

Measuring progress in the costs of bureaucracy: Report to the Bureaucracy Review Group

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Executive Summary

Purpose of the study

The purpose of the study is to measure the progress being made in reducing the costs of bureaucracy following the report of the Bureaucracy Task Force report Building Trust¹. The study is based on reviews of six representative colleges that have been part of the 20 Trust in FE pilots or the second tranche announced in July 2003 (Pathfinders).

Background

The leading policy owners in the LSC national office have been interviewed, as have six colleges and two sample local Learning and Skills Councils.

Net Savings

The comments in this section have been validated with LSC policy owners and other sources of information.

The overall conclusion is that there has been progress in realising the benefits of bureaucracy reduction and if the recommendations are fully implemented there will be significant future savings. This has had a clear positive impact on the relations between the LSC/Local LSCs and colleges.

If the BTF recommendations were implemented in full we believe there will, in particular, be savings in the following areas:

- Standardised simpler ILR with minimal changes
- Less interference and demands from Local LSC
- Reduced funding streams
- Simplified Learning Aims Database
- Simplified examination structure

A dedicated effort in each of these areas would save at least 2FTE per large college. This would therefore provide a sustainable saving in excess of £20 million per year.

Savings will primarily be opportunity cost savings. This means that the “front line” staff will be able to undertake more of their core functions and less of their administration/bureaucracy functions. This is fully in keeping with the Government policy as articulated in the Gershon study.

In addition, there will be net cash savings at National Office through the removal of the funding audit requirement and its replacement by the regularity audit, further internal audit in college level and learner existence checking. The net savings here are in excess of £6million per annum.

Finally, provided the recommendations are fully implemented, there will be savings at Local LSC level as well. The bureaucracy opportunity cost savings will be around 1 full time equivalent per annum. This amounts to about £1 million per annum.

¹ Building Trust, A Bureaucracy Task Force report: November 2003, LSC 2003.

Further savings over an above the BTF recommendations

The colleges believe that there may be significant savings or improvements in the Local LSC structure by ensuring that their information requirements are limited to the agreed requirements set by National Office.

There may also be cost saving opportunities in data sharing, such as creating a national database. In particular, standardising the Management Information Systems at College level.

Colleges also believe there will be real cash savings by simplifying the examination structures. They were united in recognising the benefits of simplifying the administration of QCA and awarding bodies. There has been a striking increase in the costs of examinations, the extra staff time taken up in invigilation and the space required to facilitate the exams. Examination costs in the sampled colleges seem to have risen by 50% in the last two years, caused by an increase in both volume and unit costs.

Other bureaucratic tasks undertaken by colleges but out of LSC scope

Unfortunately, the significant savings that will arise from the BTF recommendations are being partially offset by new initiatives, outside LSC control, requiring new bureaucracy. Included in these new college tasks are the accountability surrounding Educational Maintenance Allowances and European Social Fund grants.

Conclusions

The BTF recommendations have been a great success at College level and the LSC will reap the benefit of the delivery of the recommendations provided they fully implement the programme.

In addition, there are significant opportunities to make savings by taking the recommendations further. Particularly in the area of simplifying processes and ensuring activities are clearly adding value to the customer.

The main hurdle to overcome is that other governmental bodies have simultaneously added new funding streams and new bureaucracy. The colleges have hence taken two LSC paces forward and one non-LSC pace back.

Report on measuring progress in reducing the costs of bureaucracy in the Learning and Skills Council

Background

Providing post-16 education and training in England is a complex business with over 400 colleges and 1100 work-based providers managed through 47 local LSC offices, spending in total over £8 billion a year. A complicated web of audit and inspection has grown up, involving the DfES, LSC and others. The complexity has led to a growing concern that the systems and processes have become cumbersome and costly, creating too great a burden for some of the providers, especially FE colleges.

A Bureaucracy Task Force was set up in November 2001 and published its report, "Trust in the Future" in November 2002. The Task Force published its progress report, "Building Trust" in November 2003. The progress report is positive overall, but the Chairman makes the point that "the time is right to look at whether there should be one inspectorate and at the need for an overhaul of inspections".

During 2002/3 a significant amount of work was conducted by the LSC, in consultation with the FE colleges, to identify unnecessary or excessive bureaucracy. The LSC then made proposals to reduce the bureaucracy to more appropriate levels. The results of this work are included in not only the "Trust in the Future" document but also other publications such as "Success for All – implementation of the framework for quality and success" and "Plan Led Funding"

In 2004 it is anticipated that many of the benefits arising from the implementation of this work will have been realised by both the LSC and its providers. This research project will identify these steps to reduce bureaucracy and determine the success of the implementation.

Scope and output

This report will:

- Identify the steps to reduce bureaucracy that have been implemented, either in full or in part;
- Determine levels of bureaucracy that existed prior to the implementation of these steps;
- Determine the reduction in levels of bureaucracy that exist after implementation, or can be reasonably foreseen at this point in the implementation process

The bulk of the report reviews the recommendations individually. For costing purposes the recommendations overlap in an extremely complicated manner. Hence, although there are very detailed spreadsheets supporting the numbers we believe that the clearest option is to provide an overall figure for the full time equivalent staff reduction in bureaucracy.

For each BTF recommendation the report sets out:

- Previous
- Current; and
- Forecast levels of bureaucracy.
- Any remaining hindrances to achieving reductions in bureaucracy

Areas of Bureaucracy reviewed

This schedule has been derived from the LSC publication Building Trust, and includes all of those recommendations made by the Bureaucracy Task Force where it is reasonably expected that savings in the reduction of bureaucracy have been made, or can be reasonably foreseen at this point in the implementation process.

The report has not costed the savings for each recommendation because there is a significant element of cross over between recommendations and costings would have spurious accuracy. The total savings with regard to the recommendations listed is in the order of 2 full time equivalents per large College. This will lead to opportunity cost and real savings totalling more than £20 million per annum. To deliver these savings the work to deliver the recommendations must be continued.

Of course, in other aspects outside of LSC control, there are other bureaucratic creating forces that must be controlled. As quick as the LSC is bailing out the bath water another government body is building a new tap.

In addition, there will be net cash savings at National Office through the removal of the funding audit requirement and its replacement by the regularity audit, further internal audit in college level and learner existence checking. The net savings here are in excess of £6million per annum.

Ref	Recommendation	Current	Forecast	Hindrances
1d	There should be an agreed core data specification required by national and local Councils from colleges. The LSC should, for its own operations, ensure that new activity carries with it as little increase in additional data, administration, accounting and reporting as possible	A lot of effort has gone into standardising and to a certain extent simplifying the ILR. Little benefit has filtered through to the colleges to date.	If the National Office deliver the recommendation the savings will be substantial and in the order of 1 full time equivalent per college.	<ol style="list-style-type: none"> 1. The Colleges remain convinced that the Local LSCs are still asking for information that is not required by National Office or the College itself. 2. The Colleges believe that the standardisation is undertaken at a most complex level hence 6th Forms and Agricultural Colleges still feel it is overly bureaucratic. 3. For every change there is a cost of retraining and in some cases new software.

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Ref	Recommendation	Current	Forecast	Hindrances
1e	<p>College profiling should be developed (assessing risk and developing information in accordance – an audit issue)</p> <p>Audit and quality assurance mechanisms should apply in inverse proportion to success and in proportion to risk</p> <p>Monitoring, audit and inspection schedules need to be aligned and, where possible, reduced</p> <p>Joint working (through concordats) is endorsed by the Task Force</p> <p>Legal obstacles to sharing outcomes of review processes should be swiftly overcome</p> <p>The Council should establish single monitoring / audit arrangements for all Council funding streams to colleges</p>	<p>Only a few colleges have experienced the benefits of this but those that did were positive that it was a step forward.</p> <p>They did not believe the savings were extensive because in the colleges covered to date their own Management Information and internal audit process were required irrespective of audit levels.</p> <p>Moving from 3 to 2 performance reviews has had no effect because no college has had 3 reviews in a year.</p>	<p>This will save each college 1 week's worth of time with the auditor.</p> <p>The movement from 2 to 1 performance reviews in the high performing colleges will not lead to significant savings because the marginal costs in these colleges of the performance review is already small.</p> <p>Colleges believe there should be significant savings at LLSC level. LLSCs say this saving is already being taken through staff reductions.</p>	<ol style="list-style-type: none"> 1. Audit fees are commensurate with independence and there is clearly a base below which the audit costs cannot fall. 2. The enrolment forms are cumbersome and they would be better served on the web. Set the form's structure nationally. 3. The ILR fields are not supplied in time for colleges to react. 4. College has to staff for the peak. If peaks ironed out you could have less staff. 5. LLSC still ask questions on ILR that are required by college or National Office.
2a	<p>The Council should look to consolidate funding streams for colleges</p>	<p>This has been seen as a good thing and has led to marginal savings in the colleges. However, they are extremely difficult to calculate because of the interaction with new initiatives.</p>	<p>There will be savings but they are quite small.</p> <p>The colleges do fully support the National Office in their desire to consolidate funding streams wherever practical</p>	<ol style="list-style-type: none"> 1. LSC often has funds available late in the year, but disburses them as schemes; these require separate contracts and therefore admin. Better planning and general support would require less administration. 2. Colleges are still overrun by other new funding streams coming from outside the LSC.
	<p>The Council should provide three-year budget allocations to colleges from 2003-04</p>	<p>This was seen as a positive recommendation. However there have not been any savings at college level.</p> <p>All colleges visited were already producing 3-year plans.</p>	<p>Savings will eventually appear but the colleges inspected are unable to estimate any saving.</p>	<ol style="list-style-type: none"> 1. It is clear that at least one Local LSC has not grasped the point of this recommendation as they have adjusted 3 year budgets of a college on the basis of an in-year under-spend of well under 3% - see 3a as well

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Ref	Recommendation	Current	Forecast	Hindrances
	End clawback and introduce cyclical ILR audit for colleges with reliable data returns	The sample was restricted to pilot and pathfinder colleges. None of the colleges were subjected to clawback. However the removal of the threat of clawback had led to reduced opportunity cost. The savings in stopping the funding audit at these colleges has not flowed through yet.	At National Office the savings are significant and may be around the £6-7 million level per annum. Colleges believe the opportunity costs savings to be quite small, as they will undertake most of the ILR work still. The savings that arise will be in not having questions to answer during the audit. Total saving per college around £5k per annum	1. There is a feeling at college level that they may have to increase internal audit to cover the reduction in funding audit.
2b	The LSC should develop coherent and effective planning processes and instruments incorporating 'proportional' monitoring and evaluation frameworks	All colleges believed the recommendation was covered elsewhere	Covered elsewhere	1. Work Based Learning still taking up a disproportionate time.
	The LSC should review its support for capital programmes to make them more planning led	All colleges agree this is a good idea but none have offered up savings	None identified	1. Colleges believe there is a risk if Local LSCs own the capital budgets. 2. Scenario creation has the risk of being an industry by itself.
3a	The LSC should build a materiality tolerance into current ILR data requirements – a margin of error within which colleges and the LSC would be able to operate without recourse to unjustifiable levels of data reconciliation	Very mixed view at colleges. Some said that this recommendation was irrelevant as they keep the records for college purposes anyway and would reconcile figures. However others believed the savings would be very significant.	Difficult to gauge but some colleges believe the opportunity cost saving might be as high as 1 full time equivalent per annum	1. At Easter one college received a funding profile request to re-examine the next 2 years. And, seems that even if differences were less than 3% the LLSC made planning changes. In fact, they encouraged the College increase student levels by 10 to offset a 1/2 % shortfall. 2. Good idea but 97% becomes the new target.

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Ref	Recommendation	Current	Forecast	Hindrances
3b	Continue work to develop web-based provider access to LSC data	None identified	None identified	1. Problems with web based accuracy of information e.g. LSC Changing fields without telling Colleges.
	Continue work to enable data collection and validation through the same medium should be supported and accelerated to provide greater feedback to colleges and the opportunity to benchmark against other groups of colleges	No savings at all. In fact colleges have experienced increased costs	None identified. There may be savings at LSC level however this would seem unlikely.	1. Putting the disc in the post was quicker, cheaper and more efficient. 2. The benchmark functionality is fundamentally flawed. The numbers on the web that are stated as benchmarks change on an almost continuous basis.
3c	The LAD (previously the Qualifications Database) should be reviewed and rationalised so that it is significantly streamlined and easier to use.	If the LAD is simplified then several colleges believe the savings will be enormous. Several colleges believed this is the area where the greatest savings can be made	When the recommendation is introduced the opportunity cost savings will be approaching 1 full time equivalent in the large colleges	1. A lack of belief at college level that this recommendation will be fully implemented.
	The LSC should revisit the plan and look at the duplication between the ILR and LP.	Colleges have not noticed this has happened yet.	Savings on this recommendation uncalculated as the colleges unsure of the direct impact. It would appear from the hindrance list to the right that there must be efficiency improvements if the recommendation is fully implemented.	1. Colleges used the ILR/college database to produce the LP. Therefore there was still huge duplication. 2. Easier to run reports but the categorisation was different i.e. LSC not same as college. Areas of learning in the college not the same as the college structure eg trade union studies highly rated but may be lost in business studies. 3. Differences in boundaries can have an impact on the entitlement to premium funding

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Ref	Recommendation	Current	Forecast	Hindrances
3d	<p>A task group should be set up, including practitioners, to:</p> <ul style="list-style-type: none"> a. take forward the work commissioned by the Task Force to agree a common core of data based on what a good college would need to function effectively. Any changes to this core data requirement should be subject to the approval of the scrutiny group proposed above (1c) b. Consult with current software providers and agree a time-scale for incorporating any changes to existing specifications into their college MIS products c. Consider whether there are any cost implications and make recommendations on any funding to colleges for additional data 	<p>In cost terms this has been covered elsewhere. Yes, savings would accrue by undertaking this recommendation. Particularly in the areas of ILR/LP/LAD</p> <p>To avoid double counting the savings have been listed in 1d, 3c and 3d. It was felt to separately identify savings in 3d would be impossible</p>	<p>Unclear at present and colleges unwilling to estimate savings</p>	<p>1. Lack of “joinedupness” of the supplying organisations</p>
3e	<p>The LSC should, with the assistance of the DfES, work with:</p> <ul style="list-style-type: none"> a. ALI, Ofsted and other relevant organisations to continue to improve mutual use of data, information and judgements, with a view to decreasing overlap, duplication and multiple requests for similar or common data and information by different agencies and organisations b. And with QCA and awarding bodies to streamline the electronic flow of information (including details of learners’ achievements) in a common format between them, providers and the LSC. 	<p>All colleges believed this had already happened for ALI and Ofsted.</p>	<p>No college offered up any future savings here.</p>	<p>1. At present there are many college databases. If every college had a similar database that would save fortunes in data entry time and improve accuracy. 2. The datasets for LAD are not the same codes as awarding bodies and QCA</p>

Ref	Recommendation	Current	Forecast	Hindrances
3f	<p>QCA should work with awarding bodies to reduce the examination and assessment burdens on teaching staff by:</p> <p>a. Streamlining and reducing administrative requirements, particularly for student registration and assessment</p> <p>b. Ensuring that assessment modes reference 'fitness for purpose' as a criterion; and</p> <p>c. Reducing the frequency and amount of testing and recording associated with all qualifications and particularly NVQs.</p>	<p>None of the colleges believed this has happened at all. However they would love the recommendations to be implemented.</p>	<p>If the examination framework was merely rolled back 2 years the savings would be huge. Reductions would occur in opportunity cost (at least ½ full time person per college) and real cost savings (reduced facility hire, reduced invigilator recruitment, reduced exam fees)</p>	<p>1. The current policy on examinations is benefiting the awarding bodies and hitting the college bottom line very hard. The increase in costs per college is over £100k. This was caused by many changes but include the RoRo programmes; learndirect testing throughout the year; ECDL - continuous; Basic Skills- short courses; and Key Skills.</p> <p>2. 120 students in exams room used to do 1 subject. Now many papers, times and options. Reduce key skills burden on FE colleges</p>

Summary

The savings expected will be significant although, at present, they have not filtered through the system yet. It is essential that, for the benefits to be realised, the LSC continue to press for the early adoption of all the BTF recommendations.

A dedicated effort in each of these areas would save, in total, at least 2FTE per large college. This would therefore provide a sustainable saving in excess of £20 million per year.

Savings will primarily be opportunity cost savings. This means that the “front line” staff will be able to undertake more of their core functions and less of their administration/bureaucracy functions. This is fully in keeping with the Government policy as articulated in the Gershon work.

In addition, there will be net cash savings at National Office through the removal of the funding audit requirement and its replacement by the regularity audit, further internal audit in college level and learner existence checking. The net savings here are in excess of £6million per annum.

The net total savings expected are therefore in excess of £26 million per annum. These are sustainable and permanent savings in the administrative areas of the LSC.

Thanks

Many thanks to the colleges and local Learning and Skills Councils who were interviewed for this report. In particular thanks to Peter Newson, Chris Knight, Julie Cook and Jodie Laffar at LSC National Office for their support and assistance.

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