

A Simplified Further Education and
Skills Funding System and
Methodology

Consultation Response Form

July 2010

Simplified Further Education and Skills Funding System and Methodology Consultation Response Form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 14/10/2010

Please return completed forms to:
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Please can you tick a box from a list of options that best describes you as a respondent. This allows views to be presented by group type.

<input type="checkbox"/>	General Further Education College
<input type="checkbox"/>	Sixth Form College
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Training Organisation
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Large employer (250+)
<input type="checkbox"/>	Medium employer (50 to 250 staff)
<input type="checkbox"/>	Small employer (10 to 49 staff)
<input type="checkbox"/>	Micro employer (up to 9 staff)
<input type="checkbox"/>	Trade union or staff association
X	Other: The Information Society Alliance (EURIM) – is a Parliament and Industry Group (parliamentary, corporate and associate members including employers, professional bodies and trade associations)

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.
Response from Philip Virgo, Secretary General, the Information Society Alliance (EURIM) www.eurim.org.uk

Question one: paragraphs 12 and 13

In paragraphs 12 and 13 we describe a proposed streamlined FE system based on principles of a marketplace with empowered informed customers, trusted colleges and training organisations, a focus on outcomes and a minimal role for Government intervention.

Q1. We welcome views on whether these are the right principles for a streamlined FE and Skills system - are there any others?

The opening paragraph refers to “the advantages of a mature contested commercial system, delivering in a market where good information and price are central to effective operation”. The principles do not, however, place public funding in market context or the need to remedy long-standing weaknesses in support for adult education and workforce updating to international standards. The consultation questions then focus on reducing the cost of current national funding mechanisms, moving away from (not towards) a system where funding follows the student and local supply can respond to changing demand, as employers relocate and the skills needed change over time.

The principles, alias objectives, should be:

- to enable and encourage FE colleges and other publicly funded training organisations to understand the skills in demand from local employers and to provide sustainable access to materials and courses that enable current and prospective employees to acquire those skills at affordable cost, in time as well as money.
- to help local employers to know and understand what is available, including government support, to help them acquire the skills they need, whether provided via the college or training organisation or not. (i.e. open up the role of the local FE college as “first-stop-shop” for much wider range of services that those which it can itself provide).
- to help local residents (of all ages) to understand and acquire the skills they will need for current or future employability, whether or not these are delivered via the college or training organisation.
- public funding should follow the student, with “industry strength quality control” to ensure that it is spent only on reputable programmes that are likely to deliver results relevant to current or future needs. The funding routines should make it easier for suppliers to respond to changing demand

Question two: paragraphs 12 and 13

Following paragraphs 12 and 13 we would also like to identify further areas requiring simplification.

Q2. We welcome views on whether there are other areas of the wider FE and skills system that should be focussed on to simplify systems and processes and reduce burden?

The prime need is to enable colleges and training organisations to respond to local needs, including those of the public sector (the largest employer in many parts of the country). It should also be much easier for them to work in partnership with the private sector, deriving the bulk of their funding from delivering courses to international commercial standards, using public funding for those who cannot afford commercial prices and/or need personal support.

A rationalisation of current national programmes and funding channels is overdue but a “single route” for “their primary source of adult funding” is likely to get in the way of colleges ability to respond to changing demand.

More than 50% of current funding is said to vanish in overheads, including the cost of bidding for national funds, adjudication of bids and overheads of sub-contracting. Meanwhile many employers, as well as individuals, are unable to obtain local access to the training they need, when and where they need it.

The need is for networks of local “first stop shops”, alias community learning access centres. Some FE colleges already host such networks, supporting on-line delivery via community centres, schools and libraries as well as access from the home or the work place. Others would like to be able to do so and have premises that would be more cost-effective than hotels or conference centres for delivering commercial courses, including those to meet the needs of the public sector as an employer.

Question three: paragraph 14

In paragraph 14 we described the potential for extending a single budget approach for post-19 provision to include other areas such as programmes for the unemployed and the current Adult Safeguarded Learning budget.

Q3. We welcome views on the benefits of extending the current approach to a single post-19 funding stream and whether there are alternative models to consider.

Funding should follow the learner with the minimum of overheads. There is a need to reduce the duplication of effort and administrative overheads with regard to national programmes. The Coalition Government plans to devolve responsibility to local authorities and communities mean the range and variety of programmes to meet local needs will increase. It should be made easier for colleges and other publicly funding training organisations to respond. That entails reducing the role of national organisations, as well as streamlining them

Question four: paragraph 16

In paragraph 16 we ask for feedback on the benefits of giving colleges and training organisations a funding envelope covering the Spending Review period (subject to responsiveness and quality of provision).

Q4. Would a funding envelope covering the Spending Review period support improved delivery and performance - if so to what extent?

We need to reduce the cost of providing the skills of the future to the work force of today, whether funded by employers or individuals or via taxes. Giving FE colleges certainty of funding while they plan how to respond locally to pressures for change may be helpful. A funding envelope that appears to delay change by requiring them to preserve the status quo is not.

Question five: paragraphs 17 and 18

In paragraphs 17 and 18 we describe an alternative approach to routing funding previously given to the Learning and Skills Improvement Service (LSIS) to colleges and training organisations.

Q5. We welcome views on how the sector should take the lead in determining the funding allocated for LSIS and the broad parameters of how this is spent.

It is unclear what value is added by LSIS. It should be “set free” as a “trade association” of FE suppliers, funded by those members who value its services. That would also enable it to respond to changing needs, without the need to account for public funds.

Question six: paragraph 21

In paragraph 21 we examine some of the issues surrounding funding for the most disadvantaged learners, and explore options for ensuring the funding system supports and does not act against supporting the most disadvantaged.

Q6. We welcome views on how we can ensure the funding system supports the sector in responding to the needs of the most disadvantaged.

The most cost-effective way is probably to restore individual learning accounts as a prime channel for public sector funding to follow the student but with proper safeguards against fraud. The latter should include routines to ensure that the accounts can only be spent with reputable training organisations, accredited by the relevant professional bodies and employers' organisations, working with and through the appropriate sector skills councils.

The accreditation routines should also be linked to those used by the British Council and UK Borders Agency to promote the UK as a source of global high quality training at the same time as helping reduce immigration fraud under the guise of student visas.

Those running programmes to engage those with particular problems should then be encouraged to route the funding through the accounts and help with the accreditation of those providing reputable support services for those with special needs.

The registers of those accredited should also be available as a public service. Those running the support schemes should be geographically co-located - so that those dealing with the same individual under different schemes are likely to share the same office and talk to each other.

Questions seven and eight: paragraph 24

In paragraphs 21 - 24 we describe possible future systems in which the level of public subsidy is differentiated according to the type of learner, or the type of learning.

Q7. We welcome views on whether the approach to public subsidy should be differentiated.

National standard formulae which do not take account of the circumstances of the employer or individual, or variations in the cost of delivery, do not appear to be a good way of getting value for money from public funding.

Q8. We welcome views on whether employers should be accommodated through different measures within the funding system based on their size

Size is not a good way of determining ability or willingness to pay. Reform of the tax treatment of training costs (part of IR35) would be very much more cheaper and more effective in encouraging the three or four million micro-firms in the UK to invest more in training. Organisations with 5 to 500 employees would benefit most from assistance in planning and supervising training programmes and recruiting trainees. The main training cost to employers of all sizes is the supervision of work experience. Next comes time away from the workplace. The cost of off-the-job training is usually a poor third.

Question nine: paragraph 27

In paragraphs 25-27, we set out how we could implement the recommendation made by the Independent Review of Fees and Co-funding in FE in which it was suggested that public funding should follow and match the choices and private co-investment contributions of learners and employers.

Q9. We welcome views on the practical implications of taking into account the need for optimising co-investment and the need for simplification.

The best mechanism is individual learning accounts with public sector funding paid into the accounts of those in target groups, alongside any personal contributions and those from employers (including for sponsored students or under redundancy programme). They do, however, need effective measures to reduce fraud, ensuring that the accounts can only be spent with reputable training organisations. That entails using the accreditation programmes of mainstream trade associations and professional bodies, co-ordinated nationally by the relevant sector skills councils. Local FE colleges should be subject to such accreditation but also enabled and encouraged to host commercial courses (within state aid rules - i.e. not at a loss or lower price than anywhere else in the EU) run by other accredited providers .

Question ten: paragraph 30

In paragraph 30 we explore options for streamlining the approach to fee subsidies including: establishing a nationally defined group or learners eligible for full fee subsidy, using a learner premium to encourage providers to cater for certain groups of learners and supplementing a national approach with a locally-determined bursary scheme.

Q10: We welcome your views on streamlining the way in which we currently support learners' additional needs including what (if any) aspects of current arrangements should remain.

See answers to Questions 6 and 9. Additional payments into individual learner accounts is the simplest way. Given the diversity of local needs and the variability of delivery costs, the more devolution to local bursary arrangements to top up the accounts of target groups or those in most need, the better.

Question eleven: paragraph 34

In paragraphs 31-34 we set out the need to balance supporting the flexibility of the Qualification and Credit Framework against the reduced funding available.

Q11. We welcome views on targeting funding where it will have the most impact; what elements of the Qualification and Credit Framework should be eligible for funding and why?

The Framework risks encouraging the cheap delivery of notional levels of qualification, regardless of employer needs. The cost of delivering training and of accrediting skills can differ widely and also depends on whether the time of the student is taken into account. A 3–4 week class room course may appear cheaper than a 3–4 day intensive, hands-on course, but only before “lost earnings” or “unproductive time” are counted. Experience to date is that few courses and qualifications in any national frameworks are recognised by employers, trade associations or professional bodies. Only those that are so recognised should be funded.

Question twelve: paragraph 40

In paragraphs 35-40 we describe a possible future system in which we move away from funding on the basis of estimated costs of delivery towards a price model based on funding for outcomes delivered

Q12. We welcome views on the benefits of moving to a more price-driven system; including how we would mitigate against the risk of focusing too much on a single outcome at the expense of the quality and relevance of the learner experience.

The different costs bases of public and private sectors should be an opportunity not a problem. Enabling and encouraging commercial training providers to use publicly funded premises in return for help with equipment, materials and communications facilities can cut the cost of local delivery in many parts of the UK. Outcome-based pricing should be based on the objectives of the programme. Some-one who drops out of a course because they have obtained a job may be a success or a failure depending on the quality and duration of the job. The key measures are employer and student satisfaction, linked to employment and future employability - rather than paper qualifications that are meaningful only to the funding agency.

Question thirteen: paragraph 41

In paragraph 41, we examine different means of delivering Further Education, through e-learning and the efficiencies this can bring.

Q13. Are there any other barriers to the sector delivering more efficiently and effectively?

Yes

13.1) Work-place supervision is by far the most expensive component of any apprenticeship programme. When supervision is skimped, the quality of the learning experience slumps. If employers are to be encouraged to take apprenticeships seriously they need to be rewarded accordingly, whether by direct funding or by the exemption (whole or partial) from National Insurance contributions of trainees who are supervised in line with professional standards (c.f. those for the work experience components of the “apprenticeships” undergone by chartered accountants, doctors, engineers, lawyers or nurses).

13.2) Many FE colleges lack the broadband connectivity necessary to access world-class learning networks or to act, in turn, as hubs for local learning networks with access via community centres, libraries, schools as well as those doing home-based or work-based modules.

Question fourteen: paragraph 42

In paragraph 42 we set out options for how we could streamline the current approach to rate setting, including bands of funding levels based on the size of the qualification on the Qualification and Credit Framework, the characteristics of the learner or a combination of the two.

Q14. We welcome views on whether there are alternative approaches that could be considered (including maintaining the status quo) which meet the principles of simplification and value for money; if so, how might they work?

See answers to 6) and 9) above. Rather than create new frameworks we should let the system evolve both from those courses and qualifications that are already recognised by employers (including outside the UK) and from those public sector training organisations able to deliver them for less than the open market rate. The accreditation of overseas students studying for qualifications that are no longer available to publicly funded UK students remains a multi-billion pound industry. There are major benefits from re-entering global skills markets rather than creating another set of introverted national frameworks.

Question fifteen: paragraph 44

In paragraph 44, we discuss possible changes to the way the programme weighting is used, perhaps with a standard programme weighting applied across a sector subject area.

Q15. We welcome views on how this might be achieved, and whether its benefits would justify the change

This would discriminate in favour of that which is cheap to deliver, regardless of demand or quality. Any benefit would almost certainly be more than wiped out by the consequences.

Question sixteen: paragraph 48

Paragraphs 47 and 48 discuss the possibility of there being a different but related basis for determining funding rates for Apprenticeships compared with other provision

Q16. Should there be a different approach to setting rates for post 19 Apprenticeships?

Yes

See answer to 13 above. The cost of good quality well-structured and supervised work-place experience is significantly greater than that of most classroom components. Unless and until this is recognised there is a major disincentive to employers to take on “apprentices” except as unpaid interns or under traditional apprenticeship programmes and training contracts as operated in, for example, law and accountancy.

Question seventeen: paragraph 51

In paragraphs 49-51 we describe a possible future system in which the provider factor is more transparent.

Q17. We welcome views on whether there are other elements of the provider factor that could be removed / simplified in light of the proposed approach to allocations, rates and funding?

It would be much better to start by withdrawing funding for those courses and qualifications that are not recognised by employers and building on those that are – including, perhaps especially, those that are valued overseas but are not available via public funding education and training operations in the UK.

Question eighteen: paragraph 52

In paragraph 52 we describe possible future systems for funding allocations, with option 1 including adjusting the overall budget based on the previous year’s delivery, adjusted for quality and responsiveness, and option 2 including core and marginal funding.

Q18. We welcome views on the options – including how we could use the approach to marginal funding to reward good performance in delivering quality outcomes in response to learner and employer needs.

The task is to enable the least painful transition to a situation where funding follows the student and where most FE colleges and training providers derive most of their income from local employers (including the public sector) paying not only for courses for their staff but also for others services such as help with training plans and career development programmes. In many parts of the country the public sector is by far the largest local employer. Its training budgets are (or should be) far larger than central government funding for the FE sector. We also need to recognise the scale and nature of the market for personally funded courses (whether to change career or for pleasure) and encourage FE colleges to tap that market.

Question nineteen and twenty: paragraph 55

In paragraphs 53-55, we describe how currently 8% of Skills Funding Agency funding goes to 778 providers with allocations of less than £1m, and suggest an approach to minimum contract levels to reduce the number of direct contractual relationships between colleges and training organisations and the Skills Funding Agency.

Q19. Should some areas of provision and/or types of provider be exempt from minimum contract levels?

This proposal is in the opposite direction to current pressures for the public sector as a whole to contract more to SMEs. It is not easy for central government departments to do this. Therefore devolution to local agencies or subcontractors will be necessary. It is, however, essential to ensure the minimum number of tiers. Most of these take 5 –10% of the funds they handle and it is not uncommon for the majority of funding to disappear in overheads with barely 20 – 30% being left for actual delivery.

Q20. We welcome views on what the “right” minimum level might be.

The issue is not the minimum level of contract but the total “take” for supervising subcontracts along the supply chain. Ideally this should be no more than about 10% (i.e. one or two tiers only) but, where one of the tiers provides genuine value-added quality control, a “total take” of 20% is not unreasonable – i.e. at least 80% should go to who-ever is actually delivering.

Question twenty-one: paragraph 57

In paragraphs 56 and 57 we describe a possible future system involving sub-contracting and actions to ensure this is efficient and mitigate any risks.

Q21. We welcome views on the risks of greater sub-contracting, what can we and the sector do to minimise those.

21.1) Require “industry strength” accreditation processes, c.f. those for the Millennium Bugbusters Programme when a panel of those with experience of running commercial training programmes checked for competence (including the CVs of trainers who would be used) and the facilities that would be used for the necessary hands-on elements. This was done under the aegis of the predecessor to the Sector Skills Council.

21.2) Require “happy sheets” from all students and employers before payment and investigate any evidence of discontent.

21.3) Build on the quality control processes of reputable professional bodies, trade associations and training franchise operations where there is no Sector Skills Council with strong employer support and access to the necessary skills.

Question twenty-two: paragraph 66

In paragraphs 61-66, we describe a system in which colleges and training organisations are accountable to learners and employers through provision of information, including on outcomes.

Q22. Do you think it would be reasonable to expect this information to be publicly available on a monthly or quarterly basis?

The most important information for learners and employers is that which covers job placement, student satisfaction and the courses, qualifications and other services available. These should form part of the sales material of the Colleges and other Training Providers. Other measures are of interest only to funding agencies.

Question twenty-three: paragraph 68

In paragraphs 67 and 68 we reflect on the impact of changes in the consultation on the potential to reduce data burdens for colleges and training organisations.

Q23. We welcome views on the extent to which the proposals in this document help to reduce the burden of data collection? Are there other areas that need attention?

All returns not directly relevant to job placement, customer satisfaction and financial performance (including value for public funding) should be dropped.

Question twenty-four: paragraph 69

In paragraph 69 we describe a payment system for colleges and training organisations with introduction of automated contract adjustment.

Q24. We welcome views on whether there are other changes that would promote simplification and better value for money.

The changes proposed appear designed mainly to preserve current funding channels, removing links to student throughput and incentives for change. A switch to properly administered individual learning accounts would almost certainly lead to a more intelligible system, that is more responsive to pressures for change and delivers better value for public money.

Question twenty-five: paragraph 72

In paragraphs 70-72 we describe a possible future system in which a single audit framework using internal and external audits colleges and training organisations are already required to use remove the need for Skills Funding Agency audit.

Q25. We welcome views on the existing aspects of the audit approach that would need to be included in a framework for use by external auditors? Are there alternative approaches to build on existing practice?

The proposed changes appear designed to ossify the system. Instead the money should follow the student, rewarding those who handle larger numbers for the same level of funding or who draw in additional funding from other sources, whether employers or individuals.

Question twenty-six: General

As a general question:

Q26. We welcome views on whether there are any other areas not covered in this document that could realise significant efficiencies if we simplified or streamlined.

Provide guidance for Colleges on how to work in partnership with commercial training providers within EU rules for state aid.

Question twenty-seven: General

As a general question

Q27. Are these changes suitable to be taken forward specifically for 19+ provision?

No

They bear little or no relation to the need for the FE Sector to play a major role in helping upgrade and update the skills of those already in the UK workforce, where and when this is needed.

Question twenty- eight: Implementation

As a general question

We would welcome your views on the key considerations that we need to take into account when implementing any changes.

Actively consult those employers who already work with their local colleges and also those who would like to do so.

Open up routines with UKTI (and others charged with securing inward investment to UK) so that local colleges can bid to help provide the skills needed by new employers moving into their area.

Look at the skills (courses, qualifications, accreditations) in global demand, especially those cited by employers as justification for importing immigrants.

Do you have any other comments that might aid the consultation process as a whole?

The consultation should have been based on research into employers views on the current and potential contribution of local FE colleges to their needs.

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply