Association of
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Providers

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Key principles to ensure the success of future Skills Accounts

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One of the few cross-party areas of commonality in the three main parties' 2019 election manifestos pledges on education and skills was the commitment to implement a form of a new individual skills account – or very much an associated future policy which lends itself to a skills account approach. Regardless of being branded an "entitlement", "wallet" or "account" the underpinning consistent principle has been for post-2020 that learners to be given control of an individual allocation of funding to take control on spending and investment on their training and personal development. Now that the election has been concluded it is time to move forward on the next steps in 2020 and beyond.

Such an approach, however, is not a new concept. In September 2000 the then Labour government launched individual learning accounts (ILAs) as the mechanism for adults to individually access training and this scheme ran in England and the other devolved nations. The policy behind ILAs should be applauded as the programme benefited thousands of adults across the UK who hadn't previously had access to adult education. However, this scheme lasted just 14 months before design and implementation weaknesses in the scheme led to its decommissioning. In those 14 months, a total of 2.6 million individual learning accounts were opened. Unfortunately, the underpinning issue was that the scheme was too easy to defraud and it remains unclear today how many of the 2.6m accounts opened were genuine, and the Department for Education (DfE) suffered considerable embarrassment. A review of the findings from the Select Committee and National Audit Office reviews that subsequently investigated individual learning accounts can be revisited in ***appendix one*** of this paper which give a useful insight to ensuring that 20 years on what lessons should be learned in developing a new and more effective approach for 2020 and beyond.

Moving forward and looking to the future and the new Conservative majority government, now is the time to build on past learnings from individual learning accounts – in summary, a sound policy, but failed by flawed implementation, weak and vulnerable supporting practices and processes. In essence, ILAs were not 'bad' in themselves, the previous programme was poorly administered end-to-end. We have seen similar issues in other initiatives, whether it was the Demand Led Element of the 90s, Train to Gain in the mid-2000s, and even issues with provider suitability in the current apprenticeship programme. However, there is no reason a well-designed successor scheme would not be a success.

Indeed, giving the purchasing power to the individual with incentives for employers to support individuals further and for individuals to invest further themselves has many benefits at a time where there is a massive skills deficit in this country at all levels.

AELP has a number of recommendations for the new government based on the system architecture about how to ensure the success of any new skills accounts system that is likely to be implemented in 2020 and beyond:

1. Ensure the skills account funding is routed through a **robustly tested and approved provider base** as opposed to the unmanageable 8,910 providers that previously accessed funding for ILAs – building on the more recent experiences of developing a robust government-approved apprenticeship training provider register to test the capability, capacity and readiness of providers to access government funding, with Ofsted the recognised regulator given oversight of judging the quality of the subsequent training delivered.

2. Control the breadth of qualifications and programmes available for individuals to buy with funding ring-fenced in their skills account with a **catalogue of approved programmes** – building on the learnings from advanced learner loans and the use of an approved central qualifications catalogue.

3. Actively **embracing the latest technological advancements** to enhance, control and protect the integrity of the skills account system – identifying trends quickly, with the ability to suspend or investigate accounts based on specific behaviours or patterns, be that by learner type, geographical location or by programme/qualification type.

4. Government alone should not shoulder the full responsibility to meet the total cost of the investment required. **Employers and individuals should also contribute** to the total investment required. There should be further opportunities for both individuals and employers to flexibly top-up the skills account, wrapping in the options to incentivise this through tax relief or national insurance contribution relief or rebates. Government alone must not carry full the burden and there is shared responsibility which includes the individual and the individual's employer where the skills development benefits their productivity.

5. Skills accounts should be structured in a way that enables government to flexibility direct funding to **support additional specific target** to meet new or developing needs, for example an amount in all accounts to fund training on digital skills development and the account should be able to **facilitate a mix of grants and loan funded provision** in one place, acting as a one-stop shop for the individual to control and make informed choices.

Robustly tested and approved provider base

In 2000 the number of providers accessing funding for individual learning accounts was a staggering 8,910 providers. In comparison, there are around 1,500 providers approved as main providers on the register of approved training providers which was established in 2017 and is managed by the ESFA. A balance needs to be struck between an open market, but also establishing a provider base that is robust, high quality and is manageable from both a compliance and a quality perspective.

Just to be clear this should not about restricting access to the market for new providers who offer innovation and competition, but learning from past mistakes and experiences from programmes such as with allowing untested providers access to funding with ILAs in 2000 and more recently with direct contracting to new providers with advanced learner loans and the first iteration of the register of apprenticeship training providers which has since been enhanced through a more significantly testing refresh. It is key to learn from past failings and develop a strong future approach.

Catalogue of approved programmes

Along with controlling the provider base, consideration is required on limiting the endless range of programmes and qualifications that an individual could potentially access. As already highlighted, previously funding through individual learning accounts was used to fund a huge range of qualifications and in many cases little value for money with some outcomes that simply did not lead to improvements in social mobility or productivity gains for the individual.

In establishing skills accounts there needs to be a centralised and controlled catalogue of fundable programmes/qualifications which are the only options for individuals to purchase through their skills account and there may be a differentiation between grant funded and loan funded. In 2013 and the launch of advanced learner loans, the ESFA produced a central online catalogue of fundable programmes which is updated across the year. Having a similar online central catalogue of fundable programmes would be a sensible solution to managing what funding in skills accounts could be used to procure by the individual end-user.

Latest technological advancements

Since 2000 the advancements of technology have been significant and embracing technology should be another key requirement to be baked into the new skills account infrastructure to ensure the adequate control, accessibility and integrity of the new system. A technologically driven approach must replace the previous paper-based approach which was one of the underlying issues which were allowed to be manipulated which led to the significant defrauding of the ILA system.

Through utilising an online system and personal Apps, this would not only help improve accessibility, but also allow the ESFA to remotely receive data on account creations, activation, registration and spend on a real-time basis. It would also enable proper control over the provider's individuals were able to access and the courses they could put their account towards. This would ensure the ESFA had accurate oversite of the activity taking place and be able to identify certain behaviours or trends where they could look to investigate, suspend or block based on specific behaviours or patterns, be that by learner type, geographical location or by programme/qualification type. By using technology this would allow for a more transparent and real-time level of oversight for the ESFA to ensure the financial integrity of the skills account system.

Shared responsibility to meet all needs

It is important to balance affordability, sustainability along with a shared responsibility to building the skills base for adults and government alone should not shoulder the full responsibility to meet the total cost of the investment required. Both employers and individuals should also contribute towards the total investment required, for example individuals and employers should be allowed to flexibly top-up the skills account, wrapping in the options to incentivise these positive behaviours and actions through tax relief or national insurance contribution relief or rebates. Government alone must not carry full the burden and there is shared responsibility which includes the individual and the individual's employer especially where the skills development benefits their direct productivity.

Targeted focus and facilitating access to grant and loan funding in one place.

The new skills accounts should be constructed in a flexible way that enables government to directly target funding to support additional specific objectives to meet new or developing need. For example, government should be able to make available funding for all skills accounts to fund training on digital skills development. The make-up of the components of the skills accounts should also include the combination of both grants and loan funded provision in one place, acting as a one stop shop for the individual to control and make informed choices about their own training and developmental requirements.

Furthermore, along with the system architecture, AELP has a number of further recommendations on what entitlement components should be included as part of the skills account made available for individuals. These being:

1. **Digital skills entitlement**: planned to be implemented from August 2020 through the Adult Education Budget (AEB), initially for basic digital skills qualifications and then in 2021 a more substantial digital functional skills qualification entitlement. Given the evolution of technology, this is an important first step to future-proof the skills of the workforce. This could be a specific grant amount in everyone's account

2. **Level 2 and Level 3 entitlements**: long-standing entitlements currently through the Adult Education Budget (AEB). Currently, the government will fund the learning of 19-to-23 year olds if they are studying for a first qualification at level 2 and/or level 3, but this means that a similarly aged individual who already has a level 2 qualification won't get full funding to

progress to level 3. AELP believes these entitlements should be expanded and that all young adults aged 18 to 24 should be given a fully state-funded entitlement for learning at level 2 and level 3 as part of any government reforms arising from the Post 18 Education and Funding Review (or Augar Review). This enhancement would potentially benefit 300,000 school leavers a year who don't go on to university. This would be a grant in the account of those without a full level 2 and 3.

3. **Right to retrain**: support is currently channelled through the National Retraining Scheme (NRS), which is being rolled out nationally in 2020. Earlier this year the ONS predicted that the jobs of some 1.5 million adults are at risk through automation and developments of technology. The skills account could be used to create an individual entitlement to access funding to help the individual reskill where they are in a low skilled job or have/will be displaced through technological advancements and/or through automation. Most likely this wold be a targeted grant in the account.

4. **Higher Education and Advanced Learner Loans funding** – currently funding is channelled through the Student Loans Company (SLC) and for advanced learning loans is then managed centrally by the ESFA and this could form part of the new skills account entitlement. AELP has already proposed that if no extra funding for the apprenticeship budget is forthcoming then to avoid an overspent in FY20-21 then one option is to transfer level 6 and level 7 apprenticeship across the higher education budget, with the individual taking out a student loan to fund their training. This would be access to loans for all those over the age of 18 for level 4 plus programmes. The account would enable a more flexible approach to higher levels of training - whether the traditional degree course or an apprenticeship. It would also encourage those without a degree to consider a programme later in life when they were ready for further study or further training was relevant to their career development.

5. **Maths and English entitlement** – currently there is a full funding entitlement for English and maths study if a learner did not achieve a grade C/grade 4 at GCSE which is channelled through the Adult Education Budget (AEB). This again could be another entitlement grant added to the individual's skills account to access if they are eligible.

Association of Employment and Learning Providers (AELP)
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Appendix One - Learning the lessons from the administration of Individual Learning Accounts in the early 2000s

Summary and Introduction

Individual Learning Accounts were launched in September 2000 as a training grant for all adults in Great Britain. It only lasted 14 months before design and implementation weaknesses in the scheme led to its collapse. It was much too easy to defraud, it remains unclear how many of the 2.6m accounts opened were genuine, and the DfE suffered considerable embarrassment. However, the concept of ILAs benefited thousands of adults across Great Britain who hadn't previously had access to adult education.

Virtually every brief paragraph below identifies errors made and therefore learning points. This paper identifies the main issues and learning points from the particular model of Individual Learning Accounts implemented in 2000/2001. It is not a comprehensive review of ILAs as a whole and relies heavily on Select Committee reports and a limited number of other sources published around that time.

1. Lack of clarity in operational responsibility and implementation of QA

The DfE designed the policy and commissioned Capita to operate it. Their respective responsibilities for decision-making were unclear, found the Select Committee. Capita did not have the capacity to process with any checks on authenticity the numbers of applications for ILAs – at one point up to 10,000 a day. The government did not exercise governance and oversight of Capita. In trying to avoid a bureaucratic approach, 'light touch' governance and leadership oversight caused severe difficulties, said Barry Sheerman, Chair of the Education & Select Committee.

Neither government nor Capita had designed and implemented vetting of training providers. This opened the way to huge numbers of fraudulent applications alongside legitimate training providers. Sheerman concluded that 'something was wrong in the wording of the contract' between Capita and the government – so 'the government got the relationship with Capita wrong'. Not all Capita's intelligence was shared with the government. A less rushed timescale and greater transparency (at the expense of commercial confidentiality) would have helped pick up contractual mistakes.

Note that the ILA pilots had been run by TECs, who drew on their knowledge of existing providers, industry standards and wider systems to make these successful, while Capita had experience of large scale programmes but was less close what was happening 'on the ground'. When moving forward to national roll out, the government produced no business models to help assess strengths and weaknesses of different policy options.

2. Openness of the chosen model to fraud and lack of anti-fraud thinking and systems

With a lack of checks and balances in place before launch and the massive increase in organisations getting involved in the scheme, it effectively invited fraudulent claims for funding against non-existent learners from unscrupulous operators. In order to receive ILA money, all people had to do was fill in one side of A4 with a name, address and bank account details, and there was no quality control in processing applications.

Crucially, DfES officials interviewed by the Select Committee could not recall specific discussions with other government departments on the vulnerability of the chosen model of ILAs to systematic fraud.

Cross-departmental information exchanges and collaboration about fraud (and other matters) was one of the main learning points for Government.

Before it's launch, sector leaders were saying ILA design was unlikely to be successful, and whistle-blowers came forward both before and soon after launch. As early as March 2001, sector and national press were reporting extensive ILA fraud. Government appears late to respond were ultimately criticised for being slow to react – it was another 6 months before ILAs started being shut down.

The select committee highlighted a submission of evidence stating that one single fraud involved 80,000 accounts which could have meant a loss of up to £16m of public money. However, due to lack of paperwork, the exact amount of financial loss was never known.

Criminal justice system involvement – Police forces and trading standards became heavily involved. Many thousands of complaints from members of the public saying that their names or accounts had been dishonestly used. Criminals sold thousands of ILA account numbers – it attracted large numbers of 'door-step conmen', organised gangs and cyber criminals. By 2003 there had been only 45 arrests and one conviction, mainly because of the lack of the free market approach and lack of paper trails.

3. Unchecked rapid growth in provider numbers

In what was an almost completely free market, a total of 8910 training providers took up the opportunity to participate in ILAs. To appreciate the full extent of this dramatic change in the supplier market, this number can usefully be contrasted to the approximately 1400 FE and Skills providers currently directly receiving government funding. ILA systems did not have provider QA and especially anti-fraud mechanisms built in, a major oversight, and media accounts suggest that administrative capacity to deal with the situation after the first concerns of provider fraud came to light was very quickly overstretched to the point of complete ineffectiveness.

4. Learners volumes fast outstripped systems management capacity

The scheme had been designed to incentivise early uptake, kick-starting the programme. The first million accounts opened, including those accounts opened through the TECs during the pilot stage, would receive a grant of £150 from the Government. However, it worked 'too well'.

The Select Committee identified rapid growth outstripping available public funds as one of the main concerns leading to the collapse of ILAs. With ½ million ILA accounts opened by March 2001 and the 1 million ILAs reached just 2 months later in May 2001, the government target of 1 million by March 2002 had not only been well-exceeded ahead of time in terms of total volumes but the same level of likely future growth was clearly unsustainable.

Have set up a poor complaints system, under-resourced call centre and computer software systems with inadequate security, Capita simply could not cope with the volumes of learners that transpired.

5. Public expenditure

Capita were paid £55m to operate ILAs. The budget for ILAs was over-spent by £93.6m in its short life, September 2000-November 2001. The Select Committee sitting in 2001/2 were clear that government should also pay outstanding debts to legitimate training providers.

6. Programme funding model poor value to public purse

Paragraph 29 in the Select Committee's Third Report explains the financial model and incentives for fraud very clearly: 'Certain courses attracted an 80 per cent discount up to a maximum of £200 in any one year and these discounts were available in addition to the £150 grant to the first million account holders'. The report says:

> "29. **The introduction of the 80 per cent discount was a crucial step in widening the attractiveness of the ILA to unscrupulous operators.** For example, a customer would have to pay £50 up front and might receive training that was worth, say, £150, costing the provider £100 more than the £50 he received from the customer. The provider could claim £200 from the Government, in addition to the £50 from the customer. So the customer would have received training worth three times what he paid, and the provider could claim twice what it cost him to provide the training. There was no check or audit which would have uncovered such systematic abuse of the scheme. ***There was no check on the provider to give good value for money, and no incentive for the customer to complain*.**"

There was a lack of monitoring systems in place and the fact that over a quarter of learners registered as having started training did not do any was not picked up and so no measures to ameliorate the situation were taken.
Another more minor weakness in the programme communications was lack of clarify over which courses were eligible for funding. Some providers therefore put in forms for non-eligible courses, which were not picked up because of the aforementioned lack of checks and audits.

7. Programme evolution and lack of re-design

A key learning point comes from evolution in programme design from its original concept where individuals could bank and save their own physical money, but market testing found both the financial sector did not see a viable market here and individuals weren't interested in saving for learning. So the DfE decided on discounts for learning. Crucially, the fundamental shift in design from a financial services instrument to a voucher scheme was not accompanied by corresponding re-thinking of design and implementation.

The core concept of universality of access to learning remained and appears to have driven many subsequent decisions around the openness of the market but, as already discussed, was not accompanied by QA.

It is also worth noting here that the Government's evaluation of ILA pilots run by TECs in 1999, which were kept within local areas and targeted specific groups, found achievements in terms of reaching adult who previously hadn't participated in post-16 education and skills training. However, the evaluation also noted how resource intensive and time-consuming it was to achieve success.

Appetite for and design of similar schemes

It was the leadership, management, programme design and implementation of ILAs that made it fail, not the core underpinning principle of enabling greater access to learning for adults by using non-traditional routes and low bureaucracy for individual applicants.

Once ILAs were withdrawn, there was no form of government help with the costs of courses for learners outside the publicly funded education sector. Note that before ILAs there was Vocational Training Relief, tax relief for virtually all adults doing courses up to level 5 that counted towards NVQs, but this was withdrawn when ILAs started.

Attracting non-traditional learners is challenging. As ILA pilots found and we know from elsewhere, schemes designed to increase access to learning for non-participating adults are important because:

(i) it is very difficult it is to engage hard-to-reach and disadvantaged adults especially those with low levels of prior educational achievement, and

(ii) (potential gains in terms of participation in society and community, social mobility, aspiration setting for the next generation and employability gains.

Sir John Bourn, head of the National Audit Office at the time said:

> "In some respects, this was a very good and innovative scheme: it was popular and encouraged many people to acquire or update much needed skills. But the speed with which the Department implemented the scheme resulted in corners being cut. Poor planning and risk management by the Department led to weaknesses in the system which made fraudulent activities possible. And the Department did not keep their eye on the quality of the learning and on the indications that a few unscrupulous providers were taking advantage of the inadequate security arrangements. I look to the Department to take account of these lessons when devising and implementing the new scheme."

In 2010, the UKCES revisited the idea of learning accounts, this time proposing Personal Learning Accounts. They summed up the key challenges for successor policies as follows: linking funding with IAG/LMI, reaching people with limited learning experience or aspiration, addressing market failure, and incentivising employers to contribute, minimising bureaucracy while maintaining quality control. Chapter 6 in the UKCES report sets out how PLAs could work in practice.

Scotland re-launched ILAs in 2004, then Individual Training Accounts in 2017, so gives us further insight into the design and effectiveness of another version of a learning credit/voucher scheme. "This targeted funding aims to support employability by focusing funds on those actively seeking employment and those who are currently in low paid work and looking to progress" says Skills Development Scotland who administer the scheme, giving up to £200 to an individual towards a training course in a priority industrial sector. A detailed evaluation of ILAs in 2007 found them valuable especially to those on low incomes, unemployed and low skilled and/or vulnerable people. Also, they are one tool promoting re-entry to education or training, should be linked to other initiatives and agencies before being seen as a solution to developing 'learning attitudes'. Further, potential learners were put off by fears of losing benefits by participating in the scheme.

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