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

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EXECUTIVE SUMMARY

The research examines the impact that the loss of European funding and the transition to the UK Shared Prosperity Fund (UKSPF) is having on third-sector providers of employment support in Scotland in the context of the Scottish Government's policy of No One Left Behind (NOLB). UKSPF has not made up for the loss of European Social Funding (ESF), while employability funding in Scotland has been reduced in recent years. Both UKSPF and NOLB also afford local authorities, who have faced significant reductions in their own funding, a key role in the commissioning of employability support for the long-term unemployed and economically inactive.[1]

The research adopted a **'mixed methods'** approach, involving quantitative and qualitative research methods. With the help of the Third-Sector Employability Forum (TSEF)[2], the researchers undertook a survey of Scottish third-sector providers in April-May 2024, which collected 45 responses (mainly from those in chief executive/senior management roles). The researchers supplemented this with eight interviews with seven third-sector providers.

The **research aims** were:

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

[1] The authors have recently published two other reports examining the impact of UKSPF in the UK, and in particular England. The reports can be found at: https://ersa.org.uk/news/third-sector-providers-of-employment-support-shouting-into-the-void-on-ukspf/ . This also included giving evidence to the UK Parliament's Select Committee on the 'Devolution of Employment Support'. The authors' response to the Select Committee's call for evidence can be found at: https://committees.parliament.uk/work/8303/devolution-of-employment-support/publications/written-evidence/?page=3

[2] The researchers would like to thank TSEF for helping to facilitate this research. The research was conducted independently of TSEF, and the assessment of the data and the recommendations offered are those of the researchers. They should not be taken as representative of TSEF positions or views.

    - To consider issues relating to both the size of funding and the commissioning process.

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

The **key findings** are as follows:

- Over 4 in 10 (44%) of survey respondents said that they had experienced a reduction in funding as a result of the ending of ESF and the transition to UKSPF which had not been made up by other sources of funding.
- Among those which have lost funding, 37% said the loss was 'very significant', and 53% said it was 'quite significant'.

The impact of the loss of ESF has, to some extent, been mitigated by alternative funding through NOLB. That said, the overall reduction in public funding resulting from UKSPF, coupled with reductions in Scottish government funding for employability, have had a significant negative impact not only on maintaining current levels of staffing and service provision but, in some cases, organisational survival itself.

- 17% of survey respondents stated that their organisation has had to lay off staff in the last year as a result of overall reductions in employability funding.
- Even among those which have not had to make staff reductions, a significant majority (65%) expect to do so within the next two years.
- 14% of survey respondents stated that their entire organisation could close in the next 12 months.

The qualitative data from the survey and interviews also highlights a number of problems with the current funding and commissioning regime and the way in which some local authorities have gone about this. These include:

- funding delays and the lack of long-term funding;
- the failure of some cash-strapped local authorities to release funding, preferring instead to fund their own 'in-house' services;
- and a fragmented and inefficient commissioning landscape in which third sector providers are expected to submit multiple bids to local authorities for small amounts of short-term funding.

There are major concerns around the lack of transparency and accountability in how employability funding is being used by local authorities and their effectiveness in commissioning provision which can meet the needs of vulnerable individuals with complex and multiple barriers to employment.

Short-term funding, coupled with local authority commissioning practices, are making it harder for third sector providers to deliver on the Scottish Government's 'Fair Work'

agenda as well as retain and recruit knowledgeable staff who provide holistic, one-to-one support for clients.

A key aim of NOLB is that local authorities work in partnership with local stakeholders, including the third-sector, to deliver effective and joined-up local employability support. Local Employability Partnerships (LEPs) and Third Sector Interfaces (TSIs) in Scotland are aimed at supporting such goals. The research uncovers a mixed picture, with substantial variation in practice.

Some local authorities were praised for having well-functioning LEPs that were rooted in collaborative relationships with the third-sector. Among those cited were Fife, East Renfrewshire, Dundee, Edinburgh and Glasgow.

The research gives some clues as to the extent of variation with regard to collaborative working between local authorities and the third sector around employability. For example, when asked how they would describe their primary LEP's efforts to support third sector engagement in commissioning and delivery of employability services in their area, 33% of survey respondents stated it was very good and a further 5% said it was good. Nonetheless, 18% said it was poor and 21% said it was very poor. Continuing the mixed picture across Scotland, nearly four in ten respondents (39%) agreed that the contribution of third sector organisations in delivering employment and skills support was recognised and valued by the local authorities they worked with, compared to around a third (33%) who disagreed.

On the basis of the research findings, we make the following **policy recommendations to help ensure a fair and efficient funding environment for third sector organisations delivering employability support in Scotland:**

- Undertake a public audit of how local authorities have commissioned employment support through UKSPF and NOLB to gather data on how effective this has been in supporting users in order to identify lessons that can be learnt and any examples of best practice.
- Consideration should be given to how the capacity of local authorities to commission employment support might be developed. Ensuring that commissioning is done in partnership with third-sector organisations through Local Employability Partnerships (LEPs) and that there is transparency in the process is vitally important, building on any examples of good practice. Ensuring third sector representation on LEPs is central to this. We have seen evidence of Third-Sector Interfaces (TSIs) facilitating this representation in our data, although some clearly do not match to such best practice, which may be linked to their underfunding.
- Local authority commissioning should be subject to rigorous evaluation and full transparency. Where local authorities use funding to support their own in-house services, it should be incumbent upon them to explain why this is most effective in meeting user needs and that there is no alternative third-sector provision with an established record of effective delivery available.

- Policy makers should consider whether there is a role for both nationally-commissioned and locally-commissioned employability programmes as part of NOLB. A blended approach which combines the benefits of national programmes for those users who are closer to the labour market with additional support for those with multiple barriers and more complex needs delivered by local, specialist grassroots organisations that are trusted in their communities may offer one way forward.
- Longer-term funding, of at least three years (and preferably longer), is key to providing the support needed to help those users who have complex needs and are furthest from the labour market. It is also vital if TSOs are to be able to provide 'fair work' and retain knowledgeable and experienced key workers who can provide the one-to-one support users need.
- TSEF plays an important function in representing third-sector employability providers and ensuring that their concerns are put to the Scottish Government. However, its role is constrained by lack of funding and reliance upon key members on its Executive who act in a voluntary capacity. A sustainable funding arrangement is needed that does not compromise the Forum's independence and voice.

Introduction

As in the rest of Great Britain[3], local authorities in Scotland have been given a key role in commissioning employability support services for those furthest from the labour market with multiple barriers to employment. The centrepiece of the Scottish Government's employability policy is *No One Left Behind* (NOLB), launched in 2020, which marked a shift away from nationally commissioned programmes, such as the Employability Fund (managed by Skills Development Scotland) and the Community Jobs Fund (managed by the Scottish Council for Voluntary Organisations).[4] The core principles of NOLB include supporting partnership working among local stakeholders, delivering flexible and person-centred support tailored to individual needs that is integrated with other services such as health, providing pathways into 'sustainable and fair work', and supporting more people to 'move into the right job, at the right time' (Scottish Government, 2018a). The intention is that this 'will be driven by evidence, including data and the experience of users.'[5]

[3] The system is different in Northern Ireland, where the system is operated region-wide by the Department of Levelling Up, Communities, and Housing (DLUCH).
[4] https://www.employabilityinscotland.com/policy/no-one-left-behind/
[5] https://www.employabilityinscotland.com/policy/no-one-left-behind/

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

Employability support in Scotland has been impacted by the UK's exit from the European Union and the loss of European Structural Funds, including the European Social Fund (ESF). As part of its Levelling Up agenda, the UK Government introduced the UK Shared Prosperity Fund (UKSPF), responsibility for which was vested with the UK Department for Levelling Up, Housing and Communities (DLUCH), effectively bypassing the devolved administrations of Scotland, Wales and Northern Ireland. This was meant to replace European funding, whilst reducing its bureaucracy and allowing greater local flexibility. UKSPF runs from April 2022 to March 31, 2025, and provides £2.6bn of funding to local authorities to use across three investment pillars – 'Communities and Place', 'Supporting Local Businesses', and 'People and Skills'. Funding is allocated on a per-capita basis and an area's level of deprivation, with local authorities having discretion over how to allocate resources between the three investment priorities. The 'People and Skills' element was supposed to replace the loss of ESF for organisations delivering employment and skills support. It quickly became apparent that the £2.6bn funding available for the three years from April 2022 to March 2025, however, would not make up for the loss of European structural funding, which had provided, on average, around £2bn *per year* between 2014-2020.[6]

As with NOLB, local authorities in Scotland have been encouraged to work with local partners and the Scottish Government in implementing UKSPF. The Scottish Council for Voluntary Organisations (SCVO) has welcomed the encouragement in the UKSPF prospectus to ensure that *Third Sector Interfaces* in Scotland, whose role is

[6] https://www.ncvo.org.uk/news-and-insights/news-index/levelling-up-through-the-uk-shared-prosperity-fund-what-needs-to-happen-next/

to undertake capacity building with community organisations, charities and social enterprises, are key partners in local commissioning but has also warned that such encouragement can remain 'words on paper' and 'tokenistic'.[7]

It is within this context of UK and Scottish Government funding for employability being channelled through local authorities that research was undertaken to examine how this is impacting on third-sector providers delivering employability support for those furthest from the labour market.

The third sector's role in employability in Scotland

Third-sector organisations (TSOs) are often seen as having distinctive advantages in working with people who experience multiple barriers to work (Damm, 2012; Payne and Butler, 2023). Their mission-led approach typically emphasises the benefits of voluntary user participation and personalised, 'wrap-around' support with the help of dedicated key workers who support users on a one-to-one basis. The aim is to build trusted relationships and address individuals' barriers at a pace which suits clients and helps them find work that *they* want to do and that fits with their life circumstances. This approach is often contrasted with the highly transactional DWP/Jobcentre-Plus[8] 'work-first' model, where claimants are subject to 'benefit conditionality' and have to demonstrate active job search aimed at rapid entry into any job or risk losing their benefits, a process monitored by work coaches with high client caseloads and limited time to offer support (Jordan, 2018; Wright et al., 2020).

Some TSOs in Scotland took part in the DWP's *Work Programme* (2011-17) aimed at the long-term unemployed, the precursor to the *Work and Health Programme*. Both programmes used a payment-by-results (PBR) funding model involving prime/lead contractors supported by a supply-chain of sub-contractors (Lane et al., 2013). Funding was allocated according to hard outcomes of getting participants into paid employment, with an increasing emphasis on them remaining employed for at least 6 months. Only a few large third-sector organisations managed to become

[7] https://scvo.scot/p/50874/2022/06/09/uk-shared-prosperity-fund-whats-next
[8] The DWP/Jobcentre-Plus infrastructure is 'reserved' under the control of the UK government.

prime contractors, and third sector involvement was usually as sub-contractors within the supply chain of the big primes.

Studies have highlighted a range of problems that TSOs confronted in entering such contractual relationships through the Work Programme. These included potential clashes between their mission-driven ethos and a PBR funding model that incentives moving people into work quickly (Edgell et al, 2016). This has been associated with 'creaming' (focusing support on participants who are easiest to move into work) and 'parking' (neglecting those with more complex barriers) (Carter and Whitworth, 2015; Greer et al., 2018). There are also questions around the role played by large private-sector 'primes' in dominating the market and using TSOs as 'bid candy' to win contracts but then not making sufficient referrals to render the contract financially viable for them, and whether the commissioning process may be squeezing out smaller TSOs and leading to service homogenisation (Shutes and Taylor, 2014; Egdell et al., 2016). Research suggests that while convergence pressures in the Work Programme were strong, some third sector sub-contractors found ways of resisting them, limiting homogenisation and maintaining distinctive ways of working with clients (Rees et al., 2024).

While most employment policy is 'reserved' by the UK Government, the Scottish Government has provided additional employability programmes and services of its own for disadvantaged persons and communities. In 2018, UK government funding for the Work and Health Programme was devolved to the Scottish Government, which provided additional resources for its own programme, *Fair Start Scotland*. Participation was voluntary, with users offered key worker support delivered by public, private and third sector providers as part of a payments-by-results/prime contractor model. The scheme operated in nine contract areas from 2018 and ended in March 2024, to be subsumed under the No One Left Behind (NOLB) policy as the legal requirement on the Scottish Government to ensure employment support for people with health challenges continues. An economic evaluation, commissioned by the Scottish Government in 2021, found there was a positive return on investment from the *Fair Start* programme which 'helped many participants move into sustainable jobs and did so while treating them with dignity and respect' (Scottish Government, 2022). However, it also noted that it 'could explore doing more to achieve its aim of helping

people who face very high barriers to labour market entry' (Scottish Government, 2022).

Prior to NOLB, the Scottish Government also provided funding for employability through the *Employability Fund*, under the auspices of Skills Development Scotland (SDS). A formative evaluation by SQW in 2016 found that most providers valued its approach to commissioning and the information provided in advance of submitting bids, and that the Fund was received positively (SDS, 2016). In 2018, a Review of Employability Services Research of User and Provider Journeys, commissioned by the Scottish Government, noted that:

> …most providers commented positively on the national bodies administering the Six Scottish Government-funded programmes, acknowledging the benefit of liaising with and reporting to one organisation, particularly when they are delivering across more than one local authority area. However, they also recognised that this approach meant that the administering organisation could not have depth of understanding and knowledge of the local context (Scottish Government, 2018b).

In the transition to NOLB, the Scottish Government noted in its Review of Employability Services that the Employability Fund had helped to deliver 'significant improvement for many groups, such as young people' (Scottish Government, 2018a: 11). However, it insisted that a more localised model of funding and commissioning employability support was needed to better meet the needs of service users, link with local investment, and deliver more joined-up approaches.

The role of the third-sector in employability support in Scotland is often said to be distinctive when compared with England, where UK governments have been fervent supporters of contractualism and managerialism (Lindsay et al., 2014; Lindsay et al, 2018). Scottish governments have expressed a commitment to 'partnership working' and 'co-production' in delivering public services (Scottish Government, 2015a&b), while the infrastructure of Local Employability Partnerships (LEPs) and Third Sector Interfaces (TSIs) provide opportunities for local collaborative working with the third sector (Sutherland et al., 2015). Launching NOLB, the Scottish Government (2018a: 7) noted that 'the role of Third Sector provision was viewed as vital for the success of the employability system.'

However, questions remain over the effectiveness of the support infrastructure for ensuring third-sector representation in local strategic planning and commissioning decisions relating to employability support. Previous research has found that some TSIs are viewed by third-sector providers as largely 'irrelevant' in the employability space (Egdell et al., 2016), while the role played by LEPs has not been subject to rigorous evaluation and remains under-researched. The Scottish Government's commitment to partnership working and co-production has also tended to sit somewhat uncomfortably alongside elements of New Public Management and payments-by-results contractualism, even if this remains less pronounced than in England (Lindsay et al, 2018).

There are also differences in the voice mechanism through which third-sector employability providers interact with government. In England and Scotland, voluntary organisations are represented by the National Council for Voluntary Organisations (NCVO) and Scottish Council for Voluntary Organisations (SCVO), respectively. Both have employability providers among their members but have limited resources to devote specifically to employability issues, research and campaigning. The UK-wide Employment Related Services Association (ERSA) includes private, public and third-sector providers of employment support. In Scotland, Employment Support Scotland (ESS) plays a similar function. However, Scotland is the only country in the UK that has a dedicated body specifically for third-sector employability providers – the Third Sector Employability Forum (TSEF). With around 400 members, it strives to communicate the views of charities, Third Sector Interfaces, social enterprises, not-for-profit training providers and employers to both central and local government. Until 2019, TSEF was funded by Scottish Government, but now relies on an Executive group of volunteers and Chairperson.[9]

Scotland, therefore, offers an interesting context for examining how the role of local authorities as budget holder, commissioner and deliver of employability support is playing out. Important questions remain as to how effective the supports for partnership working with the third sector are as local authorities take on the key role of commissioning employability support through UKSPF and NOLB. This is taking

[9] The reason given for the withdrawal of funding was to use this funding instead to create the new post of Third Sector Partnership and Engagement Advisor, located within the employability division of the Scottish Government. Government funding up to this point had enabled TSEF to employ a part-time TSEF manager as well as deliver various events throughout the year.

place at a time when council budgets are under intense pressure as result of austerity policies pursued by the UK Coalition and Conservative governments since 2010. Until 2017, cuts to council budgets in Scotland were, on average, around half the level of those faced by councils in England (Gray and Barford, 2018).[10] However, Scotland now faces a £1.5b black hole in its public finances by the end of 2028-9, as inflation and public sector pay deals bite. Scotland's Finance Minister has described this as 'one of the most challenging fiscal backdrops in the history of Scottish devolution'.[11] The Scottish Government has announced additional funding of £144 million for local authorities in 2024/25, provided they agree to a council tax freeze.[12] The Convention of Scottish Local Authorities (COSLA), the employer body representing local authorities in Scotland, has warned that the budget will result in 'service cuts, job losses and an inevitable shift to providing statutory services only.'[13] The Scottish Government has also signalled it would like to provide multi-annual spending plans[14] where possible, but argues that its room for manoeuvre is constrained by the annual funding it receives from Westminster.

Nonetheless, there are signs that employability has drifted down the list of Scottish government priorities recently. In September 2022, the Scottish Government announced that funding for employability support would be cut by £53m, a reduction of 43% compared with the previous year, citing 'acute labour shortages, historically low unemployment and soaring inflation' and the decision to prioritise public sector pay.[15] Such justifications are difficult to make, given that vulnerable and disadvantaged groups need help with employability, irrespective of broader labour market conditions, and the impact of the cost-of-living crisis is likely to be felt most acutely by those out of work.[16] Employability support to help people into 'fair and

[10] Between 2010/11-2017/18, councils in England experienced a 28.6% reduction in their real-terms spending power, https://www.nao.org.uk/press-releases/financial-sustainability-of-local-authorities-2018/
[11] https://www.theguardian.com/politics/2023/dec/15/inflation-pay-deals-scottish-ministers-budget-black-hole
[12] https://www.gov.scot/news/2024-25-scottish-budget-unveiled/#:~:text=record%20funding%20of%20more%20than,such%20as%20body%2Dworn%20cameras
[13] https://www.holyrood.com/news/view,scottish-budget-will-cause-cuts-in-every-community
[14] https://digitalpublications.parliament.scot/ResearchBriefings/Report/2024/1/4/d19ce079-c10b-4a0f-b526-448852face3e
[15] https://fraserofallander.org/the-rationale-for-employability-support/
[16] https://fraserofallander.org/the-rationale-for-employability-support/

sustainable work' is also important in terms of delivering on the Scottish Government's policies around child poverty, families with disabilities and lone parents out of work.[17]

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

Research methods and aims

To explore these questions, the research adopted a 'mixed method' approach, involving a survey and semi-structured interviews. By combining breadth and depth of data, mixed methods can better 'make sense of the world… increase confidence in findings, improve accuracy and completeness, and inform and contribute to overall validity' (McKim, 2017: 203; Creswell, 2003). The quantitative aspect of the research comprised an anonymous online survey of staff working at Scottish third-sector organisations providing employability support, collected between April and May 2024. The invitation to participate in the survey was distributed by TSEF to its membership and identified the research as being undertaken jointly by De Montfort University (DMU) and TSEF. As well as closed response questions, the survey contained a number of free-text response questions, with respondents invited to type-in written comments. The survey gathered 45 responses, over half (56%) of which were from chief executives or senior managers, with the remainder mainly at managerial level.

The qualitative research adopted a purposive sampling approach, which involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about, or experienced with, a phenomenon of interest (Palinkas et al., 2015). Research participants were approached with the help of a key contact in TSEF. Eight semi-structured interviews were undertaken with senior

[17] https://www.gov.scot/policies/poverty-and-social-justice/child-poverty/#:~:text=The%20actions%20in%20our%20second,families%20(3%2B%20children).
[18] https://www.gov.scot/publications/scotlands-labour-market-overview-december-2023/pages/economic-inactivity/

personnel in seven TSOs delivering employability support in Scotland, conducted between February and April 2024. All were active TSEF members from a range of organisations of different size and focus. There is a potential sampling bias in that those choosing to engage in the research may be more inclined to hold a negative view of funding and commissioning changes. The data, however, included participants of organisations that have experienced a variety of outcomes. An interview was also undertaken with a representative of TSEF who was not involved directly in the delivery of employability services. Their interview was used as background information and are not directly quoted.

An interview guide was used flexibly to cover key topics of interest. Interviews varied in length from 60-90 minutes, and all were audio-recorded and transcribed. A qualitative thematic analysis was adopted to organise the data. This involved reading interview transcripts in detail to gain familiarity with the content and noting recurrent themes. In accordance with research ethics protocols, interviews were based on informed consent and voluntary participation, with anonymity guaranteed. Given the political sensitivity of the discussion and the small size of sector in Scotland, we decided against the use of 'disguised identifiers' to differentiate between interviewees' responses, and care has been taken to ensure any contextual information does not compromise anonymity. As researchers, we are keen to give voice to participants and reflect what they say in their own words. We use quotations to represent the general nature of the discussion in the participants' own words where the same issues came out in multiple interviews and there was broad agreement. Where interviewees differed in their views, however, this is also pointed out.

Consistent with academic guidelines, the researchers secured prior ethical approval from De Montfort University's research ethics committee to conduct the research prior to commencement.

The **research aims** were as follows:

- To explore the implications of UKSPF and NOLB for TSOs providing employability support in Scotland.
    - To consider issues relating to both the size of funding and the commissioning process.

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

UKSPF and NOLB

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

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

The impact of the loss of ESF has, to some extent, been mitigated by alternative funding through NOLB. Indeed, over three quarters (77%) of survey respondents stated that they have made one or more applications for NOLB funding, although we cannot say how many were successful. Yet, as the survey findings illustrate, the overall reduction in public funding resulting from UKSPF, coupled with reductions in Scottish government funding for employability, have had a significant negative impact not only on maintaining current levels of staffing and service provision but, in some cases, organisational survival itself.

- 17% of survey respondents stated that their organisation has had to lay off staff in the last year as a result of overall reductions in employability funding. Those organisations which have had to lay off staff have laid off less than 25% of their workforce, with one exception which had laid off between a quarter and a half of staff.
- Even among those which have not had to make staff reductions, a significant majority (65%) expect to do so within the next two years.

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

The interview data underlines these concerns. In addition to the loss of ESF, for example, several interviewees also expressed concerns around the uncertainty as to what would happen when UKSPF ends on March 31, 2025. As one noted, 'It's just so uncertain… what's going to happen beyond 2025? Nobody can tell us.'

The interviews also provided examples of organisations that had previously drawn on ESF but have survived its loss by making strategic adaptations by managing to secure other sources of funding. One large provider had secured number of large NOLB city contracts, where they were the prime contractor. Their mission was '*to work together with people [third sector local delivery partners] that used to be our competitors*' and build their capacity in line with the principles of partnership working at the heart of NOLB.

Another large provider, with an established fundraising department, had formerly obtained a significant proportion of its income from ESF, but had managed to survive by partnering with other charities to access funding linked to the Scottish Government's key policy priorities. The ability to access different sources of public funding was seen as key to survival rather than organisational size per se. Indeed, as they noted, '*size could be a challenge'*. While the organisation was not threatened with closure, it had not made up for the loss of ESF and was now having to '*retrench and focus our services in a much more concentrated way… we just don't have the resource to continue at the scale that we were*.'

By contrast, a smaller provider with an established reputation for specialist delivery in one local authority area, had managed to sustain a major project, previously part-funded through ESF, by securing replacement funding under NOLB from the local authority. Although local authority funding was '*never enough'* to fund all their provision, they had made no redundancies and was now supporting more users than when ESF was available by supplementing this with other sources of income.

It is also important to note, however, that these changes in funding occur at a time when many third-sector providers are finding that many of their users are requiring additional support. Interviewees were unanimous in their view that the pandemic and cost-of-living crisis had added to the complexity of the issues their users were presenting with. A key issue is the worsening mental health among those who are economically inactive, not least young people, which meant they were taking longer to support towards a positive outcome:

> *pre-pandemic poor mental health was a challenge, but now I'd say it's an issue for three quarters, 80% of the people we're supporting… we're still working through the impact of young people losing a couple of years of schooling.*

Another noted:

> *…the time that you need to work with someone to move them into a positive destination has doubled… from an average from three to four months to six, sometimes 12 months*.

The same interviewee reflected the views of many others when pointing to the challenges faced by those at the sharp end of the cost-of-living crisis:

> *You cannot underestimate the impact of the cost-of-living crisis and the impact of poverty on families and people generally who have moved into destitution… and it's not just being in poverty, it's literally just not been able to meet the cost of living at all*.

It's all about No One Left Behind

As well as overall reductions in employability finding in Scotland, interviewees voiced major concerns around the implementation and commissioning of NOLB. As one put it, 'It's all about No One Left Behind.' There was a general consensus that the principles underpinning NOLB were laudable.

> *You look at the rationale behind NOLB and there's nothing really you could disagree with*.

It was also noted that the focus on '*local collaborative partnership working and holistic user-centred support were things that the third-sector had been doing for years'*. There

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

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

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

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

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

Funding delays

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

> *Most local authorities had a gap of more than 12 months between the Employability Fund finishing and then the NOLB program starting because of the tender process and a lot of the third sector providers in Scotland went to the wall because they had a 12-month gap with no funding… Scottish Government said local authorities 'are you ready?' 'Yeah, we're ready'… Absolutely nothing was ready.*

Delays in Westminster's budget allocation to Scotland had led to delays in the Scottish Government getting funding to local authorities. This, in turn, can lead to delays in

putting in place local commissioning arrangements, which further constrict the length of funded contracts:

> *In terms of NOLB… letters came out from the Scottish Government late… so last year they [local authorities] didn't have their letters with their funding until August. So the year's already started… They give you about a week to fill it in [the bid]. They take two months to read it, and then they're putting out bids for kind of three months' work consistently. So we don't sign up to those*…

Responses from the survey similarly highlighted this issue, noting the serious consequences for TSOs arising from such delays and continued uncertainty around future NOLB allocations. As one respondent stated in a free-text comment:

> *NOLB funding finished at end March 2024 and we have still not heard about the next round of funding. This is causing us to have to make redundancies and is affecting our operations massively. It is middle of May now and still no sign.*

Short-term funding

Even without such delays, interviewees were united in their view that short-term funding cycles and commissioned contracts lasting 12 months, or less in many cases, were hugely problematic for third-sector providers, their staff and users. This makes it extremely difficult to undertake forward planning and to recruit and retain knowledgeable key workers who deliver personalised support to users.

> *We only bid for programmes that allow us to deliver at least a year. The challenge of that is that my management team for the last two months have been writing bids to keep programmes going… And then I lose a lot of staff in January because they're jumping ship to other sectors which are more sustainable and more secure*.

Short-term funding also impacts on users with multiple and complex barriers to employment who need longer-term support. As one interviewee noted, by the time contracts are up and running *'you can end up with four months to actually deliver something which is a terrible experience for users*.' This was also reflected in free text comments from the survey, with one respondent stating: '*Short term funding is killing*

the employability industry particularly in the third sector, negatively impacting performance outcomes and harming clients.'

Interviewees were united in their view that multi-year funding was critical both for staff recruitment and retention as well as user experience. As one commented, '*we've seen greater success in our programmes that have been funded for multiple years than we have in year-to-year programmes, not just for retaining and keeping qualified staff, but better job outcomes.*' While multi-year funding was seen as vital, there was a recognition that the ability of the Scottish Government to deliver on this commitment was affected by Westminster's reluctance to provide long-term funding settlements for Scotland.

Cash-strapped local authorities not releasing funds

Another major concern is that many cash-strapped local authorities were said to be using the funding devolved to them under NOLB and UKSPF to fund their own in-house employability services in order to protect their own staff rather than commissioning more effective third-sector provision.

> *A lot of it [funding] has been given to local authorities, and that's where it's stayed.*
>
> *There's lots of local authorities where they're poacher and gamekeeper. So, they're commissioning for services and then bidding for their own… and awarding themselves the contract.*

One interviewee likened the situation to '*the Great Train Robbery'*.

A fragmented commissioning environment

Even where local authorities commission employability support from external providers, with funding distributed across 32 local authorities in Scotland, the result has been a much more fragmented commissioning environment. Short-term funding is further compounded by the small size of NOLB contracts (often less than £50,000 to run a project). Providers which operate across multiple local authority geographies are, therefore, expected to spend considerable amounts of time submitting multiple bids to different local authorities for relatively small amounts of funding. To make

matters worse, councils often have different procurement processes, with some said to be wedded to a payments-by-results model. Councils also have to use some of the funding to build the infrastructure for commissioning, thereby reducing the amount available to pay providers to run the service compared with when there was a single nationally-commissioned fund:

> *…if you take one pot that will have an overhead to manage it and you move it under 32 pots, there's 32 overheads.*

> *…every time you filter it through a layer, some of the money comes out of the system because you're having to, you know, build the bureaucracy to just run it…*

This highly fragmented commissioning model, involving multiple bidding for small amounts of funding, is widely viewed by larger providers as inefficient in terms of wasting time and resources that could be better spent on front-line delivery:

> *You're asked to put in for these small amounts... So you've got to do this like 9-10 times for each funding round… once they had been awarded, they then told us that they were going to do it as payment by results… we were never going to get full cash recovery… you're maybe going to achieve 80% of their money.*

Contrary to the aim of collaborative working intended through NOLB, it was also claimed that provider competition for funding between larger TSOs and smaller grassroots organisations had intensified. Furthermore, some argued that '*those that don't stay close to the local authority or do the bidding of the local authority [are] out of the game*.'

In some cases, the contracts on offer from local authorities were not seen as worth bidding for as they could not be made to work for staff or users. With NOLB contracts too short and too small to often make it worthwhile for providers to submit bids, several interviewees pointed to a significant underspend on employability in some local authority areas. Some areas also have such small allocations of funding, making it difficult to deliver real impact. Argyll and Bute for example had a funding allocation through NOLB of £228,000 for 2022/23. The Highlands were awarded £630,000, but the area is so large and the population so spread out, that it can be difficult to cater for all those needing support.

Lack of local authority transparency and accountability

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

> *we should have the data on how much money is actually getting to the third sector, whether that's UKSPF, whether that's NOLB, like, where's the cold hard data on, like how much of that money is being used by local authorities?...a bit more transparency, like where is the money going? What is it actually paying for?*
>
> *… it feels like there's no scrutiny as to how this money is being used… Where's the accountability?... Where's the reporting mechanisms?…Ironically, if they [Scottish Government] had applied even a fraction of what they did to Fair Start to NOLB they would have a lot more accountability. But it's gone to the other extreme of absolutely nothing.*

Fair Start Scotland

The Scottish Government's determination to route all employability funding in Scotland through local authorities also has implications for third-sector providers that were involved in *Fair Start Scotland* (FSS), which ended in March 2024. FSS has not been without criticism. These criticisms have tended to focus on its payments-by-results funding model and the high caseloads of key workers which are seen to have limited its ability to provide personalised support to those with complex needs such as a disability or long-term health condition to move into sustainable employment. Some TSOs that had been involved with FSS were frustrated at these criticisms, insisting '*you need to be delivering quality services to get paid and it gives us a chance as an organisation to re-invest in our services*'. For them, the scheme was perfectly compatible with their social aims of '*getting these people into lasting work and changing their lives*.'

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

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

One provider, which had secured funding as a sub-contractor through FSS, acknowledged that there was a commitment to try to '*extend the time that you could work with someone'* and '*make sure there was in-work support*'. They had originally subcontracted with a private-sector prime, the experience of which was described as '*brutal'*, with '*phone calls every day, I mean it was obscene*.'

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

It was still the case that for the private-sector primes '*it's a big money-making business*', with some happy to operate with *'[individual key workers] caseloads in the hundreds…where's the quality in that?*' The provider insisted they would only operate with maximum support worker/client ratio of 1:25. Their experience of FSS had improved when they had started working with another private prime contractor. This had been helped by Scottish Government being '*very clear that they wanted this to be a partnership with local organisations… that it wasn't just about them [primes] parachuting in and taking over'*. The freedom to create their own referrals had also afforded them '*more control over our own destiny… [to] make sure we're supporting the right people in the right way*.'

For other providers more heavily involved with FSS, its demise has had a bigger impact. In the survey, only 18% of respondents said that their organisation delivered services funded through FSS, but among those who did 63% said that the loss of funding would lead to significant reductions in the services their organisation could offer, with the remainder stating it would lead to a slight reduction in services. The closure of FSS yet again forces affected organisations to seek additional funding within the complex and fragmented funded landscape. For example, one provider had so far managed to secure two NOLB contracts with local authorities, but voiced similar concerns to many other interviewees around the fragmentation, inconsistency and lack of accountability associated with local authority commissioning.

Fair Work

While the complexity of the funding landscape has had a deleterious impact on service users, it also makes it harder for third sector providers to deliver on the Scottish Government's 'Fair Work' agenda as it relates to their own employees. Findlay and McQuarrie (2023: 6) found 'strong evidence of good practice in the [third] sector across multiple dimensions of fair work', but noted that staff had more positive experiences where TSOs had long-term and open-ended contracts with funders that could underpin employment security. Our research suggests that third-sector providers of employment support were finding it increasingly challenging to provide the job security needed to retain staff due to the lack of long-term funding.

Local authority procurement processes are also placing increasing pressure on staff salaries. It was noted by several interviewees how some local authorities were reluctant to pay a management fee sufficient to fund the full cost involved in delivering the service specified in the contract, making it harder for TSOs to pay their staff 'the real living wage'. One commented that while local authorities were also signed up to 'Fair Work in principle', this did not always translate into how they approached the procurement of employability services:

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

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

Local partnership working

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

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

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

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

> …*very few TSIs have any clue about employability… they don't know what the challenges are as they're not necessarily speaking to the key third sector employability providers in their local authority areas*.

Another interviewee even suggested that some TSIs had become too close to the local authority:

> *I tell you some areas that we operate in we've never heard or seen anyone from the Third Sector Interface… they're not representing me in any way. They never ask anything to be raised in meetings, give us any feedback or minutes so it's a bit varied across the country… Being a bit cynical, the reason that they're not*

going round seeking issues to raise is that they don't want to upset the local authority who's providing funding for them. So, they're pretty much very close and in the pocket of the local authorities in some cases.

While it is perfectly valid for a TSI to engage in delivery where this involves volunteering as a stepping stone to work, there are concerns that some TSIs have '*strayed into service delivery and that's not their job… they need to stick to being an advocate of their sector'*. All interviewees, however, concurred that it is a '*really inconsistent and messy picture*', and that the underfunding of TSIs remains a key problem.

What's working?

There are, however, some positive examples of partnership working between local authorities, TSIs and the third-sector employability providers. Some local authorities were praised for having well-functioning Local Employability Partnerships (LEPs) that were rooted in collaborative relationships with the third-sector. Some of these operated with a tendering model, others used grant-based funding. Among those cited were Fife, East Renfrewshire, Dundee, Edinburgh and Glasgow. Edinburgh was praised, for example, for having provided a seven-year funding partnership contract to help support disabled persons into work. They contrasted this situation with that in many other councils which were said to be much more 'risk averse' and would only commit funding when they know they have the 'money in the bank'.

Fife LEP has cemented a strong reputation as, in the words of one provider, a '*bastion of good practice'*. Another noted how it was '*very invested in the third sector'*, '*quite transparent as a local authority*' where '*once you're in that partnership, you're in it and can deliver good work*'. The local TSI had a funded LEP representative role and was central to the NOLB commissioning transition. Another provider noted in relation to Fife:

it's not perfect… but I'd say it's ahead of the curve compared to other areas.

The provider commented how Fife had managed the transition from ESF through NOLB in a '*less bureaucratic'* and '*very transparent way'*, enabling the provider to maintain its level of service provision when ESF fell away. The council provided relatively stable, three-year funding agreements, with a commitment to extend rather

than default to recommissioning. The provider described a positive working relationship with the Local Employability Partnership manager. Conversations took place early in the process and there was a '*good power dynamic*', with the provider able to challenge decisions they disagreed with. This created confidence that the '*process will be fair even if it doesn't go in your favour*.'

In other positive examples, securing contracts depended on third-sector providers' ability to collaborate strategically with one another. One provider explained how they had won contracts from one council by joining partnership consortia led by a large third-sector 'prime' as they themselves were not big enough to tender for the council's NOLB contracts. The result was that *'the third sector is gobbling up those contracts even though there is [a large social enterprise] and the big beasts [other large private sector providers] prowling around, and we did that by getting really good consortium and partnerships together*.'

The stark contrasts in local authority commissioning and partnership working are graphically illustrated in the case of one provider, where the two councils they dealt with in their local area were described as 'like night and day apart'. One was:

> …*very inclusive and involves all the partners in employability and anybody's welcome to kind of join in that partnership. There's very open and honest discussions that take place and they are supportive of the third sector and recognise the part that we play*.

The other was:

> *More about the Council themselves wanting to do more of the delivery directly themselves, having control. They don't like being questioned or challenged; they don't want to include the third sector in as many of the decisions… it's very challenging to work with.*

There is clearly considerable variability in whether and how local authorities in Scotland work in partnership with the third sector when dealing with employability and how they go about commissioning. But just how variable is this in practice? Here, the survey data offers some clues. Take the role of LEPs for example. Just under half (46%) respondents stated that their primary LEP's communication and engagement on issues relating to employability and the third sector was 'very good' or 'good', compared with around a third (32%) who stated it was 'poor' or 'very poor'. Similarly,

when asked the extent to which respondents agreed the third sector has strong representation and voice on the LEP, 46% agreed, while 30% disagreed. When asked how participants would describe their primary LEP's efforts to support third sector engagement in commissioning and delivery of employability services in the area, 33% of respondents stated it was very good and a further 5% said it was good. Nonetheless, 18% said it was poor and 21% said it was very poor. Continuing the mixed picture across Scotland, nearly four in ten respondents (39%) agreed that the contribution of third sector organisations in delivering employment and skills support was recognised and valued by the local authorities they worked with, compared to around a third (33%) who disagreed. Whilst there is a deep divergence of opinion, on balance survey respondents are seemingly more positive than negative, suggesting that there is more than a modicum of good practice that could be built upon.

Table 1: Partnership working between local authorities and third-sector around employability

	Very good/good	**Poor/very poor**
How would you describe the LEP's communication and engagement around issues related to employability and the third sector in the area?	46%	32%
How would you describe the LEP's efforts to support third sector engagement in the commissioning / delivery of employability services in this area?	38%	39%
	Strongly agree/ agree	**Disagree/ strongly disagree**
The third sector has strong representation and voice on the LEP	46%	30%
The contribution of voluntary/ third sector organisations to delivering employment and skills support to the long-term unemployed and economically inactive is recognised and valued by the local authorities we work with	39%	33%

Ways Forward

Opinions diverged as to ways forward. Several interviewees argued that the situation was better when employability support funding was commissioned centrally through the Employability Fund, under the auspices of Skills Development Scotland. This model was not viewed as perfect, owing to some '*really heavy compliance on [the Employability Fund]… around the way that was audited'*. Despite such problems, the Employability Fund was still seen as a '*model with transparent commissioning [that] actually created a quite vibrant enterprising space… [with] elements of co-production and localism and all of that worked.*' Some argued that it had also been easier under the Employability Fund to 'match fund' income from philanthropic and corporate donations. However, the main benefits were seen in terms of avoiding a fragmented commissioning landscape which was seen as inefficient for those dealing with multiple local authority areas and which had resulted in third-sector providers bearing the brunt of funding cuts. While some wanted to go back to the Employability Fund model, other interviewees felt this was unrealistic given the current direction of policy and drawbacks with the model itself. They also argued that the principles behind NOLB were sound ones and it was more about getting the implementation right. As one put it, '*I don't think you want to go back, but it's what you can do – to change going forward*.'

A key issue is to what extent it is possible to extend good practice in local authority commissioning and partnership working by gathering positive examples and raising awareness of the benefits of working in this way. To this end, the Scottish Government has funded a new post of National Third Sector Employability Partnership Engagement Manager to work with Scottish Government, the TSI Network and TSEF. Their role is to share good practice as well as to work intensively with those areas which are struggling to deliver on core NOLB aspirations in relation to working with the third sector and co-production. Interviewees regarded this as a positive step, although opinions varied in terms of the prospects of success. Some argued that it would be very difficult to shift deeply-embedded '*local authority mindsets*' and '*socially engineer something which is probably not for changing*.' For others, NOLB was really 'the only game in town', and it was about working with the grain of the policy to bring the implementation more into line with its core principles.

Our findings suggest that there are certainly examples of good practice that can be built upon, although to what extent other local authorities can be persuaded to

change their approach by being shown examples of good practice is unclear. Certainly, this is not helped by the straitened financial circumstances many local authorities find themselves in. Whether it is practicable to devolve funding to 32 local authorities, or whether changes to the structure of local government would be needed to make such a model work and avoid some of the fragmentation involved, is also an interesting question. Arguably, a blended commissioning model may be needed that could potentially combine the benefits of nationally commissioned provision for users closer to the labour market with locally commissioned specialist grassroots provision for users with more complex barriers and needs. Of course, much depends upon whether it is possible to achieve a consensus among third sector employment providers on ways forward and whether they can then influence the direction of Scottish policy.

Influencing Scottish Government

All interviewees were active members of the Third Sector Employability Forum (TSEF) and were asked to comment on its influence with the Scottish Government and policy makers. It was noted that campaigning had ebbed following the withdrawal of Scottish government funding for TSEF in 2019; however, the network had been re-energised with the transition to NOLB. Several interviewees commented that lack of government funding was an issue but the willingness of Executive members to volunteer their time was testimony to how they regarded it as playing an important role in speaking up for third-sector providers. Still, it remains, as one put it, '*sitting on the shoulders of volunteers*'. Views divided on whether TSEF should be government-funded or whether it was better to rely on membership subscriptions that allowed a greater degree of independence.

The challenges of achieving consensus across the membership were also acknowledged. While there is certainly much common ground, it is perhaps somewhat inevitable that the voices of larger organisations tend to be to the fore. The continued existence of TSEF is indicative, however, of the more prominent role played by the third-sector in the 'market' for employability support in Scotland, which large private sector primes have generally found more difficult to penetrate, compared with England. Scotland also has a more rural and spread-out geography that adds cost to

the delivery model which can be off-putting for large private-sector primes. Some argued that the move away from reliance on private-sector providers also reflected the Scottish Government's commitment to the importance of the third-sector in the employability space. As one noted:

> …there's been a wholesale change in what is allowed to be funded that ultimately means these programmes are not as attractive for private organisations that have shareholders.

While Fair Start Scotland allowed primes to charge a 40% management fee, there was a now a shift away from allowing contractors to charge such fees:

> [Scottish Government] won't fund large management fees, they're tending to restrict management fees to about 10%... it's very clear that this is going to be a third-sector led sector now…So England's totally different. It just completely blows my mind every time I go down there.

Interviewees saw the role of TSEF as that of a '*critical friend'* in Scottish policy arena, noting that engagement with the Scottish Government was generally good, with easy access to ministers: '*they're relatively open in my experience to hearing the challenges; whether that always filters down is another thing*.' It was generally considered that the Scottish Government valued having a single body they could consult to garner the views of third-sector providers rather than having to deal with an otherwise large and varied sector. Many drew a distinction, however, between consultation and involvement, on the one hand, and influence and co-design of policy, on the other. The intense campaigning that TSEF had engaged in around the problems that were likely to accompany local authority commissioning of NOLB and UKSPF had achieved little traction either with Scottish Government or the UK Government's Department for Levelling Up, Housing and Communities (DLUHC).

> *We influenced where we could … about the fact that if you devolve that money down… there are risks there about the money getting sucked into the [local authority] system, that not as much money will reach the front-line, that national organisations won't be able to work with the economies of scale…we set all that out, which kind of fell on deaf ears and I would argue all of that has come true*.

> *We've contributed to all sorts of forums but it does feel like it can be quite challenging to have your voice heard… we were unable to make the changes we wanted to NOLB. They were determined to do it the way they [Scottish Government] were going to do it*.

Some interviewees suggested that the shift from national commissioning to local authority commissioning of NOLB partly reflected the influence wielded by the Convention of Scottish Local Authorities (COSLA) over the SNP Government in Scotland, which they saw as a highly influential player in terms of delivering industrial relations harmony and the mobilising of the local SNP vote in elections. As one noted:

> *A lot of local authorities are now SNP-run, so there's obviously party connections… as long as they [Scottish Government] keep the resources going into local authorities to keep councils quiet it stops them agitating for industrial action… it just keeps things for government sailing on a more even keel.*

Others were not convinced, insisting that COSLA were '*saying all the same things to Scottish Government we're saying to them*' when it came to funding cuts and need for multi-annual funding settlements, even if local authorities themselves '*were not keen to identify the things that have failed with local authority commissioning.*' Interviewees were united, however, in their view that influencing Scottish Government over the transition to NOLB had proven difficult, but hoped that this would change as problems with local authority commissioning were drawn to policy makers' attention and the challenges around economic inactivity become increasingly difficult to ignore.

Recommendations

For Scottish Government

- Undertake a public audit of how local authorities have commissioned employment support through UKSPF and NOLB to gather data on how effective this has been in supporting users in order to identify lessons that can be learnt and any examples of best practice.
- The challenges involved in local authority commissioning of employability support are thrown into particularly sharp relief in Scotland, given the fragmentation involved in routing funding through 32 local authorities.

Consideration should be given to how the capacity of local authorities to commission employment support might be developed. Ensuring that commissioning is done in partnership with third-sector organisations through LEPs and that there is transparency in the process is vitally important, building on any examples of good practice. Ensuring third sector representation on LEPs is central to this. We have seen evidence of TSIs facilitating this representation in our data, although some clearly do not match to such best practice, which may be linked to their underfunding.

- Local authority commissioning should be subject to rigorous evaluation and full transparency. Where local authorities use funding to support their own in-house services, it should be incumbent upon them to explain why this is most effective in meeting user needs and that there is no alternative third-sector provision with an established record of effective delivery available.
- Policy makers should consider whether there is a role for both nationally-commissioned and locally-commissioned employability programmes as part of NOLB. A blended approach which combines the benefits of national programmes for those users who are closer to the labour market with additional support for those with multiple barriers and more complex needs delivered by local, specialist grassroots organisations that are trusted in their communities may offer one way forward.
- Longer-term funding, of at least three years (and preferably longer), is key to providing the support needed to help those users who have complex needs and are furthest from the labour market. It is also vital if TSOs are to retain knowledgeable and experienced key workers who can provide the one-to-one support users need.
- TSEF plays an important function in representing third-sector employability providers and ensuring that their concerns are put to the Scottish Government. However, its role is constrained by lack of funding and reliance upon key members on its Executive who act in a voluntary capacity. A sustainable funding arrangement is needed that does not compromise the Forum's independence and voice.

For TSEF and third sector employment providers

- Demonstrating to Scottish Government the impact that third-sector providers have in addressing challenges around long-term unemployment and economic inactivity and how this links to polices around poverty and child poverty remains vitally important. Greater attention needs to be given to evidencing how third-sector support for those furthest from the labour market can deliver savings for the public purse. This also means accounting for intermediary 'soft' outcomes, such as self-confidence, self-efficacy and improvements in mental health, as steps to employment, education or training. Not to mention the negative knock-on effects on services like health when funding for third-sector employment support is reduced and fewer users are supported. Scottish Government also needs to ensure that its performance evaluations take account of these wider benefits and potential savings to the public purse.
- Critical here is the focus on building pathways to sustainable employment and fair work for users, given the extensive body of research which exists on the benefits of 'good work' for health, well-being and personal identity. Marshalling the evidence of the ability of third-sector employability providers to deliver on this agenda is, therefore, important. This also depends crucially upon their ability to recruit and retain knowledgeable key workers who also want fair and sustainable employment themselves. Longer-term funding that can help build stability again remains key.

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