

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

BUSINESS SUPPORT INQUIRY

SUBMISSION FROM [NORTH AYRSHIRE COUNCIL]

Draft Budget for 2019-20

Employment support and fair work

How Scotland's new employment support budget is helping people into work

- **What are your views on how contract awards are decided and how “payment by outcome” works?**

Procurement is challenging for all tiers of government but we are unconvinced that competitive procurement has enough emphasis on quality in comparison to cost. Contract awards are often based on information that is difficult to verify and due to issues with performance measurement in employability services, it is very difficult to assess performance and compare to assess bids. Too often the contract awards are then based on the quality of the tender and the costs and the performance projected. This naturally favours those providers who can invest in professional bid writers or who can set stretching and often unachievable targets on the basis they can afford to accept the financial risk.

There is significant research on payment by outcome across various spheres of public service delivery and the consensus view is that payment by outcomes can deliver improvements but this is dependent on having an excellent and extensive data on the cost of delivery and outcomes that are easily and consistently measured. Employability in Scotland is a recognised complex area with no consistency over measurement of outcomes and a lack of accountability of outcomes. In our opinion, until there is extensive and reliable data on which to base payment by outcomes, then attempts to develop models are guesswork at best. Payment by outcomes generally vastly underestimate the true cost of achieving outcomes and as such contractors generally then deliver services with cost in mind rather than the personalised, individualised services that most agree are required.

- **How can the Scottish Government ensure “guaranteed service standards” and avoid “[parking and creaming](#)”?**

Serious consideration should be given to an accreditation scheme similar to that adopted for the provision of advice services in Scotland (Scottish National Standards of Information and Advice). We would caveat this by saying that any such scheme needs to be as light of bureaucracy as possible and add real value to standards.

The issue of “parking and creaming” is an almost inevitable consequence of payment by outcome models. As these models tend to significantly undervalue the true cost of

supporting those most disadvantaged into jobs, then parking and creaming become an economic imperative for providers. The only way to avoid this is to avoid payment by outcomes completely and pay the actual costs of supporting each customer. Or there is a middle ground where some financial incentives can be built into the model to reward providers for intermediate outcomes – however such systems are mired in complexity and open to abuse.

Furthermore, the true cost of dealing with challenging clients is largely born by other parts of local public sector – housing, social work, public health, etc. Aligning employability funds/ contracts with relevant public services to ensure comprehensive support is available and joined up to address the needs of those most disadvantaged may be the only way to effectively guarantee service standards.

- **How well do the newly devolved services work with reserved Job Centre Services?**

It is perhaps too early to say how devolved services are working with Job Centre Services but the initial signs are not encouraging, with referral rates low and some feedback that DWP staff do not see a significant difference between devolved services being provided and past programmes such as the Work Programme. Ultimately the relationship will only work if Fair Start providers demonstrate to JCP staff that they can achieve good outcomes for customers. This trust will take some time to build and will be reliant on results.

- **What can be done to ensure high levels of participation when the programme is voluntary?**

People need to see a clear route to employment and need to be convinced that this is a viable outcome. Many of the customers will have taken part in employability programmes before and therefore may be cynical about their effectiveness – training for the sake of training must be avoided, linkages to real jobs must be visible. The programmes need to focus as much on motivation and positive thinking as they do on technical skills and qualifications.

- **How are delivery agents and the Scottish Government helping people move into sustained and fair employment?**

The harsh reality is often that the most realistic and accessible job options for unemployed people are low paid and in sectors with systemic issues in relation to Fair Work. While delivery agents and Scottish Government attempt to move people into sustained and fair employment – the structural issues around the labour market opportunities constrain this approach. Both delivery agents and Scottish Government are often faced with a moral dilemma – is any job better than no job?

- **How should success be measured?**

Ultimately success should always be measured in terms of job outcomes, sustained job outcomes and the quality of jobs secured. While for many progression to employment is a

more realistic aim in the short to medium term, this only represents success if it ends in a job over the longer term.

The role of the enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise) in supporting and growing good quality employment

□ **How are the budgets of the enterprise agencies used to help businesses employ more people?**

The budgets for both HIE and SE have considerable focus on supporting the acceleration of business growth. It is expected that increases in turnover will demand an increase in staff levels. This however is not always the case and with similar focus on innovation and new technologies a challenge exists on resources to help support more traditional regional economies. Technology and advancements such as automation may impact different demographics and geographies in different ways and we need to ensure our businesses and communities are resilient to this and able to play a role in the future economy. If companies do not have the ability to embrace new technologies and implement possible gains from digital infrastructure they may face an „innovate or die“ scenario. Technologies, including robotics and automation, also present traditional industries, like engineering and manufacturing, with the opportunity to innovate in processes and materials and drive productivity.

A recent Scottish Council for Development and Industry (SCDI) report on automation argues there should be the development of regional opportunities and immediate action to support those areas at risk of automation. The report recommends that regions will face challenges if their labour markets are more highly concentrated. With Ayrshire’s historical reliance on public sector, manufacturing and retail, there will be a need to manage risk to ensure government’s aim of delivering fairer, inclusive communities. Steps should be taken to avoid the negative long-term effects of past eras of industrial change, characteristic of many of Scotland’s rural areas. SCDI recommend that pre-emptive action should be taken to support people and regions which may be left further behind, aligning economic and skills strategies for sectors and regions where automation may impact most.

• **What are the examples of the enterprise agencies safeguarding jobs?**

Both SE and HIE are predominantly focused on growth and investment however work in key sectors eg manufacturing and resources provisioned for SMAS do build competitiveness for growth companies.

At a regional level specific resources are not provisioned for sustaining employment however when working in partnership to develop specific approaches can help sustain employment. A local example of this would be a food processing firm who had significant cash flow issues and were supported via a collaboration with SE and the Council to create a package of support to help overcome issues.

- **How do the enterprise agencies use their budgets to attract foreign investment?**

The approach to inward investment particularly by SE is very much sector and nationally focused. This often realises enquiries to major areas e.g. cities, central belt. There is little focus on regional opportunities linking to the wider inclusive growth agenda.

It should however be noted that SE have indicated an appetite to explore the regional approach more proactively and hopefully this will prove fruitful. Greater focus should be given to directing investment to areas where it can have greatest economic impact on the labour market.

- **How do the enterprise agencies use their budgets to improve job quality and ensure fair employment?**

SE and HIE do focus on higher level growth and FDI therefore supporting more skilled higher paid roles. There is little evidence locally of an agenda of fair work emanating from national agencies.

- **What has been the impact of recent budget reductions on the enterprise agencies' ability to provide, maintain and safeguard employment within the areas they serve?**

Within North Ayrshire we are aware that other S.E. owned sites in cities and central belt have been prioritised for investment. As a result of prioritisation and reduced budget there has been very limited investment in their local sites. This exacerbates the already failed private/ speculative development commercial property market, without which we have an aging and limited portfolio. This impacts on the number jobs that are locally available. North Ayrshire has the lowest job density ratio in Scotland with relatively high travel costs out with the area.

- **How are the enterprise agencies' budgets being used to address productivity and employment gaps between Scotland's top and bottom performing local authority areas?**

SE are currently engaging with North Ayrshire on a regional approach to support businesses and economic development. It is early days however it is hoped that the difficulties that smaller more challenged local authorities have may be considered and allow greater access to levels of support.

The Enterprise and Skills Review recognises the importance of regions which is welcome. North Ayrshire Council are working with East Ayrshire and South Ayrshire Council to explore how an Ayrshire Regional Partnership could boost the Ayrshire economy and drive inclusive growth throughout the region. An Ayrshire partnership will build on the progress being made to deliver the ambitious Ayrshire Growth Deal.

Reducing regional disparities is a key issue for the Scottish economy. Uneven growth is evident within Scotland and the Scottish Government's Economic Strategy (2015) recognised this – highlighting the gap in output per person between Edinburgh and the East and North Ayrshire as a specific example. In addition to this figure, North Ayrshire's job

density at 0.57 is one of the lowest in Scotland (compared to 0.80 for Scotland), making North Ayrshire 27th out of 32 local authorities for job density. North Ayrshire's employment rate is 70.4% compared to the Scotland rate of 74.3% (APS, 2018).

North Ayrshire Council recognise that in an increasingly challenging economic environment, we have to work in new ways in order to deliver inclusive growth. As a result, working in partnership with the Scottish Government's Office of Chief Economic Advisor, the Council piloted the „Inclusive Growth Diagnostic“. The main purpose of the Diagnostic was to identify constraints and opportunities for driving inclusive growth in North Ayrshire in order to prioritise actions to address them at a time of constrained public sector resources.

The outputs from the Pilot are a set of identified local constraints – barriers that prevent communities and groups from participating in economic growth – that if tackled over a long and sustained period could make a transformational difference to our local communities.

The result of the diagnostic was a list of prioritised constraints to achieve inclusive growth in North Ayrshire: Intermediate/Advanced skills, Jobs density, Health and well-being, Basic digital skills,

Entry-level skills/Work-readiness, Business-specific skills and entrepreneurship, Childcare, Migration and Population decline, Sector composition, Digital connectivity, Aspirations, Digital innovation, Business premises, People to jobs (transport), Housing, Goods to market (transport)

This exercise also identified „excluded“ groups – that is, groups sharing similar characteristics that have been particularly excluded from the benefits of economic growth (and particularly labour market inclusion). The excluded groups identified are as follows: Young People; Those experiencing long-term health problems; those experiencing in-work poverty; and Females.

The findings of the diagnostic are being used to inform investment and policy decisions in the short, medium and long term. In the short term the work is already being incorporated into the delivery of our current programmes. The Council has commenced work to assess the findings of the Diagnostic against current activities and to identify areas where enhanced or additional activity might be required to tackle the constraints identified.

Further to this, the Diagnostic has provided an evidence base for the local authority, and regional partners, to engage with Government and agencies. The inclusive growth diagnostic has influenced the priorities of the local authority in the delivery of its economic development plans, however there needs to be further discussions with government and its national agencies on how they will reflect and respond to the North Ayrshire priorities. To address the low jobs density (2 people of working age for every job in North Ayrshire) will largely depend on investment decisions that are made or directed by government or national agencies. Whilst it is recognised that the priorities in themselves are complex and interdependent, there needs to be recognition that national policy must change to recognise the challenges that North Ayrshire faces if inclusive growth is to be fully addressed.

Apprenticeship levy

- **How is Apprenticeship Levy money being used in Scotland?**

The Scottish Government has stated that the Apprenticeship Levy has not provided any “new” resources for Scotland and as such no major new programmes have been funded. However the Scottish Government has missed an opportunity to create a system whereby the levy is used to incentivise employers to recruit apprentices. The levy money is being used inappropriately in Scotland for the following reasons –

- Additionality is unclear
- Employers not clearly and consistently getting anything back from paying the levy
- Levy monies not clearly being used to incentivise employers to do things differently

Local Authorities have been disproportionately impacted by the levy as some of the biggest employers in Scotland. Yet we receive no Government support (out with training costs) to continue to recruit large numbers of apprentices. At this point in time, Local Authorities get no return from paying the levy. We believe the levy paid by Local Authorities should be ring fenced to provide resources for Local Authorities to recruit from disadvantaged groups. At a time of budget pressures across the public sector, we believe the Apprenticeship Levy was an opportunity missed to sustain Local Authorities major contribution.

- **Has this UK Government policy led to employers taking on more apprentices?**

In England there has been a significant drop in the number of apprenticeship starts since 2016, suggesting that the policy is not having its intended impact.

Apprenticeship starts have remained steady in Scotland since the introduction, suggesting the impact has been fairly neutral.

We would add that is not possible for us to assess causation around these figures.

Community and Locally Owned Energy

For further context, please see: the [CARES](#) scheme and [Local Energy Scotland](#)'s involvement in delivering the scheme.

- **What are your views on the Scottish Government's approach to financing and supporting community and locally owned energy?**

Sustainable operations is one of the five workstreams within our Environmental Sustainability & Climate Change Strategy and North Ayrshire Council are committed to the development of various new renewable projects. The support available from CARES and LES is extensive and has been valuable in supporting community owned energy. North Ayrshire Council have not yet directly used the financial support that is available from Local Energy Scotland, primarily as the 50% intervention rate can act as a barrier. Projects aiming to improve non-domestic energy efficiency and EV Infrastructure have sought

funding through other routes, including other Scottish Government routes – for EV there is 100% capital grant funding available, non-domestic energy efficiency can be financed through 0% interest free loans and feasibility studies are very often 100% grant funded hence the lack of take up on the LES support.

- **Is there adequate funding to hit the 2020 target of 1GW of community and locally owned energy by 2020 and 2GW by 2030?**

This year North Ayrshire Council is delivering the Social Housing Solar PV retrofit project to install rooftop solar on up to 500 properties in our housing stock that will lead to an aggregated installed capacity in the region of 1MW. This innovative approach is based on a marginal business case, but has been able to progress as a result of access to suitable finance.

It complements the solar PV arrays installed across many of our schools and corporate buildings (total installed capacity of c.1.5MW) in addition to a biomass boiler programme (total installed capacity of over 4MWp) at 13 educational properties. Many of these installations are unlikely to have existed in the absence of suitable support systems to offset the heightened costs over more established (and higher carbon) alternatives.

Renewable project business cases have become very challenging following changes to the available support schemes. In November 2015, North Ayrshire Council received planning consent for a 5MW solar farm on the Shewalton landfill site. Despite favourable planning and site conditions the project is on hold as a result of having to revisit the business case. As solar PV is not considered to be innovative it is unlikely to attract capital funding from CARES or LCITP, despite the potential to add innovative measures such as battery storage. Capital funding is currently aimed at demonstrator and innovative projects – should funding be made available for standalone projects then this would help us to reach the 1GW target in 2020. If the intervention rate of 50% is removed from the Enablement Grant, this would encourage the uptake of feasibility studies for renewable projects – however, the financial returns of renewable projects would need to be addressed in the first instance.

- **Which technologies (heat and/or electricity) have the most potential to transform community and locally owned energy, and are resources being adequately targeted?**

Our view is that this is largely dependent on the objectives behind community and locally owned energy – as a revenue generator, security of supply, greater resilience against utility costs are likely examples.

Individual ASHP to social housing stock could have potential in areas which are off the mains gas and rely on solid/liquid fuels, which are often transported by road. Uptake of this particular technology has not been widespread within individual dwellings but there are a number of large scale heat networks that are expected to use heat pumps. Further

evidence of their resilience is required if these are to be seen as a viable alternative to existing heat boilers within individual properties.

We can also envisage the benefits of domestic battery storage when used with passive generation such as Solar PV – subject to future battery pricing this has the potential to provide a post-subsidy business case for domestic installation.

This could align with the new EESSH 2 proposed target for all social rented properties to achieve EPC B by 2032. Although North Ayrshire Council only has a small number of social rented properties in off-gas areas, it would be applicable to other local authorities and specific island/rural communities. Solar PV canopies integrated with a battery storage system for EV charging could also have potential.

- **Are the organisational structures adequate to enable this?**

No specific response to this.

- **Is the joint focus on community and locally owned energy the correct approach? How might support for community energy be better targeted? What are the benefits and potential drawbacks of different ownership models?**

From a local authority point of view it is difficult to incorporate community ownership into projects as it makes the decision making process even more complex and lengthy. If community consultation is required then we would engage via the North Ayrshire Community Planning Partnership. Once LHEES becomes a statutory duty this will provide an opportunity to collectively engage heat users and local residents in matters of low carbon heat – this could create opportunities in community owned renewables and district heating schemes.

- **Are there any other issues in relation to Scottish Government support for community and locally owned energy that you would like to highlight?**

The key challenge for both community and locally owned energy is to provide a clear route to market in a subsidy-free environment for renewable projects. The focus of the CARES programme has been for community owned projects; it would be beneficial if local authorities could have the same level of access with the need for match funding.