own delivery and performance as a driver for self assessment and development.

4.4 Conclusion

The competency framework was met with enthusiasm by some colleges, but generally there was no tangible commitment to its implementation. If the competency framework is to reap benefits then the colleges must have ownership of it. There was a concern that these are being 'done to' the colleges and because of this there is the possibility that they will be rejected. A way to drive this forward and build ownership would be to establish a college group or community of practice to develop and roll this out possibly with the Scotland's Colleges KT working group.

Colleges reacted more favourably to the maturity model, but more focussed work needs to be done with colleges to support them to use it. There was a disappointing response to its completion at this stage with some colleges reflecting that they would 'just be guessing'. This suggests that the sample of 17 colleges that self-scored are more advanced in their development and a full survey would show many more colleges in the 'basic' category. This would not be a criticism, as one of the main objectives of the funds is to help colleges build capacity in this work, and many of them readily acknowledge being at an early stage in that process.

5 Employer Engagement

This section reports the feedback from consultations with a range of employers focused on understanding:

- the characteristics of organisations that Scottish colleges engage with
- organisations' perceptions of Scottish colleges
- engagement with Scottish colleges
- public sector benefits
- private sector benefits
- economic benefits

5.1 Employer consultation processes

To constructively evaluate Scotland's colleges engagement with businesses and employers, it was essential to consult organisations that had engaged with Scottish Colleges, and some that had not. To measure the impacts of engaging with colleges and understand employers' perceptions of the services offered, over 308 organisations were approached based on contacts provided by 31 colleges.

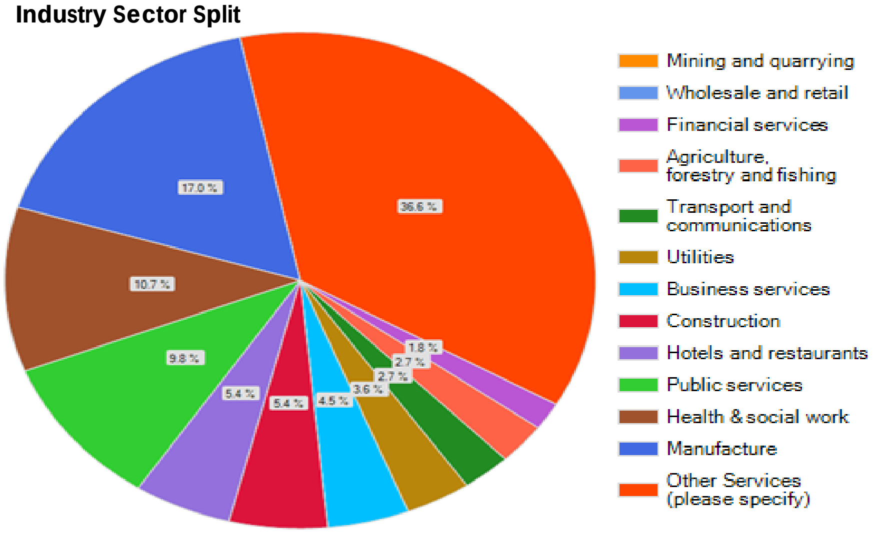
In addition, a small number of responses (5) were received from businesses attending a Sector Skills Alliance Scotland conference. In total, 113 organisations (37%) provided feedback to support the evaluation, including a number from organisations that had not engaged with Scottish colleges. It should be noted that colleges supplied contacts that they felt were more likely to complete the survey at a time of concern over the recession.

Not all respondents answered all survey questions. The characteristics of the respondents are provided the respondent profile below, and any variation in the number of respondents who replied to each question is shown.

5.2 Respondent profile

The 31 colleges that provided details, worked with a wide variety of organisations. Responses came from both private sector, for profit, businesses (59%) and public sector, or not-for-profit organisations (41%). These results indicate that Scottish colleges are engaging with a diverse range of organisations and the large proportion of not-for-profit organisations suggests that the colleges are supporting them to achieve strategic objectives beyond sales and profitability. An indication of the diversity of business sectors is provided in figure 5.1 below.

Industry Sector Split **Fig. 5.1**



The main sector engaged was manufacturing, with health and social work, and public services the second and third largest sectors respectively. This further highlights the extent to which colleges are working with public sector organisations.

A large majority of respondents (80%) had been trading for more than ten years, suggesting that colleges are predominantly working with well established organisations. This is illustrated in Table 5.1 below

Length of Time Company has been Trading **Table 5.1**

Time Length	Response Percentage	Response Count
Less than one year	1%	1
1 – 2 years	5%	6
3 – 5 years	5%	5
6 – 10 years	10%	11
10 years +	79%	89
	Answered question count	112

Around 11% of organisations had been trading for five or less years, and only one for less than one year. This may suggest that the proportion of 'new' businesses which colleges work with is low. However, it may also be that the colleges wanted to provide details of longstanding and reliable customers - inadvertently skewing the sample away from their newer customers.

The majority of companies working with colleges (60%) were large (250+ employees). By contrast, only 8% employed less than ten. Hence, the majority of organisations that the colleges work with are both long established and large. That profile that is not representative of the Scottish economy and reflects the widely held view that SMEs are not (yet) a significant part of the college customer base.

Company Size-band **Table 5.2**

Company Size-band	Response Percentage	Response Count
1-9	8%	9
10-49	14%	16
50-249	17%	19
250+	60%	67
	Answered question count	111

Nine of the 14 respondents that had not received college services were also large businesses. It should be noted that organisations not working with colleges represent only a small proportion (14%) of the overall respondent group.

A full breakdown of the levels of engagement with the Scottish colleges is in table 5.3. More specifically:

- 56% of the organisations approached the colleges themselves
- 27% of the organisations were approached by a college

This suggests that just under two-thirds of engagement is initiated by the business rather than the college. However, it should be noted that it is more difficult for a supplier to contact all potential customers, than for a customer to approach one of only a small number of suppliers.

College Engagement **Table 5.3**

In the Past Three Years Have you:	Response Percentage	Response Count
Been approached by a Scottish college about an activity – and went on to do the activity	27%	29
Approached a Scottish college about an activity – and went on to do the activity	56%	55
Been approached by a Scottish college about an activity – and not went on to do the activity	4%	4
Approached a Scottish college about an activity – and not went on to do the activity	8%	8
Had no contact at all with Scottish colleges	2%	2
	Answered question count	98

5.3 Perceptions of colleges

Respondents had mixed perceptions about how well promoted Scotland's colleges are, with few expressing strong opinions that the colleges were 'very well' promoted or 'very poorly'. Around 39% of organisations suggested colleges were 'well' or 'very well' promoted, while 31% suggested they were 'poorly' or 'very poorly' promoted. Perceptions of college promotion were very similar between organisations who had engaged with the college, and those that had not.

Promotion **Table 5.4**

Promotion Quality	Response Percentage	Response Count
Very poorly promoted	3%	3
Poorly promoted	28%	28
Neither poorly nor well promoted	30%	30
Well Promoted	37%	37
Very well promoted	2%	2
	Answered question count	100

While organisations had mixed responses on how well colleges were promoted, they were far more positive about how approachable they felt the colleges were, with 77% indicating that they felt the colleges were either approachable, or very approachable. As table 5.5 below indicates, only 14% of respondents saw colleges as unapproachable or very unapproachable.

Approachability **Table 5.5**

Approachability	Response Percentage	Response Count
Very unapproachable	9%	9
Unapproachable	5%	5
Neither unapproachable nor approachable	10%	10
Approachable	51%	52
Very approachable	26%	26
	Answered question count	102

Organisations that did not work with the colleges appeared to find colleges no less approachable than those that had.

Respondents were asked to rate their perception of services commonly offered by colleges. There was again very little difference between those organisations that had, and those that had not, worked with the colleges.

The significant majority of organisations believed college services to be either 'good' or to be 'neither good nor poor'. This may suggest a degree of ambivalence about college services.

Services **Table 5.6**

Service	Very Poor	Poor	Neither Poor nor Good	Good	Very Good	Response Count
CPD/Skills Training	1% (1)	10% (10)	24% (24)	56% (55)	9% (9)	99
Range of courses	0% (0)	6% (6)	23% (23)	55% (54)	16% (16)	99
Consultancy Services	3% (3)	22% (20)	41% (38)	28% (26)	7% (6)	93
Contract R&D	3% (3)	11% (10)	66% (59)	17% (15)	2% (2)	89
Business Developments	6% (5)	17% (15)	40% (36)	30% (27)	8% (7)	90
Use of College Facilities	1% (1)	8% (8)	28% (27)	47% (45)	16% (15)	96
Student Placements	2% (2)	9% (9)	37% (35)	43% (41)	9% (9)	96
Student Recruitment	2% (2)	7% (7)	47% (44)	33% (31)	12% (10)	94
			Answered question count			101

Organisations were most positive in:

- rating the CPD and skills training
- the range of courses the colleges offered

The fact that CPD was most highly rated is reassuring as this was the service most in demand from organisations. The most poorly rated services were business development and consultancy services. Even in these areas less than a quarter of respondents felt that services were 'poor' or 'very poor' and a greater proportion felt that those services were 'good' or 'very good'.

5.4 College engagement

For organisations that had worked with colleges, CPD and skills training was the foremost reason for engagement, far outstripping the uptake of any other services. With the majority of organisations (73%) engaging in CPD activities, this suggests that CPD is a key area for continuing to engage and develop relationships with employers.

Other services commonly used by organisations include:

- use of college facilities (44%)
- working with departments on course development (44%)
- the provision of student placements (39%)

A full breakdown of the activities is in table 5.7 below:

Activity Types **Table 5.7**

Activity Type	Response Percentage	Response Count
Continuing professional development/ skills training	73%	61
Engaged with departments on course development	44%	37
Use of college facilities	44%	37
Student Placements	39%	33
Engaged with staff on staff development	25%	21
Business Development	21%	18
Consultancy Services (training related)	20%	17
Student Recruitment	17%	14
Other	12%	10
Consultancy Services (non training related/business issue focused)	6%	5
Contract R&D	0%	0
	Answered question count	84

It should also be noted that none of the respondents used contract R&D services from the colleges.

Almost half (48%) of the organisations had worked with the colleges for 5 years or more, and over 68% had worked with the colleges for more than three years. As table 5.8 below shows, the majority of respondent organisations had longstanding working relationships with the colleges suggesting that many organisations continue to use the colleges' services over prolonged periods.

Feedback also suggests that the colleges are forging new relationships and 89% of respondents stated that they will seek further engagement with the colleges, indicating that the majority of these relationships will continue and could develop.

Length of Working Relationship **Table 5.8**

Length of Time	Response Percentage	Response Count
0 – 6 months	4%	3
6 months – 1 year	10%	8
1 – 2 years	6%	5
2 – 3 years	12%	10
3 – 5 years	21%	17
5 years +	48%	39
	Answered question count	82

A significant majority of organisations (87%) indicated that it took less than six months to establish a working relationship with the college and to begin work. The remainder (14%) took more than 6 months to set up their college related activity.

Length of Time to Set up Activity **Table 5.9**

Length of Time	Response Percentage	Response Count
Less than One Month	35%	28
1 Month – 6 Months	52%	42
6 Months – 1 Year	11%	9
1 Year +	3%	2
	Answered question count	81

The majority of organisations (57%) cited the locality of the college as a reason for working with them, suggesting that the geographical situation of the college is an important factor in engaging with organisations.

Organisations selected a range of factors which they felt were important in choosing to work with a Scottish College including:

- existing relationships with the colleges (52%)
- colleges offered courses the organisations needed (46%)
- colleges offered the expertise the organisations needed (39%)

This suggests strongly that networking and developing relationships with organisations can - and does - encourage further employer engagement.

Reasons for working with Scottish Colleges **Table 5.10**

Reason	Response Percentage	Response Count
College was local	57%	48
Already had links with the college	52%	44
College offered the courses we needed	46%	39
College offered specific expertise we needed	39%	33
College service was more cost effective than others	20%	17
College could meet our needs quicker than other providers	17%	14
We couldn't access appropriate support elsewhere	8%	7
Other	8%	7
	Answered question count	84

Asked specifically what they wanted to achieve by working with the colleges, the majority of organisations (71%) emphasised the importance of training, up-skilling, and developing staff. These were cited as the foremost objective for most companies that engaged with Scottish colleges and the full list is in table 5.11.

Very few organisations identified overcoming business or technical problems as the reason for engagement, and few wished to develop new products or sales from work with the colleges. Only one company indicated research and development as an objective. This suggests that few organisations are looking for R&D support from colleges, and that colleges are not promoting themselves in this way.

Company Objectives in Working with Colleges **Table 5.11**

Objectives	Response Percentage	Response Count
Wanted to up-skill existing staff	71%	60
Wanted to gain qualifications for staff	58%	49
Wanted to develop new skills in staff	52%	44
Wanted to up-skill new staff	49%	41
Part of a programme of CPD	24%	20
Wanted to improve productivity	24%	20
Wanted to access specialist staff expertise	16%	13
Wanted to develop new product/process/service to the company	10%	8
Wanted to develop new product/process/service to the market	8%	7
Wanted to overcome business problem	8%	7
Wanted to overcome technical problem	6%	5
Wanted to develop new sales - overseas	4%	3
Wanted to develop new sales – domestic	1%	1
Wanted to carry out R&D	1%	1
Wanted to conduct iterative and informal research and development	0%	0
Other	14%	12
	Answered question count	84

Without the support provided by the colleges, one quarter (27%) of the activity would not have gone ahead at all. In addition, 40% of those surveyed suggested that the project would otherwise have been delayed or smaller in scope suggesting a degree of time and scale additionality from college support. Just over one third of the organisations suggested the activity would have gone ahead anyway. This suggests that the college services are realising benefits of time and scale that would not otherwise be achieved.

Additionality of College Activity **Table 5.12**

Activity would have:	Response Percentage	Response Count
Went ahead anyway	33%	27
Would have been delayed slightly	12%	20
Would have been delayed significantly	20%	16
Would have been done a bit smaller	4%	3
Would have been done a lot smaller	4%	3
Would not have gone ahead at all	27%	22
	Answered question count	81

To understand the extent of fulfilment of customer objectives, they were asked to rate their satisfaction with various aspects of the engagement. The feedback is in table 5.13 below and shows that the majority of organisations were 'satisfied' or 'very satisfied' with all areas of delivery. This suggests the services provided by colleges were mostly fulfilling organisations needs and expectations.

Only a very small proportion of respondents (<10%) indicated they were 'dissatisfied' or 'very dissatisfied' with aspects of college delivery. However, this should be noted, as college preparation and time taken to start the activity are areas that colleges can address quickly.

Satisfaction **Table 5.13**

Activity	Very dissatisfied	Dissatisfied	Neither dissatisfied nor satisfied	Satisfied	Vary satisfied	Response Count
Time to start the activity	4% (3)	5% (4)	13% (11)	57% (47)	22% (18)	83
College preparation	2% (2)	5% (4)	11% (9)	52% (43)	29% (24)	82
College delivery of activity	1% (1)	2% (2)	8% (7)	52% (43)	36% (30)	83
Project management of activity	1% (1)	4% (3)	20% (16)	44% (36)	31% (25)	81
College follow up support	2% (2)	2% (2)	21% (17)	42% (35)	33% (27)	83
Overall	3% (2)	1% (1)	10% (8)	52% (41)	34% (27)	79
Answered question count						83

The extent to which organisations achieved fulfilment from working with the colleges was further clarified by asking them to rate the extent to which their objectives were met. Almost all (99%) indicated that their objectives were at least partially met, and 79% indicated their objectives were fully met, suggesting that most training, up-skilling and staff development goals were realised.

This is very positive and suggests that most organisations working with colleges have found the outcomes to be rewarding. It is further supported by evidence that 89% of organisations that work with colleges plan to do so again.

While 10% of organisations were not sure whether they would engage in further activities with the colleges, only one respondent said they would not.

CPD and staff training remain the primary activity that most organisations want colleges to provide. It is unsurprising that 48% of organisations wish to engage with the colleges to meet their employer demands, particularly as a large proportion (39-46%) of organisations indicated that they worked with the colleges because they could provide the courses and expertise required. This suggests that most organisations want 'more of the same' in the future.

A full breakdown of the further support organisations sought is in table 5.14.

Further college activities employers hope to engage in **Table 5.14**

Activity	Response Percentage	Response Count
Sending staff on non CPD/skills training courses	51%	43
Engaging with a college on employer demands	48%	40
CPD	31%	26
Take students on work placements	37%	31
Buying in specialist consultancy services (training related)	16%	13
Buying in specialist consultancy services (non training related/business issue focused)	8%	7
Buying in external research and development services	2%	2
Buying in specialist business development services	2%	2
Other	14%	12
Answered question count		84

Reinforcing the high level of satisfaction and fulfilment, all respondents stated that they would recommend working with Scottish colleges to other organisations. This is an excellent finding and shows the potential power of ‘word of mouth’ business recommendation that colleges can tap in their marketing to new customers.

5.5 Summary of key points

- In line with those that responded to the survey, colleges engage with a mix of for profit, and not for profit, organisations.
- most respondent organisations are large companies (60%) and have been trading more than 10 years (80%)
- organisations have varied perceptions of how well promoted Scotland’s colleges are
- 77% of organisations felt Scottish colleges were approachable or very approachable
- 64% of employer engagements were initiated by the employers rather than the college
- CPD, training and skills development are the most common reasons for employer engagement
- most organisations’ satisfaction with course delivery and fulfilment is high
- organisations suggest they will continue to work with colleges – looking specifically at ‘more of the same’

6 Benefits and Impacts

This section of the report examines the benefits and impacts organisations received from engaging with Scotland's colleges, distinguishing between the impacts made to public and private sector organisations with very different objectives.

Public sector organisations strategic objectives focus on social and or environmental betterment, and are distinct from those of commercial companies seeking to enhancing turnover and profitability. The impacts on these organisations are analysed separately to highlight the value gained from public/not for profit and private sector engagement.

6.1 Public sector and not for profit benefits

Overall, 34 respondents (41%) indicated they were public sector or not for profit organisations. As this section considers the impacts of college engagement with public and not for profit organisations only, it is important to note that feedback is drawn from a smaller subset of respondents. The consultation explored two different areas in which public sector organisations may have experienced benefits from college engagement, specifically identifying:

- skills or qualifications impacts
- broader organisational impacts.

The majority of organisations indicated that they had received skills and qualification impacts, including improved knowledge of staff and job specific skills, as well as more qualified staff.

The largest impacts were generally reported upon the knowledge of skills, then on utilising these skills, with slightly fewer impacts reported upon practice around given skills. Benefits to staff skills and job specific skills were widely noted, while fewer organisations suggested benefits around:

- management skills
- customer care skills

The full range of skills and qualifications benefits realised is noted in table 6.1 below:

Skills and Qualifications Impacts **Table 6.1**

Benefit	Response Percentage	Response Count
Improved Knowledge on staff skills	57%	20
Greater number of better qualified staff	54%	19
Improved knowledge on job specific skills	54%	19
Improved staff skills	46%	16
Improved practice around job specific skills	31%	11
Improved knowledge on management skills	29%	10
Improved practice in relation to staff skills	29%	10
Improved management skills	26%	9
Reduction in the number of staff who are not fully proficient	23%	8
Improved knowledge on customer care skills	20%	7
Improved customer care skills	20%	7
Improved practice around management skills	17%	6
Improved practice around customer care skills	14%	5
Other skills benefit	6%	2
No skills/qualifications benefits	3%	1
	Answered question count	35

Overall, the skills and qualifications impacts indicated by public sector organisations align with most organisations objectives for staff training, skills development or CPD. This suggests that the colleges are delivering benefits in alignment with client needs.

There were also improvements around wider organisational benefits. The majority of respondents (56%) indicated improved quality of products or services. In addition organisations cited:

- improved organisational processes and procedures (41%)
- introduction of new products and services (31%)

The full range of organisational benefits noted by public sector organisations is in table 6.2 below:

Organisational Benefits **Table 6.2**

Benefit	Response Percentage	Response Count
Improved quality of product or service	56%	18
Improved organisational processes and procedures	41%	13
Introduction of new products or services	31%	10
Improved relations with service users	28%	9
Increased public value for money or product or service	25%	8
Improved staff productivity	25%	8
New organisational processes and procedures	22%	7
Increased uptake of product or service	16%	5
Improved perception of product or service	13%	4
Other impacts	3%	1
	Answered question count	32

This suggests that public sector organisations receive a diverse range of benefits from work with colleges, including product and service development, and support to quality, value for money and efficiency.

The extent of the impacts upon public sector organisations can be even more clearly seen when looking at the extent to which it helped them to achieve their strategic objectives. All organisations suggested some level of contribution:

- 47% suggesting a small positive contribution
- 44% suggesting a large positive contribution

Engagement Helped Achieving Strategic Objectives **Table 6.3**

Benefit	Response Percentage	Response Count
Large positive contribution towards achieving organizations strategic objectives	44%	15
Small positive contribution towards achieving organizations strategic objectives	47%	16
Minor contribution towards achieving organizations strategic objectives	9%	3
No contribution to strategic objectives	0	0
	Answered question count	34

No attempt has been made at this stage to put a financial value on the benefits delivered to public sector organisations. It is highly likely that real value is being added in productivity, service efficiency and quality, and that this is yielding financial benefits for 'Scotland plc'. Given the current economic climate and the likelihood of severe pressures on public spending, this is an area where more work is required to quantify the benefits colleges are delivering as the relative value of those benefits will increase significantly.

6.2 Private sector benefit

Fifty-nine per cent of respondents were private sector organisations. The consultation with them explored impacts on skills and qualifications, productivity, sales, and research and development. The full economic impact of college engagement was also considered, and this is explored in detail in section 6.3.

Private sector organisations were asked to indicate any skills or qualifications impacts they received as a result of college engagement. The majority of respondents noted benefits in the same areas as public sector organisations, such as:

- improved knowledge of staff skills (66%)
- improved knowledge on job specific skills (53%)
- a greater number of better qualified staff (53%)
- improved staff skills (51%)

As with public organisations, private companies indicated that knowledge of skills was developed most, the skills themselves were developed by a lower proportion of respondents, and an even smaller proportion of companies reported improved practice around these skills. As with public organisations, private companies also recorded most impact in staff and job specific skills, with fewer respondents indicating impacts in management and customer care skills. The full range of skills benefits for private sector companies is in table 6.4 below.

Skills and Qualifications Benefits **Table 6.4**

Benefit	Response Percentage	Response Count
Improved Knowledge on staff skills	66%	31
Improved knowledge on job specific skills	53%	25
Greater number of better qualified staff	53%	25
Improved staff skills	51%	24
Improved knowledge on management skills	36%	17
Improved practice around job specific skills	30%	14
Improved management skills	23%	11
Improved practice in relation to staff skills	21%	10
Improved knowledge on customer care skills	19%	9
Improved practice around management skills	19%	9
Reduction in the number of staff who are not fully proficient	17%	8
Improved customer care skills	11%	5
No skills/qualifications benefits	9%	4
Improved practice around customer care skills	9%	4
Other skills benefit	4%	2
	Answered question count	47

Tables 6.1 and 6.4 indicate that the public and private sector received very similar skills benefits, and this aligns with the objectives of organisations in both areas to up-skill, train and develop staff.

The largest impact to productivity noted by private sector organisations was a reduction in the time taken for staff to complete tasks. These increased speeds may relate to corresponding increases in staff and job specific skills as noted above.

Other productivity benefits cited by smaller proportions of private companies included:

- improved company practice around productivity (32%)
- cost savings (27%)
- improved knowledge on company productivity (16%)
- reduction in equipment time taken to complete tasks (14%)

The full range of productivity benefits cited by private sector organisations is in table 6.5 below:

Productivity Benefits **Table 6.5**

Benefit	Response Percentage	Response Count
Reduction in staff time taken to complete tasks	41%	18
Improved company practice around productivity	32%	14
Cost savings	27%	12
No productivity benefits	27%	12
Improved knowledge on company productivity	16%	7
Reduction in equipment time taken to complete tasks	14%	6
Other productivity benefits	9%	4
	Answered question count	44

It should be noted that a around a quarter of respondents indicated no productivity gains as a result of engagement, showing that improved productivity was not always achieved through working with the colleges. However only 24% of all organisations indicated that productivity gains were an objective. This suggests that many of the productivity gains achieved are additional to many of the organisations' initial objectives in engaging with the college.

Just as most organisations did not set out to achieve productivity gains through college engagement, an even smaller proportion (4%) set out to achieve sales gains. The majority of private sector organisations (63%) indicated sales benefits were not applicable to their engagement. A further 20% indicated that they had no sales benefits from their engagement. This suggests that the number of organisations receiving direct sales impacts as a result of engagement is minimum, as illustrated in table 6.6 below.

Sales Benefits **Table 6.6**

Benefit	Response Percentage	Response Count
Not applicable	63%	29
No sales benefits	20%	9
Improved knowledge around domestic sales	9%	4
Increased domestic sales	8%	4
Other sales benefit	7%	3
Won new contracts – domestic	7%	3
Maintenance of domestic sales	4%	2
Improved domestic sales practice	4%	2
Increased overseas sales	2%	1
Improved overseas sales practice	2%	1
Improved knowledge around overseas sales	2%	1
Maintenance of overseas sales	0%	0
Won new contracts – overseas	0%	0
	Answered question count	46

Only one organisation indicated that research and development was an objective of engaging with the Scottish colleges. So it is unsurprising that 87% of respondents felt that R&D benefits were either not applicable, or had not been achieved. Although less than 10% of organisations cited any R&D benefits, the development of new company products, processes or services, and the resolution of technical problems, may be considered additional to the objectives of all three companies reporting such benefits. As the only organisation citing R&D as an engagement objective did not respond to this question, all R&D benefits may be considered additional. A full breakdown of the R&D benefits is indicated below.

R&D Innovation **Table 6.7**

Benefit	Response Percentage	Response Count
Not applicable	78%	35
No R&D and innovation benefits	9%	4
Development of new product/process/service to the company	7%	3
Resolution of technical problems	7%	3
Increased investment in innovation/R&D	2%	1
Completion of R&D project	2%	1
Development of new product/process/service to the market	2%	1
Other R&D benefits	2%	1
Increased knowledge on innovation/R&D	0%	0
Informative and iterative development and research	0%	0
	Answered question count	45

6.3 Economic impacts

This section considers the economic impacts arsing from business-college engagement based on the survey of companies colleges work with provided by the colleges. The impacts are presented for:

- 16 companies that cited some level of turnover impact (and by definition GVA) from the 49 private sector companies surveyed
- 21 companies that cited some level of employment impact from the 49 private sector companies surveyed

As the colleges have used the DEEP and KT funding in a wide range of ways (outlined in section 3.1 – What were DEEP and KT funds used for?) it is not possible to draw out the impacts arising solely from the funding. Instead, the impact of college engagement with business has been used as a wider proxy and a means of developing a baseline position that can be developed over time.

The key measure in this assessment is GVA, or the difference between output (what is produced) and intermediate consumption (the costs of inputs to products/services/processes) in a given sector. Put simply, it is the value of sales less the cost of the inputs needed to make those sales.

While GVA is an important outcome measure of economic activity, colleges were not given a target for GVA as a condition of funding. The main aim behind an assessment of GVA is to provide good quality estimates of the economic impacts resulting from public sector interventions.

6.4 Approach to assessing economic impact

The economic impact calculations are based on best practice guidance in Economic Impact Assessment developed by Scottish Enterprise[1]. Although Scottish Enterprise' main focus is on economic development, not further education, the underlying principles hold true for this intervention. By engaging with employers, the programme enables colleges to adapt their skills development support to suit the needs of employers and help improve the business performance of the companies they interact with.

To assess economic impact, we used a standard question set. This includes:

- collecting key impact variables
- adjusting the impact variables for additionally
- reporting the net economic impacts

6.4.1 Collecting key impact variables

The key impact variables collected to understand the impact of DEEP and KT covers turnover, employment and GVA. Turnover and employment were collected for each year between 2006-2008. GVA was developed by adding together the level of company profit and employee costs estimated by the companies. For simplicity, companies were not asked to provide data on depreciation and amortisation, which would traditionally make up the full GVA value. The value is therefore likely to slightly undercount the potential GVA values adding a further degree of caution to the assessment.

All impact values are presented in 2008 prices, using the HM Treasury GDP deflator series data.

6.4.2 Gross to net adjustments (additionally)

In order to understand the full impact of DEEP and KT, there was a need to assess the additionally of the intervention. In effect, what has happened that would not if the businesses had not engaged with the colleges.

The additional impact of an intervention is the difference between the reference case (what has happened anyway) and the intervention case (the position when the intervention has been implemented).

In order to fully understand this there is a need to move all results from gross to net. This adjusts for

- deadweight – what would have happened anyway
- leakage – the extent to which the benefits are lost to Scotland
- displacement – the extent to which the benefits are coming at the expense of other Scottish based businesses
- substitution – the extent to which one activity is simply substituted for another
- multipliers – the positive downstream effects created through spending on supplies and the wider wages generated from these downstream effects

The adjustments made to each of these factors are based on information supplied by the individual companies and therefore vary on a company by company basis. However, to provide some context to these variables we have provided the average values for each for reference.

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[1] Scottish Enterprise (2008) *Additionality and Economic Impact Assessment Guidance Note, A Summary Guide to Assessing the Additional Benefit, or Additionality of and Economic Development Project or Programme*, Appraisal and Evaluation Team

Deadweight was calculated by asking the company how different their turnover and employment would have been without DEEP and KT Enterprise support. This was asked for 2008 only and used consistently in all other years for simplicity. The average value amounted to:

- 88% for employment
- 96% for turnover (and by definition GVA)

Displacement was applied consistently to employment, turnover and GVA based on the location of the companies direct competitors (and adjusted based on the growth of the market they operate in) at the point of survey. For DEEP and KT the average displacement amounted to 46% in 2008. This means that of those companies surveyed, around half of their competitors are based within Scotland. This value is held constant throughout the assessment period.

Leakage was estimated at 10% for employment, turnover and GVA. At present standard practice is to assume that if turnover and GVA are generated within Scotland then they are retained within Scotland so there will be no leakage. To provide a degree of caution to the assessment we have used 10%. This value was held constant over the three years of the economic assessment.

Substitution was assumed to be zero across the companies, as there is no evidence to suggest that companies were substituting one activity for another to gain support.

Multiplier values were sourced from the Scottish Input Output multiplier tables based on the full 4 digit Standard Industrial Classification code of the participating companies. These were matched with Type 2 input output multipliers for Output (in the case of turnover), GVA and employment. These were held constant over the three years of the economic assessment.

Once the results were adjusted for additionality, the results were discounted as per UK HM Treasury Best practice guidance at a rate of 3.5% per annum. This is based on the view that society prefers to generate benefits sooner rather than later.

6.5 Economic impacts

In total the 21 companies citing an employment impact had 3,734 employees, and 287 on average. This corresponds to other feedback which indicated that the majority of companies engaged were large employers with 250+ people.

The majority of companies (76%) indicated that 80-100% of their staff lived in Scotland, and only 17% indicated that less than 60% of their staff did not, suggesting that the vast majority of staff engaged with the colleges, live in Scotland.

Quantifying the additional impacts on the Scottish economy indicates one element of the direct contribution of colleges to the Scottish economy. This is measured by the net increase or maintenance of employment (defined as headcount rather than Full Time Equivalent or Man Year Equivalent) as a direct result of the college engagement.

The employment impacts need to be considered on an annual basis, as they cover both safeguarded and created jobs. In addition, the figures also include the wider indirect (supplier benefits) and induced effects (spending of wages and salaries paid to staff), and cannot therefore simply be aggregated. The total number of jobs either safeguarded or created as a result of college engagement amounted to:

- 270 jobs in 2006
- 280 jobs in 2007
- 253 jobs in 2008

The direct benefit of engagement (in effect assuming to wider multiplier effects across the economy) in the 21 companies amounted to 152 created or safeguarded jobs in 2008[2]. This is a solid employment impact, though unsurprising given that college engagement is focused on improving organisational performance and productivity, and maximising the businesses assets rather than job creation.

The key message is that college engagement with business can have an employment impact over and above what would simply happen anyway, and it therefore makes a contribution to the Scottish economy.

6.6 Turnover impacts

In total the 16 organisations citing impact gave turnover details which showed a total combined turnover in excess of £270M, with a mean turnover of £16.9M. This is a high figure, and again illustrates that the majority of organisations consulted were large organisations with associated high levels of turnover.

Again, quantifying the additional turnover benefits gained by Scottish businesses indicates the second element of the contribution of colleges to the business base and wider economy.

The net turnover impact accruing as a direct result of college engagement over the period 2006-2008, amounts to £38.8 million PV. This is a strong performance indicating a substantial impact on the economy through business-college engagement.

Net additional turnover impacts of business college engagement **Table 6.8**

Year	Present Value (Discounted Turnover)
2006	£12,917,051
2007	£12,850,202
2008	£13,084,121
Total	**£38,851,374**

The direct benefit of engagement (in effect assuming no wider multiplier effects across the economy) in the 16 companies amounted to £25.5 million of turnover in total between 2006 and 2008[3]. This on its own is a strong positive contribution to the Scottish economy.

6.7 GVA Impacts

While employment and turnover represent very real company impacts (and wider economic impacts) achieved as a result of college engagement the ultimate measure of impact is the effect on Scottish Gross Value Added.

GVA is the difference between output (what is produced) and intermediate consumption (the costs of inputs to products/services/processes) in a given sector. Put simply, it is the value of sales less the cost of the inputs needed to make those sales.

While GVA is an important outcome measure of economic activity, colleges were not given a target for GVA as a condition of funding. The main aim behind an assessment of GVA is to provide good quality estimates of the economic impact resulting from business college engagement for a select number of firms.

[2] This means that of the 253 net additional jobs 152 are direct in the companies engaging with colleges and the remaining 101 are generated in the wider economy

[3] This means that of the £38.8 million net additional turnover £25.5 million is direct in the companies engaging with colleges and the remaining £13.3 million is generated in the wider economy

The GVA impact accruing over the period 2006-2008, amounts to £10.97 m PV. This is a high level of impact from business college engagement and provides further evidence of the role of colleges in generating economic impacts.

Net additional GVA impacts of business college engagement **Table 6.9**

Year	Present Value (Discounted GVA)
2006	£3,663,993
2007	£3,642,792
2008	£3,662,159
Total	**£10,968,944**

The direct benefit of engagement (in effect assuming no wider multiplier effects across the economy) in the 16 companies amounted to £6.91 million of GVA in total between 2006 and 2008[4]. This on its own is a strong positive contribution to the Scottish economy.

6.8 Summary of key points

- the majority of public and private sector organisations received some skills and qualifications benefits
- most skills improvements recorded in staff skills and job specific skills
- there is little difference between skills and qualifications impacts for public and private sector organisations
- all public sector organisations indicate that college engagement has contributed to the achievement of their strategic objectives
- the majority of productivity, sales and R&D benefits were additional to organisations objectives for engaging with Scottish Colleges, though direct impacts in these areas were relatively low
- evidence has been developed that suggests colleges have a direct impact on the economy that is additional to what would have happened anyway
- these benefits include employment, turnover and GVA impacts

[4] This means that of the £10.97 million net additional turnover £6.91 million is direct in the companies engaging with colleges and the remaining £4.06 million is generated in the wider economy

7 DEEP and KTG – Taking a Systems View

This evaluation was designed to take a formative look at DEEP and KTG, and gain an understanding of how they are working and how the benefits might be increased. In this section of the report we propose a model of how these funding streams are operating, based on the work to date. Using the evidence from college interviews, the customer survey and discussions with stakeholders, a model is presented in the diagram attached.

As a formative evaluation we have focused on:

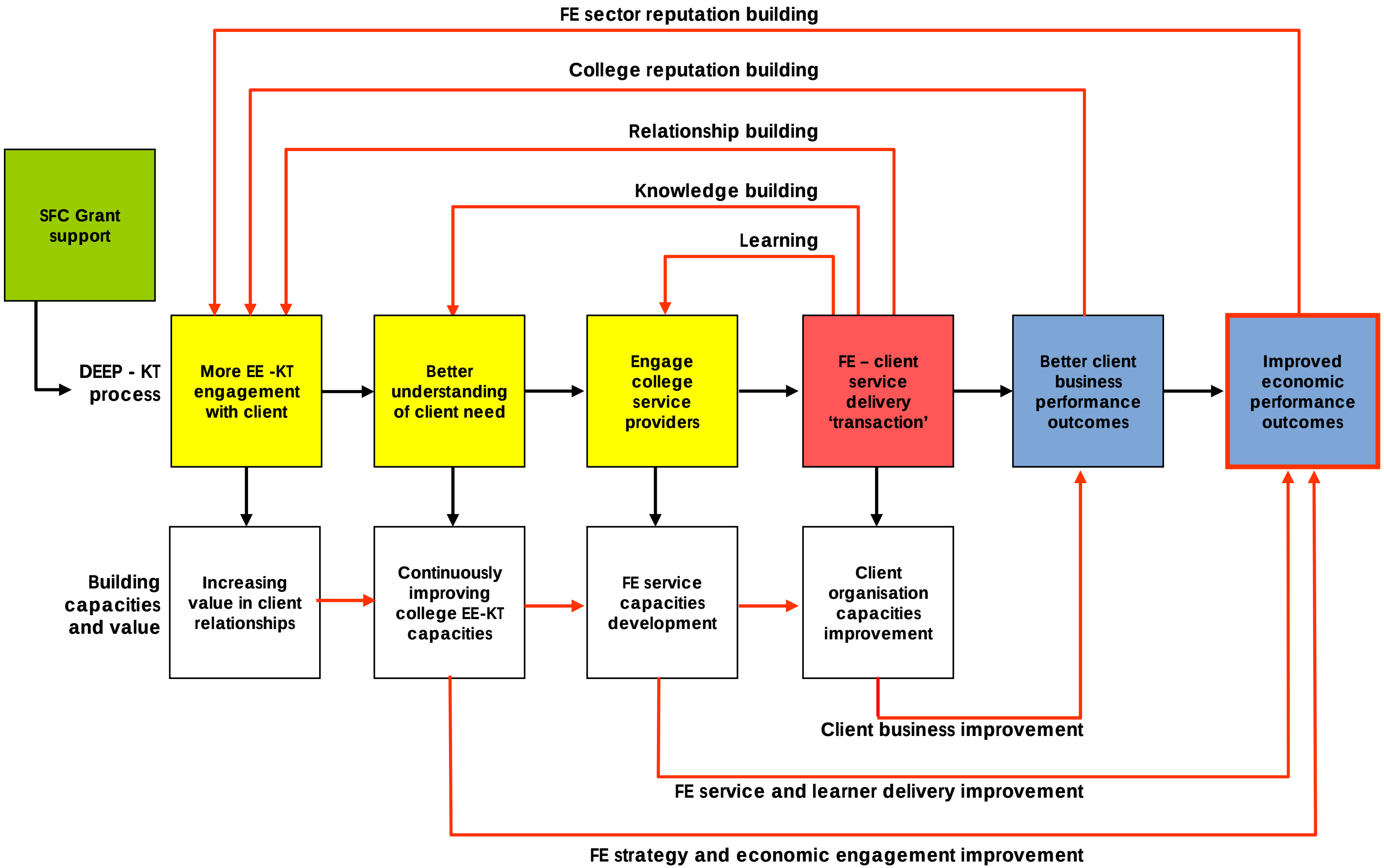
- processes – how it works
- value being added – outputs and outcome
- capacities – increasing the potential for future outcomes
- change to systems – potential for sustainability in changes made and future value creation
- current and future benefits to Scotland
  - economic benefits to Scotland – value added GVA
  - financial benefits to companies – revenue and profit
  - cost and quality benefits to public sector customers – improved public service delivery and cost savings
  - improvements in colleges – benefits to future learners and other college users
  - continuous improvement in depth, breadth and effectiveness of college-company engagement – 'more and better' of the above

This model proposes a theory of change resulting from DEEP and KTG that sees all of:

- direct economic benefits to customer companies
  - effectiveness and efficiency
  - sales and profits
- direct benefits to colleges and service providers
  - curriculum development
  - staff development
  - better learner experience
  - income
- future benefits to client organisations
  - client capacity building as a result of working with colleges
  - future benefits from those capacity improvements
- future benefits to departments and colleges (inward looking)
  - better understanding of company and sector needs
  - deeper and higher trust relationship
  - increasingly professional client-company engagement and transaction
- future benefits to colleges and the FE sector (externally facing)
  - increasing credibility to more customers
  - increasing effectiveness of delivery to customers

All of these contribute economic and social benefits to Scotland. The model identifies a number of positive feedback loops within the system. These suggest a series of potentially self-sustaining and value adding processes that have been created or accelerated by the DEEP and KTG funding. This will be explored in the second and third years of this evaluation.

A systems view of DEEP AND KT – value adding feedback loops



Appendix 1

Economic Impact Method and Assumptions

This appendix provides a more detailed overview of the process and assumptions underpinning the economic impact approach. Economic impact can be defined as the net change in new activity associated with an industry, event or policy in an existing regional economy[5]. In this case it refers to the net change in employment, turnover and GVA in 49 private sector companies from their engagement with a college (or colleges). The results only represent the impacts flowing from the 49 companies, with no wider grossing to the whole population of companies who engage with colleges.

The approach build on the best practice guidance documents developed by Scottish Enterprise, which cover the approach to assessing net economic impact as well as guidance on standard questions sets – which are the basis of the questions used in this assessment.

Collecting economic impact data

Key steps

The approach to collecting economic impact involves three steps:

- step 1: key impact variables are collected directly from companies. This includes employment, turnover, profit and employee costs for 2006, 2007 and 2008
- step 2: : Key turnover and GVA values are converted to 2008 prices based on the HM Treasury GDP Deflators series[6] to provide a consistent price basis
- step 3: key additionality variables are collected directly from companies. This includes:
    - deadweight: based on how different the company thinks their turnover and employment are as a direct result of engagement with the college
    - displacement: based on what proportion of the companies competitors are based within Scotland. This is then adjusted up or down depending on if the companies main market if growing or declining
    - leakage: based on what proportion of benefits are lost to Scotland. This has been set at a low level of 10% for turnover and GVA. It has been based on staff who live outwith Scotland for employment
    - substitution: based on the substitution of one activity for another. This has been set at 0% unless the consultation found evidence to the contrary
    - multipliers: based on Output, GVA and Employment Type 2 multipliers for 2004, based on Scottish Government statistics and collected for each company based on the Standard Industrial Classification code of the company recorded on Companies House

[5] Watson.P, Wilson.J, Thilmany.S and Winter.S (2007) *Determining Economic Contributions and Impacts: What is the difference and why do we care?* Journal of Regional Policy and Analysis, 37:2:140-146

[6] http://www.hm-treasury.gov.uk/data_gdp_index.htm

Key assumptions

The key assumptions underpinning these steps include:

- companies provide accurate turnover, employment, profit and employee costs data
- the companies are only considering the benefits arising from College engagement – not DEEP and KT Funding
- that the companies have provided a fair assessment of competitors within Scotland
- the displacement value refers to product market displacement – but makes no adjustment for factor market displacement
- that product market displacement falls in a growing market and increases in a declining market
- that leakage levels are low
- that there is no substitution, unless direct evidence comes to light in the consultations
- that Scottish Government Type 2 multipliers provide a fair reflection of wider indirect (suppliers) and induced (spending on wages) impacts for turnover, employment and GVA
- that 2006 represent the base year for the evaluation and therefore year zero for discounting (discounted at 3.5% per annum as per HM Treasury discount rates)

Calculating economic impact

Key steps

The approach to calculating economic impact involves two steps:

- step 1: key data values and key additionality variables are inserted into an additionality calculator that takes the gross level results and adjusts for:
  - deadweight
  - displacement
  - substitution
  - leakage
  - multipliers
- step 2: the individual company level results are summed to give a total net impact figure
  - turnover impact – in effect revenue that would not have happened if it were not for the business college engagement
  - GVA impact – in effect the GVA benefit that would not have happened if it were not for the business college engagement
  - employment impact – the number of jobs (either full time or part time) that would not exist in each year if there had been no engagement with the college. Note these figures cannot be summed as jobs in 2007 include some impacts cited in 2006 and so on

Key assumptions

The key assumptions underpinning these steps include:

- the levels of deadweight, displacement, substitution, leakage and multipliers are consistent across each of the years
- the deadweight for turnover is based on the companies assessment of how much lower or higher this would have been without their engagement with the college
- the deadweight for GVA is based on the companies assessment of how much lower or higher turnover would have been without their engagement with the college (in effect it is the same value as turnover deadweight)
- the deadweight for employment is based on the companies assessment of how much lower or higher this would have been without their engagement with the college
- the employment impacts cover both jobs safeguarded or created as a result of the college engagement and therefore cannot be added together in the same way that turnover and GVA can

Some worked examples

We outline three examples based on employment, turnover and GVA showing the full workings for a specific company as well as the explanations for each of the values.

Example 1: Employment Working

Intervention Option		**Evidence**
Gross Figure	446	Total company employment in 2008
Leakage	0%	No staff lived beyond Scotland
	446	
Displacement	0%	No competitors are based within Scotland
	446	
Substitution	0%	no evidence of substitution
	446	
Multiplier	1.37	Employment multiplier sourced from Type 2 Scottish Government Input Ouput Multipliers series
	611	
Intervention Option Total	**611**	What has been achieved in total including the effects of the intervention
Reference Case (Low)		
Gross Figure	446	
Deadweight	90%	Company stated their 2008 employment would have been 10% lower without college engagement
	401	
Leakage	0%	As above
	401	
Displacement	0%	As above
	401	
Substitution	0%	As above
	401	
Multiplier	1.37	As above
	550	
Reference Case Total	**550**	What would have been achieved anyway (regardless of intervention)
Net Additional Impact	**61**	Net additional difference as a result of business college engagement

Example 2: Turnover Working

Intervention Option		Evidence
Name		
Gross Figure	£15,000,000	Total company turnover in 2008
Leakage	10%	Assume low level of leakage
	£13,500,000	
Displacement	30%	A minority of competitors are based in Scotland (25%) plus 5 percentage points as the company operates in a de
	£9,450,000	
Substitution	0%	no evidence of substitution
	£9,450,000	
Multiplier	1.79	Output multiplier sourced from Type 2 Scottish Government Input Output Multipliers series
	£16,876,208	
Intervention Option Total	**£16,876,208**	What has been achieved in total including the effects of the intervention
Reference Case (Low)		
Gross Figure	£15,000,000	
Deadweight	95%	Company stated their 2008 turnover would have been 5% lower without college engagement
	£14,250,000	
Leakage	10%	As above
	£12,825,000	
Displacement	30%	As above
	£8,977,500	
Substitution	0%	As above
	£8,977,500	
Multiplier	1.79	As above
	£16,032,397	
Reference Case Total	**£16,032,397**	What would have been achieved anyway (regardless of intervention)
Net Additional Impact	**£843,810**	Net additional difference as a result of business college engagement

Example 3: GVA Working

Intervention Option		
Name		
Gross Figure	£2,640,000	Total company GVA in 2008
Leakage	10%	Assume low level of leakage
	£2,376,000	
Displacement	70%	A majority of competitors are based in Scotland (75%) plus 5 percentage points as the company operates in a de
	£712,800	
Substitution	0%	no evidence of substitution
	£712,800	
Multiplier	1.96	GVA multiplier sourced from Type 2 Scottish Government Input Output Multipliers series
	£1,399,763	
Intervention Option Total	**£1,399,763**	What has been achieved in total including the effects of the intervention
Reference Case (Low)		
Gross Figure	£2,640,000	
Deadweight	95%	Company stated their 2008 turnover would have been 5% lower without college engagement
	£2,508,000	
Leakage	10%	As above
	£2,257,200	
Displacement	70%	As above
	£677,160	
Substitution	0%	As above
	£677,160	
Multiplier	1.96	As above
	£1,329,774	
Reference Case Total	**£1,329,774**	What would have been achieved anyway (regardless of intervention)
Net Additional Impact	**£69,988**	Net additional difference as a result of business college engagement

In each case the examples work the impact figures through on a systematic line by line basis. However, this equates to the standard additionality equation outlined in the diagram below.

$$AI = [GI \times (1 - L) \times (1 - Dp) \times (1 - S) \times M] - [GI^{*} \times (1 - L^{*}) \times (1 - Dp^{*}) \times (1 - S^{*}) \times M^{*}]$$

AI =	Net additional impact	Dp =	Displacement
G I =	Gross impact	S =	Substitution
L =	Leakage	M =	Multiplier

* denotes reference case and hence deadweight