



AELP Submission: #109

**Skills for Jobs: Implementing a New
Further Education Funding and
Accountability System – AELP
Response**

Executive Summary

AELP welcomes the government's policy intent and proposals to simplify the further education funding system, which providers find increasingly complex to operate within. These proposals from the Department for Education (DfE) seek to put greater trust in providers through increasing levels of flexibility and autonomy whilst revising arrangements on accountability and oversight. This is set against the landscape of the rollout of local skills improvement plans (LSIPs) to provide a focus on local and regional needs, alongside the wider national skills priorities of the country.

However, AELP believes these sets of proposed reforms fall short and are a golden missed opportunity. Frustratingly independent training providers (ITPs) who play a key role in the delivery of adult education are ostracized for the majority of the changes except for the planned changes to simplify how adult qualifications will be funded in the future landscape. AELP believes these proposals should be applied to all providers, with a greater focus on shifting to give service users of the provision greater autonomy and choice where and how they access the provision.

Q1. Do you agree with our proposal to create a national funding model, that areas with devolved responsibilities can use as a basis for shaping and funding local skills provision?

AELP has been an advocate for the devolution of adult funding but has previously raised concerns about how the decentralisation approach would generate day-to-day operational challenges for providers who support employers and learners across both non-devolved and devolved areas. This set against a skills landscape that is already and widely recognised as being overly complex – more recently this is again cited in the National Audit Office's report on the effectiveness of the DfE's approach to the development of workforce skills for a strong economy¹

Since the announcement of devolution, AELP has called for more standardisation and consistency on funding, funding rules and data capture and has worked with Mayoral Combined Authorities (MCAs) to try and ensure a standardised approach where possible. Many MCAs have adopted legacy approaches from the ESFA, which align with the previous centralised approach, but some, particularly larger MCAs have greater resources and capacity and have pivoted away from these approaches.

Whilst recognising the principles of greater flexibility and autonomy behind devolution, AELP still believes a better balance still needs to be struck. A national funding model is therefore a concept that AELP would support.

Simplification is a principle that AELP strongly supports due to the benefits for not just providers, but also importantly service users too. Merging the skills funding that is directly provided by the DfE into a single Skills Fund, incorporating the AEB, including Community Learning and elements of the NSF allows greater autonomy, but as highlighted in the feedback from the first consultation, we also have concerns about the impact on funding available for community learning. With the removal of ringfences, the accountability measures mustn't allow providers to solely focus on low-hanging fruit, therefore AELP urges caution in ensuring the right degree of oversight and accountability that needs to underpin the autonomy of funding.

The development and rollout of Local Skills Improvement Plans (LSIPs) will play a crucial role in identifying and defining local and regional needs. However, it was a missed opportunity that government only say fit to extend the responsibility for the design and development of LSIPs from Employer-Representative Bodies (ERBs) to include MCAs, but not the FE institutions who need to

¹ [Developing workforce skills for a strong economy \(nao.org.uk\)](https://www.nao.org.uk/publications/2022/developing-workforce-skills-for-a-strong-economy/)

deliver on these needs – this presents a lack of join up and the opportunity to ensure better integration between skills and people needs for the economy.

AELP support the new proposals on multi-year contracting to MCAs to enable them to plan with greater certainty over a longer period. This in turn allows them to work more strategically with training providers which gives greater certainty to invest in being able to offer a wider range of provision than is currently being offered across the country.

Q2. What are your views on the core elements of a national model set out above? Are there other elements which should be included?

AELP supports the DfE proposals to transition from an existing model of funding distribution based on historic delivery to be more weighted on needs-based. At the same time, we recognise that this could potentially have a significant impact in some devolved areas where funding is already decentralised and where as a result of this change in how funding is distributed, less funding might end up in the future. On this basis, we urge a degree of caution and believe that the DfE needs to appropriately engage with relevant stakeholders to ensure a smooth transition process to minimise disruption and the redistribution of capacity that is likely to impact residents.

Ultimately AELP believes that the government needs to be more ambitious with adult education and increase its investment in the AEB which has lost over 50% of its value over the last ten years. The reinvestment in adult education would as a by-product mean the impact of redistributing and displacing existing capacity would reduce significantly.

In terms of other elements to include, AELP would urge the DfE and other commissioners to apply the same principle when it comes to the split of funding between grant and procurement. Funding should not be continually distributed to institutions that are unable to directly spend it themselves and there needs to be a more effective approach to redistributing funding and underspending to institutions that can meet the needs of learners and employers. A demand-led system is a principle that AELP urges the government to adopt. It is positive that the government is transitioning to a learner-led system for the new Lifelong Learning Entitlement (LLE) through the use of lifelong learning accounts and AELP believes that extending this approach into adult education for both grant funding and qualifications at level 4 would be the method to achieve this.

Q3. What would the impact be, both positive and negative, of adopting the proposed objectives for non-qualification provision?

AELP is concerned that the proposals for non-qualification provision will kick the bottom rungs away from the social mobility ladder and will remove the steppingstones that are vital for the most disadvantaged adults who use these to progress over time to employment. This is likely to be the case in areas such as adult community learning and would undermine the government's big commitment to levelling up.

Whilst a focus on outcomes is welcomed as a principle, the government needs to take a more pragmatic approach which recognises the starting points of a range of adult learners, many will have complex needs and whose starting points are a long way from the employment market. With over 1.3m job vacancies programmes such as the AEB have never been as important to act as a conduit to enable economically inactive adults to transition into the world of work. The proposals on non-qualification would be a retrospective step in achieving this.

Q4. How should we monitor providers delivering against these objectives?

AELP believes that the most appropriate and simplified way of supporting the delivery of a set of national entitlements across both devolved and non-devolved areas would be through the aforementioned extension of the planned lifelong learning accounts to act as the vehicle to support this need. It does not seem logical in the search for synergy and simplification that an approach such as this isn't introduced to what is still a national offer regardless of where it is accessed.

Q5. Do you agree with the above approach for funding qualifications?

AELP supports the principle behind the introduction of a simpler set of funding rates. As previously articulated the FE system is complex for all stakeholders, including training providers.

AELP supports the continuation of the use of a qualification completion payment within the funding methodology to drive positive behaviour and at the same time reward achievement but believes this should be reviewed and capped at a lower level than currently set to ensure the flow of funding is available differently to support the on-programme delivery of the programme. AELP also urges the government to look to utilise more longitudinal outcomes data to understand the impact of the provision on the individual's earnings as part of the measures of success and to support the case of value for money and return on investment.

On the joint Ofqual and DfE review of the Sector Subject Area (SSA) classification system– AELP recognises the need for a degree of curation but would warn against significant and wholesale change to a system that is widely recognised and understood and believe it to be clear and fit for purpose.

On the proposals to introduce "funding bands" – AELP is concerned that this will cause confusion. It would be helpful if the DfE consider the overlap this terminology would have with apprenticeship provision, where specifically a funding band operates differently, including a negotiation aspect of the price within that. AELP would recommend that the proposed terminology should be differentiated through a change to terminology e.g. funding group, funding category, funding weighting or priority band etc.

There is a lack of clarity in the consultation on the use of (or not) of the existing weightings in the current AEB methodology to represent the cost of delivering in high-cost geographical areas and also for operating in areas of multiple deprivation. One of the unintended consequences of the introduction of a 'simplified' approach to funding with an apprenticeship through a funding band system was that it makes delivering to small volumes in rural areas less commercially attractive. History mustn't repeat itself through these plans for funding and accountability too.

Q6. Are there further sources of evidence which could be incorporated into our proposed approach?

The need to consider how additional weightings will apply – specifically to disadvantaged and in high-cost delivery areas.

Q7. Are there any individual SSAs which you feel have been assigned to the wrong funding band in Annex A? Please give reasons for your response.

N/A

Q8. Do you agree with our approach to setting a single specialist rate for specialist courses undertaken by specialist institutions within these SSAs in Annex B?

N/A

Q9. Do you agree with the proposed band for non-specialist provision within these SSAs in Annex B?

N/A

Q10. Do you agree with the approach outlined in Annex B for each of the qualifications that are currently funded differently from the single activity matrix?

AELP supports the ringfencing of high-value priority provision – specifically functional skills in English and maths, although we believe the rates for these programmes in both work-based and classroom-based settings are set too low. These rates have not been reviewed following the introduction of reformed FSQ qualifications (with additional GLH), no recompense for the additional cost of remote invigilation and there is no mitigation to the inflationary cost pressure on salaries for specialist tutors in maths and English.

One of the challenges for the participation of essential digital skills qualifications was the funding rate was set too low which has and continues to limit demand by providers. When Digital Functional Skills are introduced, it is critical to ensure they attract a suitable funding rate, these qualifications will not be comparable to Functional skills in ICT.

Q11. How should credit-based courses which are currently funded at a higher rate be treated in the new Skills Fund?

N/A

Q12. Do you agree with our approach to setting rates for maximum loan amounts for Advanced Learner Loans?

Some training providers hold standalone advanced learner loan contracts, that do not hold contracts for either AEB or the FSFJs. DfE must ensure that these providers are aware of the changes to funding methodology that will impact them. There is a risk that they will not be fully sighted or be engaged in this specific consultation.

AELP is concerned that the DfE thinks that learners will make choices to choose lower priority courses to reduce the loan amount that they take on and must subsequently repay. Whilst price sensitivity is always a factor in any buying decision this is not particularly different to how the current model work for advanced learner loans – for example the learner might choose to study a lower-cost certificate as opposed to a diploma-sized qualification.

As part of these planned reforms, it is also pertinent for the government to recognise that some institutions such as ITPs are currently required to charge VAT at 20% whereas FE Colleges do not. This is a cost passed onto the learner, and many are willing to pay a premium to study with an ITP rather than a college even if they must pay more. AELP is using this opportunity to again call on the government to ensure parity for learners on the application of VAT regardless of where they study.

Q13. Do you agree with our proposal that providers should be able to earn a given percentage of their Skills Fund allocation on innovative provision? We would also welcome comments on how this facility could best work.

AELP supports the facility for innovation and believes this should apply to all provider types, but would question whether it should be a straight percentage of each provider's allocation and whether should it not be proportioned more strategically. Working on a percentage of a provider's allocation ultimately means the providers with the largest allocation have more funds which they can use in this way, which does not seem an equitable principle.

Whilst AELP welcomes this flexibility, it is worth highlighting that this is not a particularly new concept, with the innovation fund being a previous feature in the skills system. Whilst encouraging innovation is a welcome principle, ensuring appropriate oversight of how that funding is ultimately used is something we would stress.

Q14. Do you agree that this facility should only be available to providers who meet the criteria set out in paragraph 91? We would also be interested in any case studies of how you have successfully developed and implemented new and innovative provision.

AELP does not agree with all the tests set out in paragraph 91 that would limit access to give providers the flexibility to this innovative funding provision. The cap-based non-qualification provision is unfair as we believe the innovation funding should be wider than just the requirements on the non-qualification provision, if this were the case why have the innovation flexibility in the first place? The £500k cap based on allocation also is arbitrary.

AELP believes a fairer approach would be to hold back part of the skills fund and allow all providers to access it, regardless of their contract value. The current proposals do not do enough to support smaller providers engage with the innovation opportunity and this should not be based on size.

Q15. Do you agree with our proposal to allocate a fixed sum to grant-funded providers for learner and learning support based on their historical level of this funding or should we continue with the existing arrangements?

Whilst historical levels of demand give a helpful indication of the level of future demand, AELP believes that as with one of the principles of these reforms, a more needs-based approach would mean that funding is available for those who need it and not ringfenced in other providers.

Q16. To what extent do you think this reform will result in a reduction in data and administrative burdens?

Over time AELP believes that these proposed changes will crystallize in a reduction in data and administrative burdens. However, at the same time, we believe that there will be a significant amount of short-term disruption as part of the transition process. We are particularly concerned about the cost and time required for MIS and software suppliers to be ready for a reformed funding system. It will be important to establish working groups with MIS and software suppliers early in the process to ensure an adequate lead time is in place.

The shift to lagged funding will also be a challenge, but for providers already operating in 16-19 funding space, they will be better placed to be able to make the transition to adult funding too.

Q17. Do you agree with the above approach to multi-year funding?

AELP is a big supporter of multi-year funding settlements and is bitterly disappointed that these proposals in their current state only apply to FE colleges – this is a missed opportunity and creates another artificial inequality in the FE landscape.

Multi-year contracting enables providers to plan and invest with greater certainty. For these proposals, the Spending Review period limits initial flexibility, but 2- or 3-year contracts would be a good outcome to support both a more strategic and operational approach to meeting need, some of which requires long-term investment and certainty to be achieved.

Q18. What level of granularity do you think would be helpful when setting national skills priorities?

With the reformed system, there will be a distinct need to strike a fine balance between delivering priorities at the national level and supporting the particular skills needs of local labour markets and recognising that these may not always align. The consultation sets out sectors such as construction, manufacturing, digital and technology, health and social care, and haulage and logistics as a priority, whilst these sectors are important AELP is concerned that the approach may be too narrow and discount other sectors where there are significant skills and people challenges such as in hospitality.

Whilst the list of national skills priorities is not an "exhaustive list" it is disappointing to see no reference to levelling up and social mobility. AELP recognises the need to drive forward productivity, but the AEB has a key role to support adults to reintegrate into society and then into employment. This is a missing theme that is reoccurring in the proposals on not just funding and accountability, but also the unpinning plan in the review of level 2 and below qualifications.

Q19. Do you agree that the Performance Dashboard provides the right mix of measures to capture what 'excellent' FE delivery looks like, including for non-qualification provision? We would, particularly welcome comments on the Learner Employability measure and the English and maths measure.

AELP believes that over time there needs to be more use of longitudinal data as part of the accountability framework so is pleased to see this referenced in the key "Skills Measure."

Learner employability could be expanded to measure softer outcomes in the framework, including some form of distance travelled – there is also nothing specifically on learner feedback which could be incorporated into this area too. For maths and English, there is a range of underpinning sub-measures that are not adequately tracked, including first-time pass rates. Historically the measures look at eligibility, exemptions, and achievement rates.

Q20. Looking at the Dashboard measures, are there any unintended consequences or behaviours that you think the Dashboard will have?

The risk with any scorecard is that it incentivises outcomes at the cost of others. As mentioned previously the experience of learners is missing – as the end users of the programme AELP believes learner feedback should be part of the measures. Underutilisation of funding has dogged grant-funded adult education provision for numerous years. AELP believes there needs to be greater transparency on this as part of the performance dashboard.

Q21. How can we best streamline information requests from DfE and MCAs to keep burdens on colleges to a minimum?

Where possible mandate or at least encourage there are unilateral data capture and reporting requirements for providers across devolved and non-devolved areas to keep administrative burden and bureaucracy to a minimum.

Q22. Do you agree with our proposed approach to Single Improvement Plans?

Yes – AELP supports this proposed approach.

Q23. Do you agree with our approach to reviewing the assurance process for the ESFA and providers?

AELP believes a more consistent approach to assurance should be considered for use across both devolved and non-devolved regions. As the UKSPF is introduced it is important to also ensure consistency and continuity with DLUHC. A sufficient system of rigour and oversight is required regardless of provider type – especially if providers are given greater flexibility and autonomy and therefore more opportunity to game the system could apply, which is something the government must be cautious about.

Q24. Do you agree with our proposals for which providers should be in scope for our accountability reforms?

No. AELP is both frustrated and disappointed that the scope of the funding and accountability reforms is narrow and focused predominantly on FE Colleges. This is a missed opportunity. The revised proposals in the current consultation remain too college centric and are significantly institutionally biased. Adult education is delivered by a range of training providers. There are 1.75 million adults in education and training in England, annually. Of these, around 540,000 (30%) train through to an ITP².

ITPs would also benefit from the greater certainty of long-term funding settlements and greater autonomy through merged funded lines too if given that chance, but clearly, they will not be trusted or empowered to do that which is disappointing.

AELP welcomes that the proposals state that the people and skills elements of the new UK Shared Prosperity Fund (UKSPF) to “support people furthest from the labour market” by providing cohesive, locally tailored support including access to life skills and basic skills. AELP believes that the UKSPF has a key role to play in supporting those individuals furthest from the labour market.

On 19-24 Traineeships the proposal state that the DfE intends to "undertake further work to ensure that this is done in the most effective way possible and will return with an update later in the year" – AELP urges caution and has previously proposed that the underspend on Traineeship should be rolled into a training allowance to incentivise participation which is the missing link – providers tell us employer demand remains high and it is learner demand which is low. Some of this relates to the payments learners were previously able to access on the Kickstart scheme.

Q25. Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics?

AELP believes that supporting adults with high needs should be a priority for the government. As part of these planned reformed proposals, AELP believes that the government needs to increase the support available and access to those ringfenced funds made more straightforward for providers to access to ultimately benefit the end user.

² [keyfacts-itps-v12.pdf \(aelp.org.uk\)](https://www.aelp.org.uk/keyfacts-itps-v12.pdf)

Q26. Where any negative impacts have been identified, how might these be mitigated? The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

N/A

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