Department for Business Innovation & Skills

THIRD SECTOR ENGAGEMENT AND PARTICIPATION IN THE LEARNING AND SKILLS SECTOR

Quantitative Research Report

APRIL 2013

Prepared by:

Contents

Introduction

Recent years have seen closer working and strategic dialogue between Government Departments (and their agencies) and the third sector. While this is encouraging, there is little quantifiable data on the nature and extent of third sector involvement and participation in the learning and skills sector.

To address this, the Department for Business, Innovation and Skills (BIS) has funded a partnership of third sector organisations to work together to map and understand the sector's current role in relation to learning and skills. The purpose is to help policy makers (and others) adapt their plans so as to maximise the third sector's contribution to achieving wider objectives including:

- improving participation rates (and those willing to pay for provision);
- fostering more effective collaboration between the third sector and other types of learning and skills providers;
- enhancing the quality of provision in the further education and skills sector;
- engaging greater numbers of "hard to reach" learners;
- securing greater diversity in the pool of learning and skills providers ; and
- enabling efficiency savings through more effective collaboration.

This paper summarises the main findings of the research under seven themes: scale; roles; relationships; funding streams; learning; systems; and capacity.

Methodology

The research was commissioned by the Department for Business, Innovation and Skills. It is being project managed by LSIS with input from a steering group made up of BIS, Skills Funding Agency, Fair Train, HOLEX and the three delivery partners: the National Institute of Adult Continuing Education (NIACE), Skills – Third Sector, and the Third Sector National Learning Alliance (TSNLA). The research process comprised the following elements:

- a literature review on third sector engagement and participation in the learning and skills sector (April 2012);
- an online self-completion survey for third sector providers of learning and skills (July 2012 – present);
- three focus groups with third sector providers of learning and skills, including one solely with consortia (September 2012); and
- a statistical analysis* of learner and provider records held by the Skills Funding Agency (September 2012).

*The analysis in this research report is based on responses to a quantitative survey of third sector providers of learning and skills (2012) and Individualised Learner Record (ILR) and

Register of Training Organisations (ROTO) data from 2011/12 held by the Skills Funding Agency. We are aware of some miscoding in the ROTO data where providers have incorrectly classified themselves as third sector and recommend that further analysis is undertaken during phase two of this project to more accurately identify third sector providers.

Scale

The research sought to understand the extent of third sector involvement in the provision of learning and skills.

A provider typology was produced at an early stage based on a definition of the third sector as comprising registered charities, community interest companies, industrial and provident societies, voluntary and community organisations (including unincorporated charities and community organisations), social enterprises, trusts and foundations, and co-operatives and mutuals. This excluded from the analysis other organisations and providers such as further education colleges, local authorities and private training companies.

The online survey of providers found that the majority of third sector providers were listed as a company limited by guarantee, a registered charity, or a combination of the two forms. This is clearly shown in Figure 1 below (respondents were able to select more than one category to denote their organisational type).

Figure 1 Third Sector Providers of Learning and Skills by Organisational Type(s)
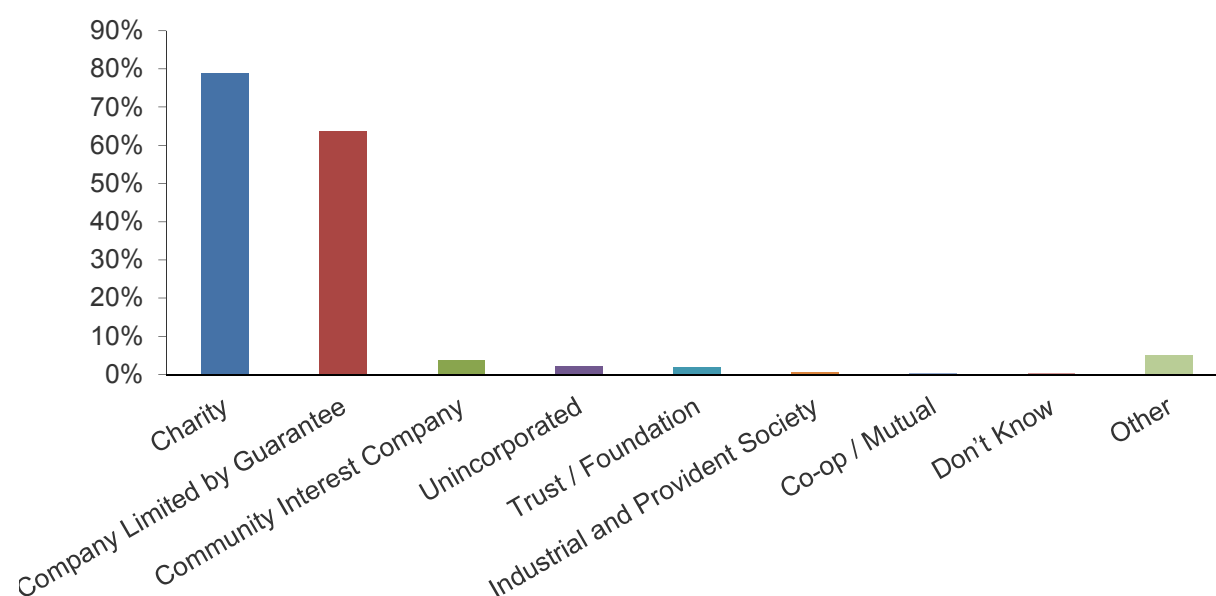
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

Only a small number of respondents listed alternative legal forms such as co-operatives/mutuals, community interest companies or industrial and provident societies. Those who selected the 'Other' category also included several social enterprises and a few organisations that were in the process of securing charitable status. In general, however, the survey mostly reached what is sometimes known as the 'core voluntary sector' of registered charities, many of which are also incorporated as companies limited by guarantee. This combination of legal forms may enable organisations to access the

specific tax exemptions and voluntary income associated with charitable status, combined with a corporate structure which provides limited liability to trustees.

The initial literature review drew on previous research that had identified the role of the third sector in learning and skills provision, particularly in relation to the most disadvantaged or excluded groups of learners. However, the exact scale and extent of publicly-funded provision by the third sector has not been mapped systematically since an earlier study by the Learning and Skills Council published in 2009.[1] The recent simplification of funding streams for adult education and skills makes direct comparisons between this evidence and the current scale of third sector learning and skills provision problematic.

Access to new data from the Skills Funding Agency's Register of Training Organisations (ROTO) makes it possible to ascertain the extent to which the Agency is currently funding third sector providers, with the caveat that this includes only directly-contracted organisations or subcontracted provision worth £100,000 or above. Figure 2 below shows the legal form of organisations on the ROTO for 2011/12.

Of a total of 1,243 lead providers who were in a direct contracting relationship with the Agency in 2111-12, 146 classified themselves as being from the third sector (accounting for around 12% of all lead providers). This would appear to represent a decline from around 400 third sector providers contracted with the Learning and Skills Council in 2007-8 which were captured in the aforementioned study.

**Figure 2 Lead Providers on the Register of Training Organisations by Organisational Type**
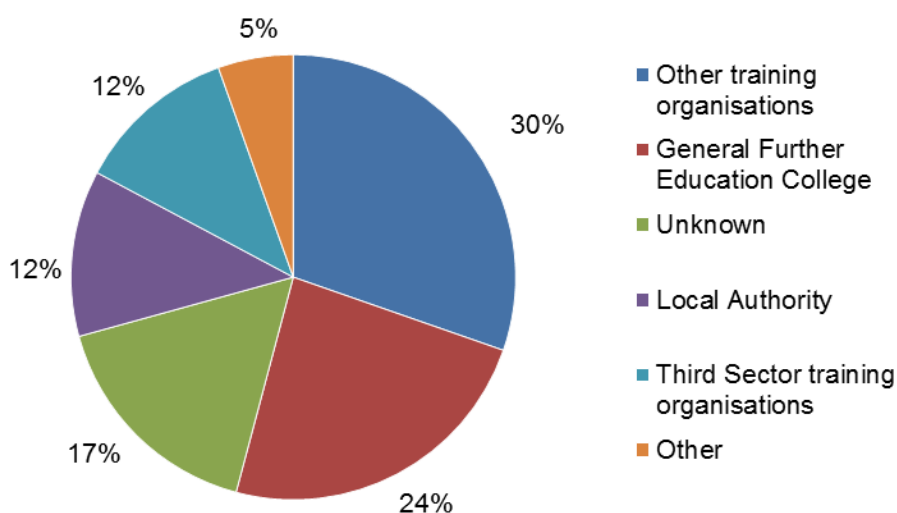
Source: Skills Funding Agency Data 2011-2012

---

[1] Learning and Skills Council (2009), *Understanding the Contribution of the Third Sector in Learning and Skills*

The legal form of lead providers who identified themselves as being from the third sector varied. Of the 146 lead providers from the third sector, 90 were companies limited by guarantee, 66 were registered charities, and 5 were classified as 'Other' (a category which includes community interest companies, industrial and provident societies, and unincorporated associations). The data also brought up several organisations that did not belong in any classification, a feature which may have resulted from the fact that this was not a mandatory field for providers to complete.

The Skills Funding Agency data also provides additional detail on all sub-contractors on the ROTO that deliver contracts worth £100,000 and over. Of a total of 1,415 sub-contractors registered with the Skills Funding Agency, 275 identified themselves as being from the third sector (accounting for around 19% of all sub-contracted provision). This shows that third sector providers represent a relatively greater proportion of sub-contracted provision whilst other types of provider, such as FE colleges and local authorities, are better represented among directly-funded provision.

Figure 3 Sub-contractors on the Register of Training Organisations by Organisational Type
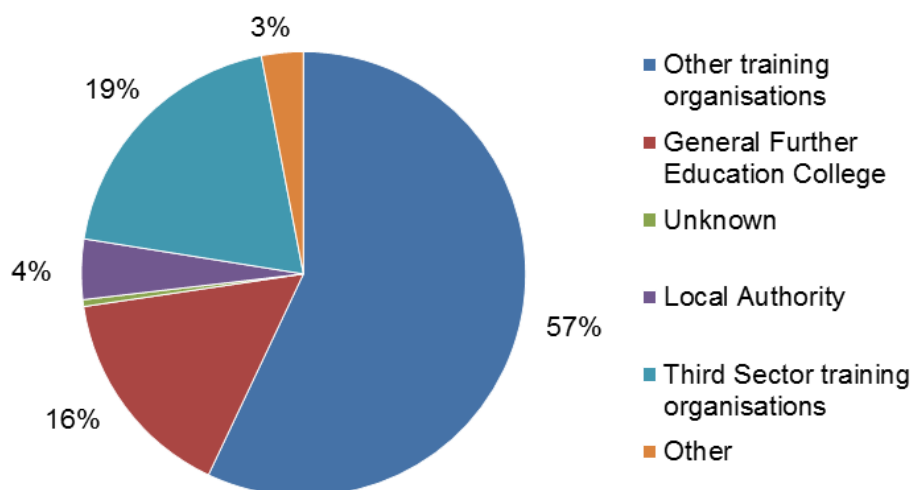
Source: Skills Funding Agency Data 2011-12

The legal form of sub-contractors who identified themselves as being from the third sector also varied. Of the 275 sub-contractors from the third sector, 158 were companies limited by guarantee, 115 were registered charities, and 17 were classified as 'Other' (a category which includes community interest companies, industrial and provident societies, and unincorporated associations).

The literature review also identified the main activity undertaken by registered charities via the International Classification of Non-Profit Organisations (ICNPO). This features two classes of voluntary organisation with a main activity that falls into the learning and skills sector: Education (7,775 organisations) and Employment and Training (1,824

organisations). Together these two sub-sectors account for around 6 per cent of the 168,000 organisations which make up the entire UK voluntary sector.[2]

According to the Agency's data there were a total of 3,789,472 unique individuals in learning in 2011/12. Of this 318,566 learners were recorded as being based with third sector lead providers. This accounts for around 8.4 per cent of total learners. Further to this, there were around 63,485 learners recorded as being based with third sector sub-contractors. This accounts for around 1.7 per cent of total learners. Both of these figures should be treated with an element of caution, however, as it is possible for learners to pursue learning aims in several different organisations. According to the Agency's data there were a total of 4,186,815 funded learning aims covering 3,789,472 individual learners.

According to the data 126,292 learning aims were delivered by third sector organisations in a lead capacity and a further 63,496 learning aims were delivered by third sector providers on a sub-contracted basis. Figure 4 shows the distribution of learning aims delivered by lead providers according to the sector in which they are based. This may reflect the relatively smaller scale of many learning and skills providers from the third sector.

Figure 4 Distribution of Learning Aims for Lead Providers
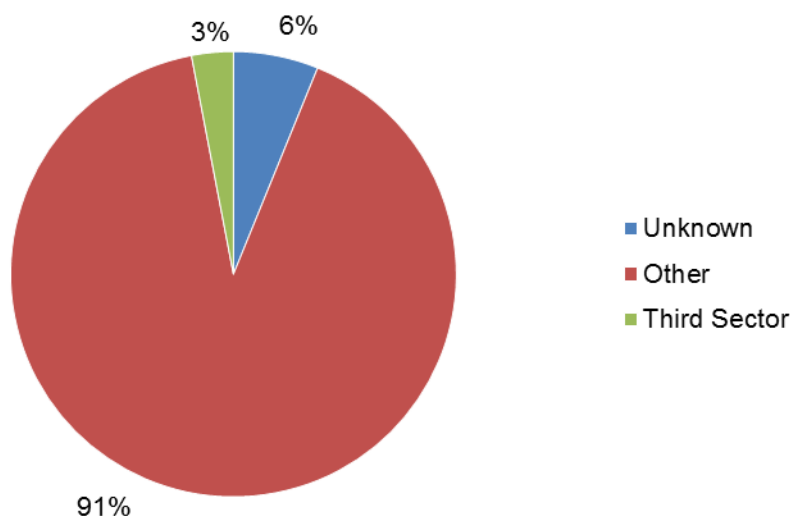
Source: Skills Funding Agency Data 2011-2012

Exploring the Agency data by individual provider also reveals a few examples of third sector organisations delivering large volumes of learning. For instance the Workers' Educational Association (WEA) was responsible for 55,729 learners (over 28 per cent of total learners based in the third sector) and City Lit was responsible for 28,080 learners

---

[2] Unfortunately such data does not allow further analysis of the nature of learning and skills provision delivered by third sector organisations classified as being in the Education or Employment and Training fields.

(over 14 per cent) – although, as Specialist Designated Institutions their funding arrangements are untypical of most other third sector providers - and Economic Solutions Limited was responsible for 13,524 (nearly 7 per cent).[3] This concentration of learners in a small number of providers reflects the findings of the earlier LSC study in which the WEA accounted for 54 per cent of all further education learners based in the third sector, with a broad spread of organisations across both work-based learning and ESF funded provision.

Roles

The research aimed to understand the role of third sector providers in relation to learning and skills.

Responses to the online survey suggest that the third sector's main area of provision is adult and community learning (now community learning); with other notable roles in provision for young people, single adult skills, and ESF-funded provision (see Figure 5 below). The 'Other' category includes many organisations that either do not currently receive funding to provide any of these activities or receive funding for other learning activity (respondents were able to select more than one category of activity).

Figure 5 Learning and Skills Activities Provided by the Third Sector
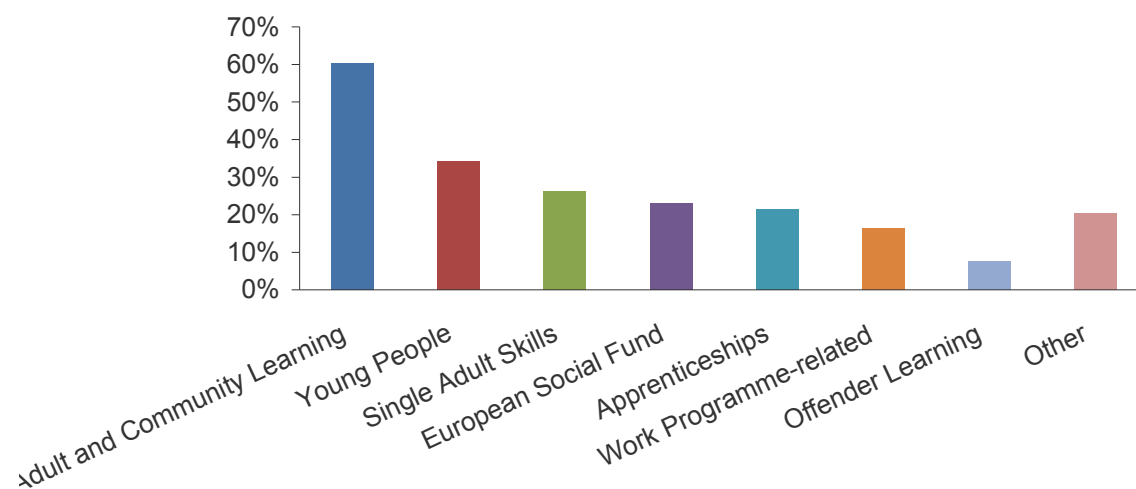
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

---

[3] This latter organisation is not a registered charity though its website contains the following description of its activities: "The Economic Solutions Group is a not-for-profit group of companies delivering a wealth of business support, skills, training and recruitment services to individual customers and employers across Greater Manchester and the UK."

The Skills Funding Agency data also compares the delivery of different funding streams across third sector and non-third sector providers. Again this data contains a significant number of organisations who did not give details as to what sector they are based in.

Figure 6 Funding Model of Lead Providers on the Register of Training Organisations
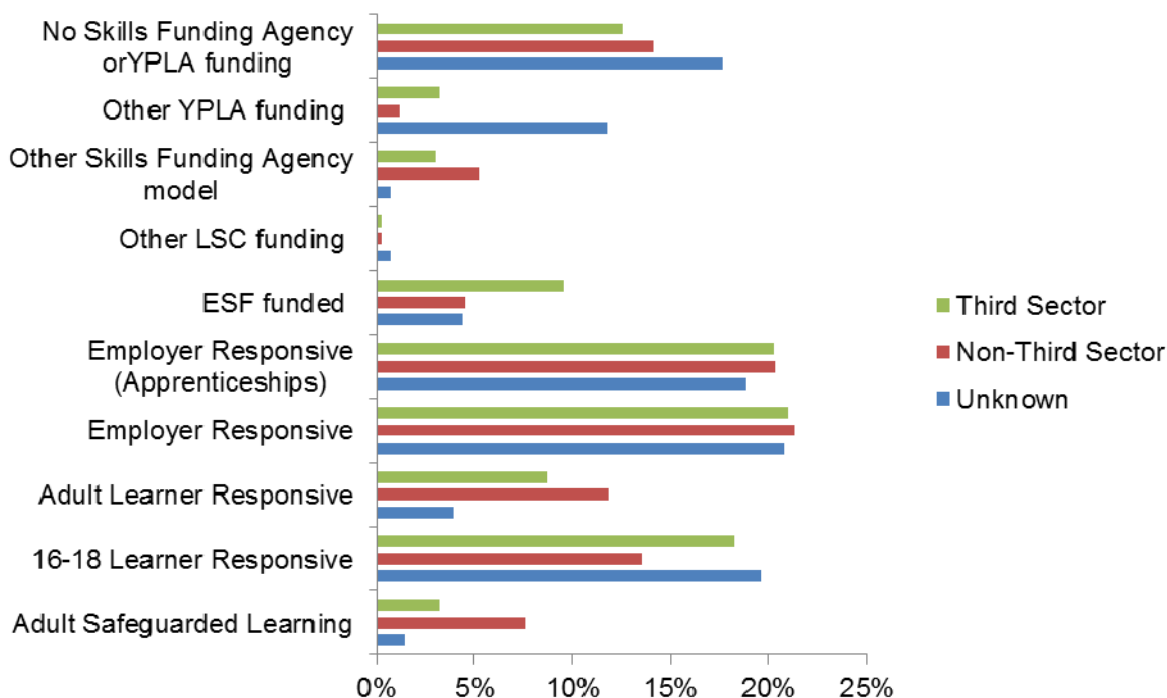

Figure 6 above suggests that lead providers from the third sector are more likely to deliver ESF-funded learning than providers from outside of the sector (10 per cent compared with 5 per cent of other providers). Lead providers from the third sector are also more likely to deliver learning programmes for 16 – 18 year olds than providers from outside of the sector (18 per cent compared with 13 per cent of other providers). Third sector lead providers are also equally involved in the provision of Employer Responsive learning and Apprenticeships as providers from outside of the sector.

However, the Skills Funding Agency data would appear to suggest that third sector providers are less likely to receive funding to deliver Adult Safeguarded Learning (now referred to as 'Community Learning') than providers from outside of the sector. This appears surprising given the prevalence of community learning providers who responded to the online survey.

The Skills Funding Agency data also contains information on learner programmes according to the sector in which provision is based. Unfortunately the majority of programmes are recorded as either "Unknown" or "None of the above". However, Figure 7 below shows the breakdown of programmes among third sector lead providers for which information has been provided.

Figure 7 Learners by Programme based with Third Sector Lead Providers
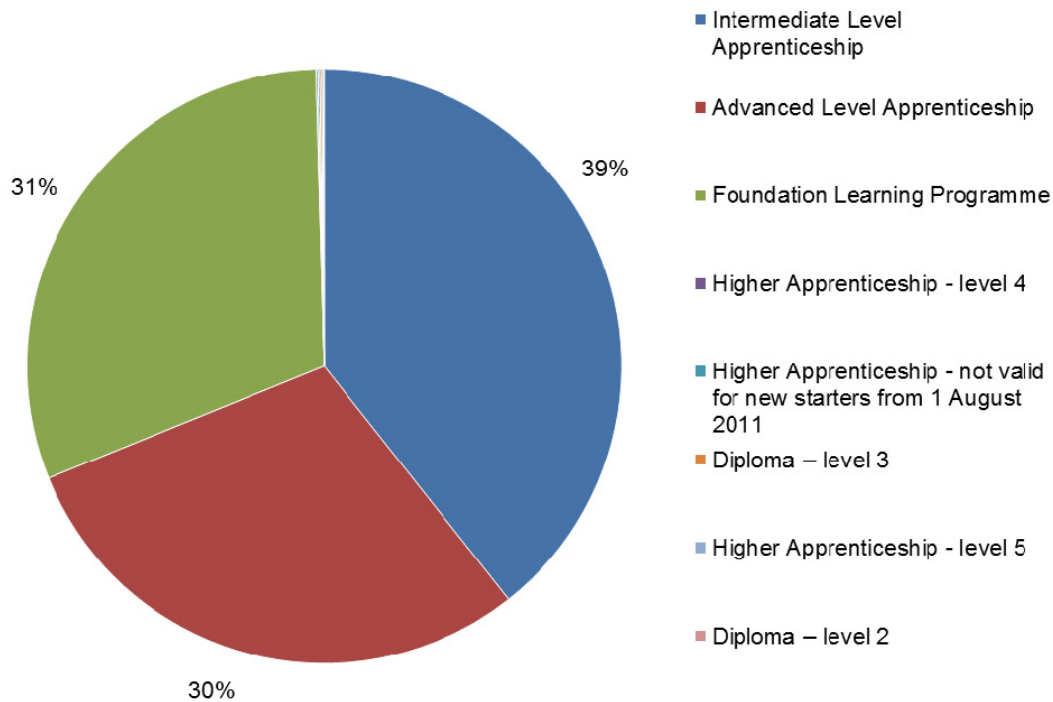
As Figure 7 shows, nearly all of the provision delivered in the third sector is divided between Foundation Learning, Advanced Apprenticeships, and Intermediate Apprenticeships. There is also a fairly negligible level of activity recorded in the third sector around Higher Apprenticeships and Diplomas.

Figure 8 Learners by Programme based with Non-Third Sector Lead Providers
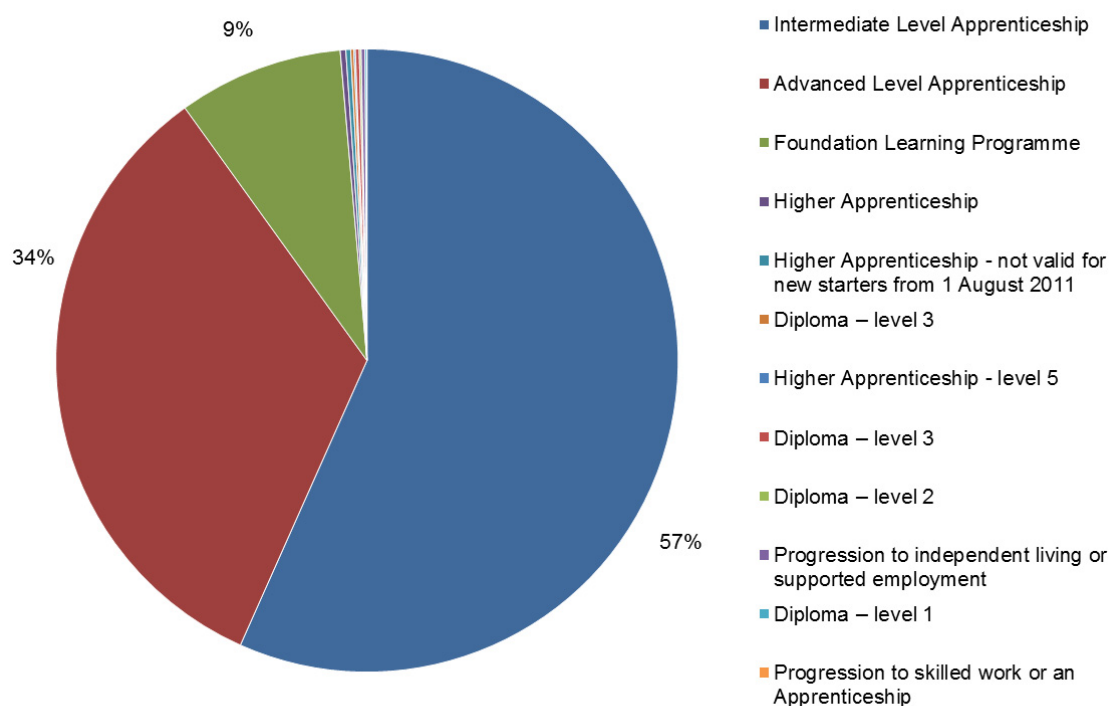
In contrast, as Figure 8 shows, providers from outside of the third sector are considerably less likely to deliver Foundation Learning activity. However, the overall focus on provision of Foundation Learning, Intermediate Apprenticeships and Advanced Apprenticeships remains true of both sectors.

The Skills Funding Agency data presents a clearer picture in terms of the main delivery method used. Learners in the third sector were more likely to be in classroom-based delivery than those based with other providers (67 per cent compared with 57 per cent overall). Learners based with third sector providers were less likely to be based in the workplace (19 per cent compared with 27 per cent overall) and less likely to engage in distance learning (1 per cent compared with 7 per cent overall) than those based with other providers.

Figure 9 Learners by Delivery Method
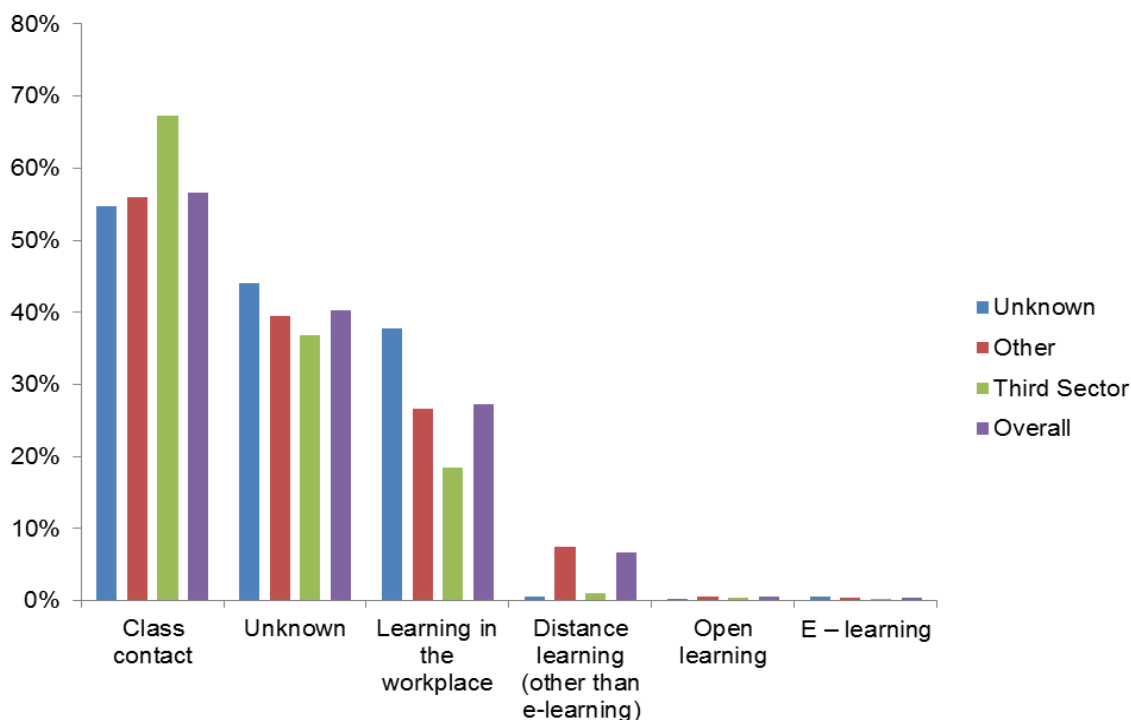
*Source: Skills Funding Agency Data 2011-2012*

In addition to direct provision, the online survey uncovered a range of ancillary roles played by third sector organisations in the learning and skills sector. This includes learner support (82 per cent); information, advice and guidance (79 per cent); and outreach activities (58 per cent). The importance of such activities was also widely referred to by focus group participants who regard such roles essential for the engagement of more excluded learners and their progression into more formal learning and skills activities.

The research also aimed to identify learning and skills related activity amongst third sector organisations that were primarily focused on other areas of work and delivery. It emerged that organisations do have a wider remit than delivering learning and skills. For instance, one focus group participant described their learning and skills activity as a "means to an end" in building the capacity of their service users. Other participants described their delivery of learning skills as "holistic" with their organisations providing a range of support services to learners.

However, over 80 per cent of respondents to the online survey considered 'education, learning or teaching' to be the main aim of their organisation. Other responses to this question included organisations which provide workforce development to other third sector organisations and several respondents who considered their main aim to be community development or the delivery of a range of services to a particular type of beneficiary.

In the online survey, respondents were asked which areas of activity their organisation currently undertakes.[4] The top ten responses of this are shown in Figure 10 below (respondents were able to select more than one category of activity).

**Figure 10 Top Ten Activities Undertaken by Third Sector Providers**
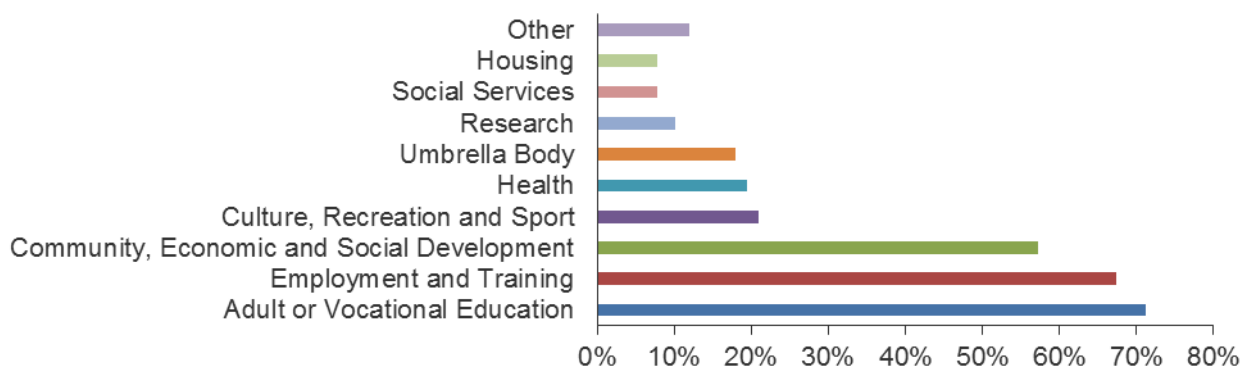
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

Organisations tended to indicate that they undertake a range of different activities, the three predominant being: 'Adult or Vocational Education', 'Employment and Training', and 'Community, Economic and Social Development'. The popularity of the latter may reflect the localised scale at which many third sector organisations operate. Activities reported in the category 'Other' included those who are mainly involved with activities to support other voluntary organisations and several respondents who referred in some way to a socially excluded demographic group.

---

[4] This was based on the ICNPO classifications referred to earlier in this paper.

Figure 11 Geographical Scale(s) of Organisations
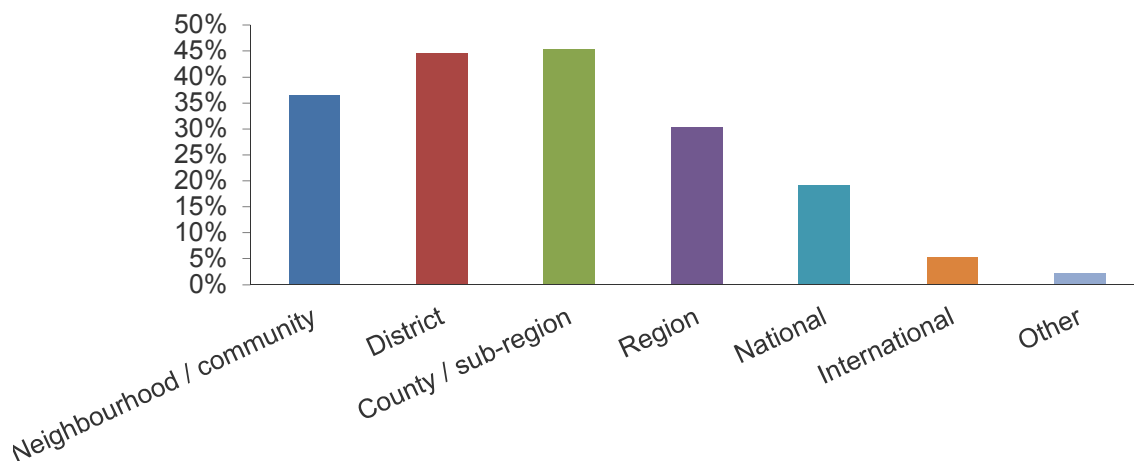
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

The results displayed in Figure 11 conform to expectations that third sector providers of learning and skills are less likely to be active at the regional or national level. The extent to which third sector providers are active at the district or county level may reflect the boundaries of local authorities and their respective funding streams. Many of the respondents operate across more than one geographical scale.

Relationships

An aim of the research was to map typical contracting, sub-contracting and supply chain arrangements of third sector providers of learning and skills.

The literature review identified four principal types of contractual relationships held by third sector providers of learning and skills:

- Prime contractor and direct provider of learning and skills programmes;
- Prime contractor and lead agency for a consortium of other Third Sector organisations delivering learning and skills programmes;
- sub-contractor of other learning and skills providers, such as FE college or local authorities delivering part of a learning and skills contract; and
- sub-contractor as part of a Third Sector consortium delivering part of a learning and skills contract.

Just under half (44 per cent) of the respondents to the online survey were part of a consortium or partnership to deliver learning and skills. Of these, just under a third (30 per cent) led the consortium or partnership. Of those that were involved in consortia or partnerships, the membership of such arrangements consisted predominantly of other third

15

sector organisations, as shown in Figure 12 below (respondents were able to select more than one type of consortia member).

**Figure 12 Type(s) of Organisations in Consortia**
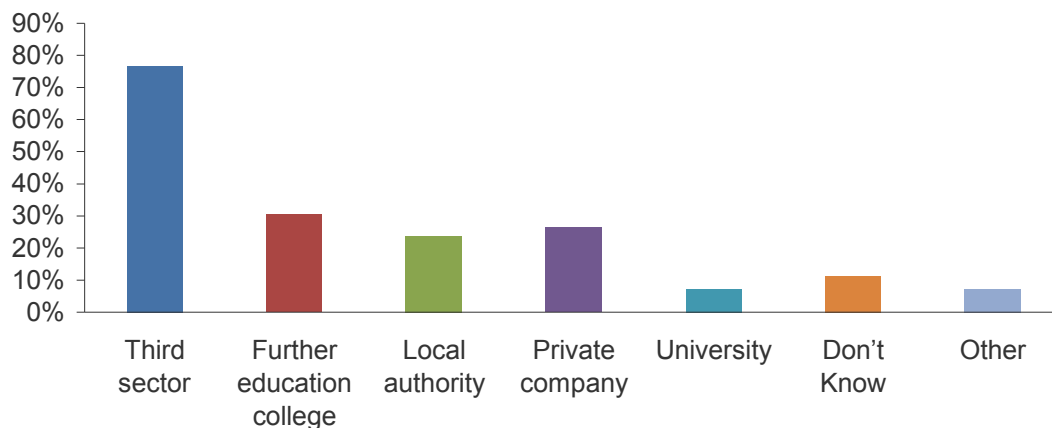
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

This suggests a tendency for third sector organisation to form or participate in consortia with other similar organisations.

The Skills Funding Agency data contains further information about sub-contractor relationships. Out of 2,064 subcontracts, a total of 377 were held by third sector organisations. This accounts for approximately 18 per cent of all sub-contracted provision. The number of subcontracts held is slightly higher than the number of third sector sub-contractors (275 organisations) and can be explained by the fact that some organisations hold several subcontracts.

Figure 13 below differs from the earlier information as it shows the distribution of sub-contracts delivered by the third sector according to the status of the lead provider. This means that it captures the status of the lead provider rather than the broader membership of consortia or instances where several third sector providers are sub-contractors for a larger lead provider.

Figure 13 Third Sector Sub-contracts by Lead Provider
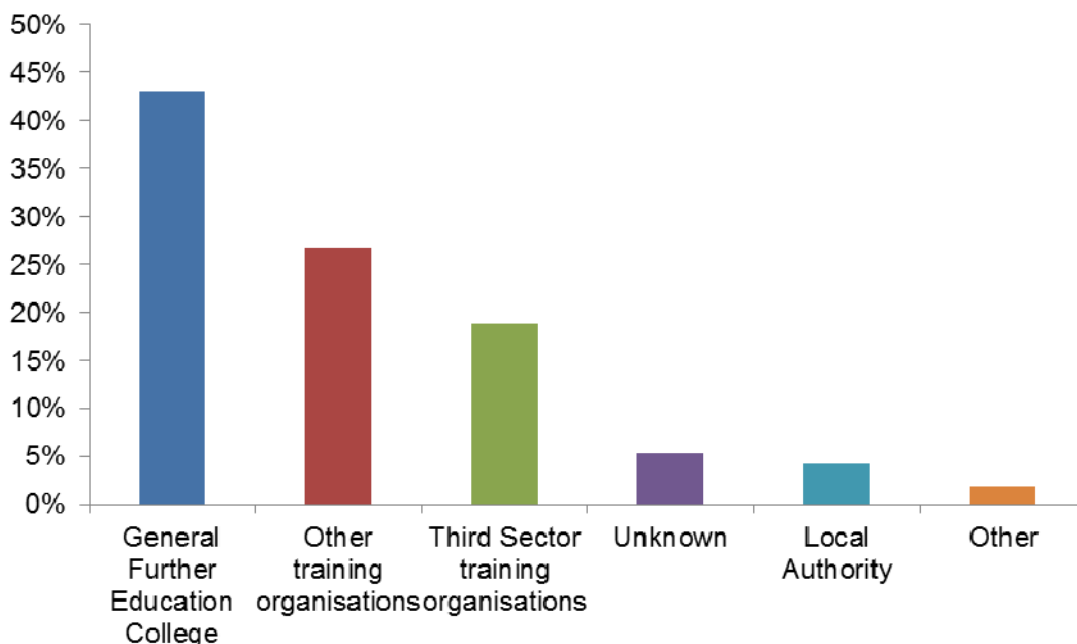
Source: Skills Funding Agency Data 2011-2012

Of the 377 sub-contracts delivered by the third sector, 162 were with FE colleges, 101 were with other training organisations (mostly private providers), and 71 were with other third sector providers. This last figure shows a tendency among lead providers from the third sector to sub-contract with other providers from the third sector, accounting for 35 per cent of all their sub-contracted provision. However, the third sector is still more likely to deliver on a sub-contractor basis for private training companies and FE colleges as these types of organisation account for a far greater share of lead providers.

In addition to this, the Skills Funding Agency data reveals that 94 per cent of current third sector lead providers were seeking to continue in this capacity and a further 4% were seeking to become both a lead and a sub-contractor. Only 36 per cent of current third sector sub-contractors were seeking to continue in exactly the same capacity, whilst the exact same proportion, 36 per cent, were seeking to become a lead provider in addition to or instead of their current position as a sub-contractor.

The research process unveiled several misgivings about the nature of relationships between lead providers and subcontractors. The implementation of a £500,000 minimum contract level (MCL) by the Skills Funding Agency was regarded as a major issue by focus group participants. The MCL was too high for many and resulted in either a loss of quality specialist provision or the necessity to enter what were reported to be disadvantageous subcontracting arrangements with larger providers, especially FE colleges.

Many respondents to the online survey and several focus group participants had lost direct contracts with the Skills Funding Agency and had therefore become subcontractors in order to secure continued public funding for their learning and skills activity. In many instances this was felt disadvantageous as it involved the imposition of a significant management fee by the lead provider as well as the loss of steady income caused by a

lack of referrals, with the exception of the occasional purchase of specialist services at low cost to the lead provider.

Funding Streams

The research aimed to uncover the principal funding streams which support third sector providers of learning and skills.

The research sought to identify the involvement of third sector organisations in learning and skills activity funded in a variety of ways. The data collected via the online survey and focus groups suggested a broad range of learning and skills activity ranging from relatively large third sector organisations leading on the delivery of contracts for the Skills Funding Agency down to volunteer-led organisations delivering informal learning via predominantly self-generated sources of income.

The income of respondents to the online survey was spread fairly broadly. Over a quarter of respondents (28 per cent) stated that their organisation had over £1million in annual income, while over half of the respondents (54 per cent) reported an annual income of below £500,000 (see Figure 14 below). This differs markedly from the established data for the UK third sector as a whole, in which only 2.8 per cent of organisations have an income in excess of £1 million.[5]

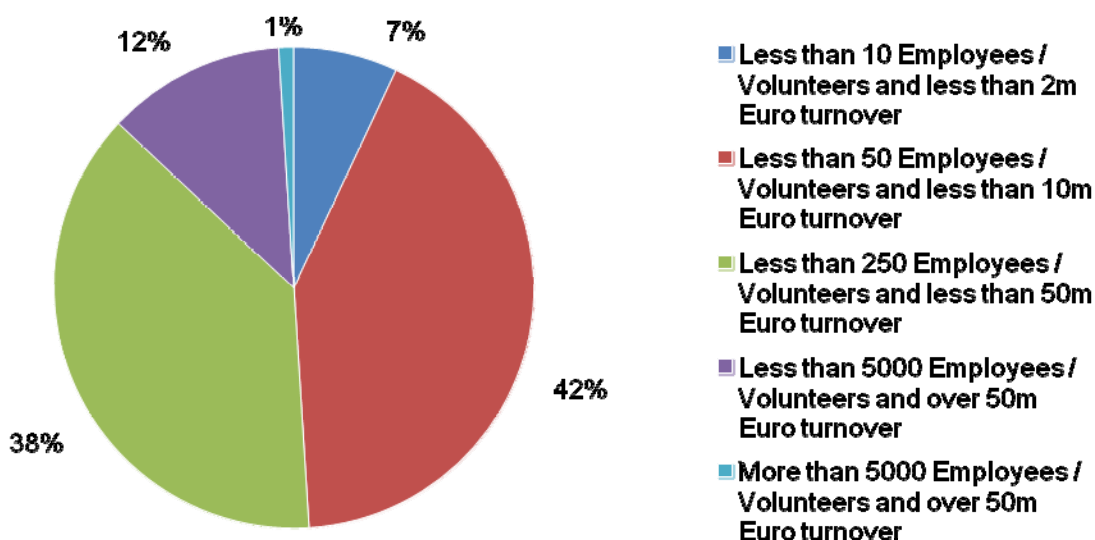**Figure 14 Approximate Annual Income of Third Sector Providers**
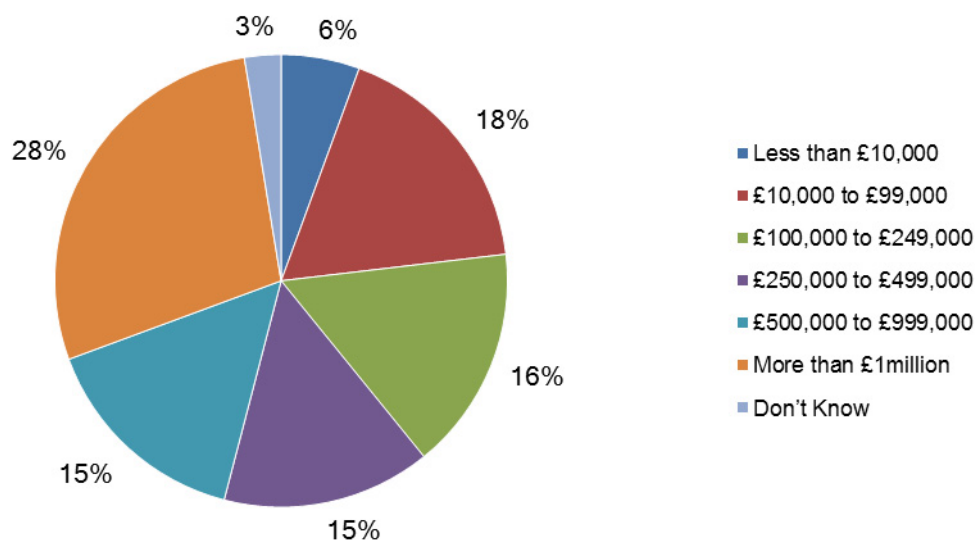
Source: St

The data from the Skills Funding Agency also collects information on the size of organisations according to income and number of staff. Although this data uses different

---

[5] Please note that this figure is taken from the NCVO UK Civil Society Almanac 2012 which is based on the analysis of charity accounts data from the Charity Commission and is therefore likely to be more accurate than responses to the online survey.

classifications (including data recorded in Euros), it suggests a similar picture of mostly medium to large-sized third sector organisations delivering publicly-funded learning and skills provision. As Figure 15 shows, 80 per cent of third sector lead providers (131 organisations) on the ROTO had an annual turnover between £2 million Euros and £50 million Euros. Only 13 per cent of third sector lead providers had a turnover in excess of £50 million Euros, compared with 41 per cent of other providers.

Figure 15. Size of Third Sector Lead Providers on the Register of Training Providers

Legend:
- ■ Less than 10 Employees / Volunteers and less than 2m Euro turnover
- ■ Less than 50 Employees / Volunteers and less than 10m Euro turnover
- ■ Less than 250 Employees / Volunteers and less than 50m Euro turnover
- ■ Less than 5000 Employees / Volunteers and over 50m Euro turnover
- ■ More than 5000 Employees / Volunteers and over 50m Euro turnover

Pie chart values: 7%, 42%, 38%, 12%, 1%

Source: Skills Funding Agency Data 2011-12

In addition to this, the Agency data also contains information about the size of third sector sub-contractors on the ROTO. This reveals a similar picture but with fewer large organisations and more organisations with a turnover less than £2 million Euros (17 per cent compared with 7 per cent of lead providers).

The online survey explored not just the level of income but also the sources of income for third sector providers of learning and skills. The top five most commonly cited sources are shown in Figure 16 below (respondents were able to select more than one source of income).

Figure 16 Top Five Sources of Income for Third Sector Providers
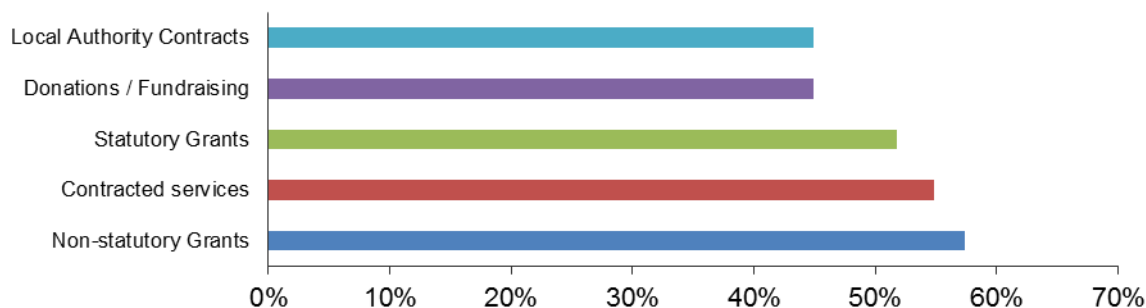
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

The most common self-reported income stream was grants from non-statutory bodies, followed by payments for contracted services and grants from statutory bodies. Such dependency on grant funding could be regarded as a cause of concern given wider reports about the recent fall in the value of grants received by the third sector overall.[6] This also shows the extent of contracts received from local authority sources, an income stream which may also be vulnerable given spending reductions in local government. It is worth noting that slightly less than a quarter of respondents (24 per cent) to the online survey were in receipt of funding from the Skills Funding Agency.

Other responses which fall outside of the top five categories above included sources of income such as national lottery funding (43 per cent); membership fees and subscriptions (29 per cent); payments for contracted services from the Skills Funding Agency (25 per cent); and payments for subcontracted services.

In addition, organisations were asked which of these represents their *main* source of income. There were 257 responses to this question and they differed slightly from the overall distribution of income sources, with the most popular response being income from local authority sources (27 organisations); contracted services from various sources (24 organisations); grants from non-statutory bodies (21 organisations); the Skills Funding Agency (18 organisations); and the Big Lottery Fund (17 organisations).

Changes in the nature of funding were also identified by focus group participants. Most organisations reported a loss of funding but were aware of the changing makeup of funding for the sector. One cited indication was a shift away from unaccredited training funded by grants towards accredited training funded by contracts. Available funding was

---

[6]The NCVO Civil Society Almanac 2012 reports that there has been a real terms fall in the value of grants since 2005/6, with the value of public sector grants falling by £500 million over the three financial years to 2009/10.

also felt to be inappropriately focused on 'innovation' or 'scaling up' activity which was seen as problematic given that many organisations are currently operating at a reduced capacity.

There was a widespread acceptance of the need to move towards a more 'business-like' mentality in which organisations charge fees for their services, although this was felt to be unrealistic in some instances. For example, one focus group participant involved in a homelessness charity questioned the feasibility of introducing a service charge for their users when they did not even have a fixed abode. Charging fees to learners was also felt by some participants to pose a risk to their work with more disadvantaged groups.

Respondents to the online survey and focus group participants also expressed concern that there was an insufficient timescale for third sector organisations to achieve the necessary transition from grant dependency to contract delivery and other earned income. This view was even strongly expressed by a participant that had successfully received funding from the Cabinet Office's Transition Fund – a fund which was set up for this very purpose.

The amount and type(s) of data required by funders was a consistent theme throughout both the focus groups and the online survey. Expectations of evidence on learners and their rates of progression were felt to be not only unrealistically optimistic but also disproportionate for the levels of funding available. This was reported as being particularly hard on small third sector organisations which either lacked the capability to produce such data or would have to take staff away from direct delivery to do it. Several participants also referred to the "distorted expectations" of funders, both statutory and non-statutory, which involved a reportedly significant misrepresentation of the true characteristics of their service users and the nature of their needs.

Finally, several focus group participants raised a concern that available funding only covered the direct costs of delivery. This was felt to put significant strain on organisations, with little room to cover overheads such as administration or staff costs. Several participants reported that they had recently been forced to move premises as a result of the loss of core costs from their funding arrangements. Such a situation was felt to be particularly harmful for small organisations where such costs were proportionately higher. One participant expressed the view that his/her organisation could "*only decrease to a certain size before it loses the ability to compete for new work or even offer basic services*".

Learning

The research sought to understand the profiles of learners in third sector provision, and the sector's performance as a provider of learning and skills.

Both the online survey and the Skills Funding Agency data contain data on learner demographics. In the online survey, respondents selected a variety of disadvantaged groups to whom they target for the delivery of learning and skills as evident in Figure 17 below (respondents were able to select more than one category of learner).

Figure 17 Top Ten Learner Demographics of Third Sector Providers
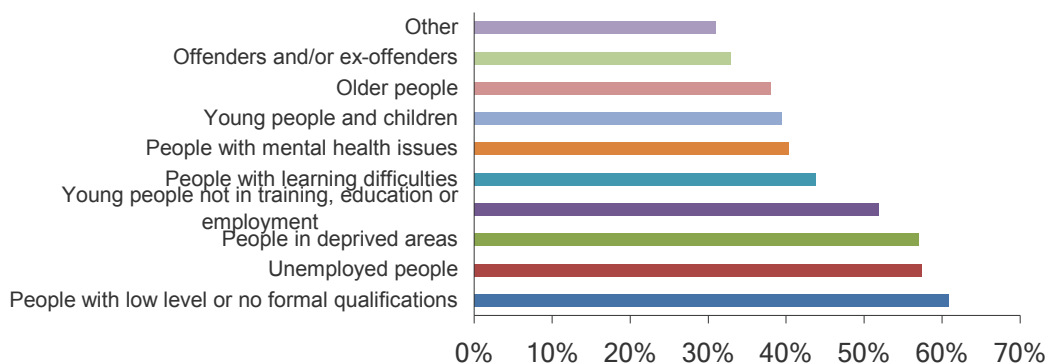
Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

Of course, many of these categories may apply to the same individual learner. Over half the respondents delivered learning and skills to people with low level or no qualifications; people in deprived areas; unemployed people; and young people not in education, training or employment. 'Other' answers to this question include people with physical disabilities; speakers of other languages; refugees and asylum seekers; the third sector workforce and volunteers; women; black and minority ethnic communities; drug users; people in rural areas; and homeless people.

In addition to this, some focus group participants reported that their work was being redirected away from adult provision to respond to youth unemployment (and reformed funding entitlements). Otherwise, there was a significant level of participation from organisations that delivered training provision to the staff or volunteers of other third sector organisations. There were also certain examples in which this distinction was harder to maintain, such as in the delivery of learning and skills to user-led organisations or for

former service users making the progression into volunteering or involvement in service delivery.

The profile of learners covered by Skills Funding Agency data shows several differences in the demographics of learners in the third sector and elsewhere. A learner based with a lead provider from the sector was 3 per cent more likely to have a disability and 3 per cent more likely to have a learning difficulty than in non-third sector provision. This was also reflected among third sector sub-contractors in which learners were 2 per cent more likely to have disability and 2 per cent more likely to have a learning difficult than in non-third sector provision.

According to the Agency's data, the age profile of third sector does not seem to differ to a great extent from that of non-third sector learners. This is displayed in Figure 18 below.

Figure 18 Age Profile of Learners based with Providers on the Register of Training Organisation
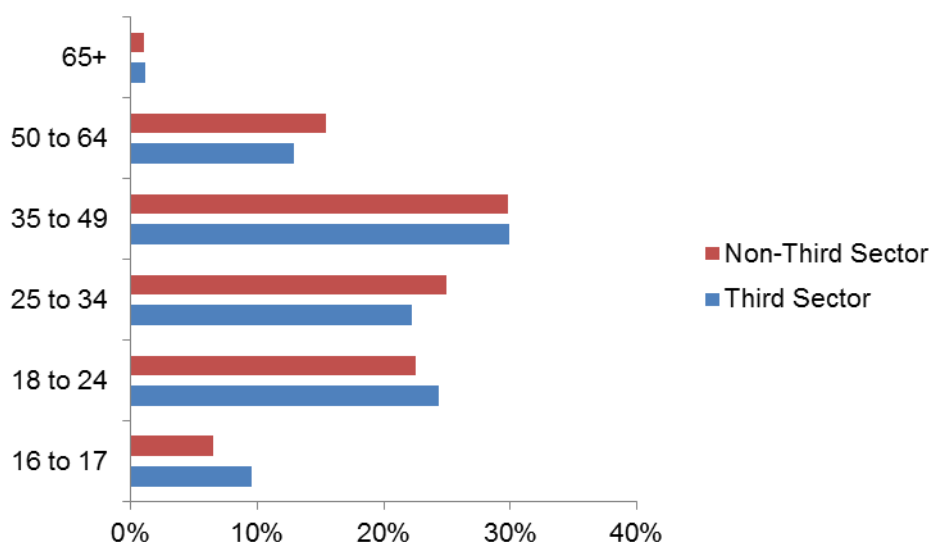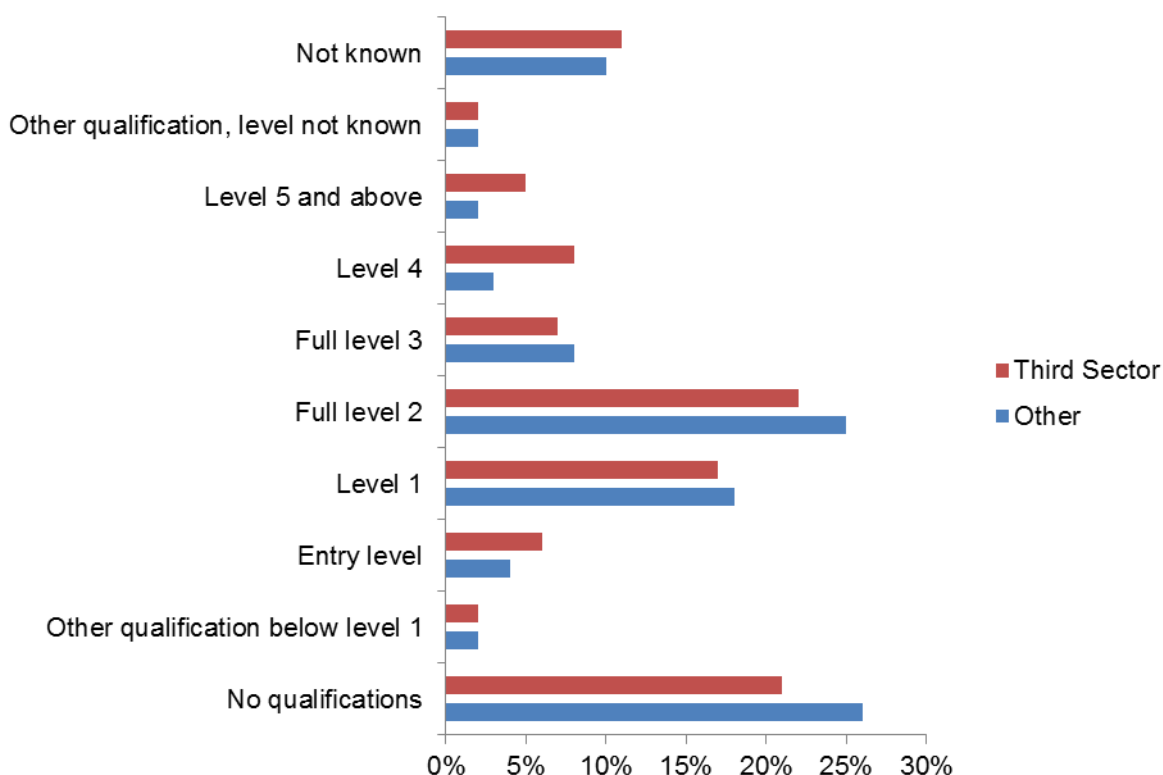

Source: Skills Funding Agency Data 2011-2012

The data in Figure 18 shows that learners based with third sector learning providers are 3 per cent more likely to be aged 16 to 17 and 1 per cent more likely to be aged 18 to 24. Though this is not a substantial difference, it may reflect the relatively greater proportion of learning provision delivered to younger people by third sector organisations.

Learners based with lead providers from the third sector were 3 per cent more likely to come from black and minority ethnic backgrounds than in non-third sector provision. This figure increases to as high as 16 per cent when comparing the ethnicity of learners in sub-contracted provisions. Among lead providers, both third sector organisations and other training organisations were more likely to deliver to women (54 per cent and 53 per cent respectively). However, sub-contracted provision was more likely to be focused on men (56% for third sector providers and 55% for non-third sector providers).

Figure 19 shows the prior attainment of learners based with lead providers on the Register of Training Organisations.

Figure 19 Prior Attainment of Learners by Lead Provider

Source: Skills Funding Agency Data 2011-2012

The Agency data shows that third sector lead providers deliver a lower proportion of learning aims for those with no qualifications (21 per cent) than other lead providers (26 per cent). However, sub-contractors from the third sector delivered a higher proportion of learning aims (34 per cent) to those with no qualifications than non-third sector sub-contractors (29 per cent).

Both lead providers and sub-contractors from the third sector were more likely to deliver to those with only entry level qualifications (6 per cent and 7 per cent respectively) than non-third sector lead providers and sub-contractors (4 per cent and 3 per cent respectively). The Agency data would also appear to show that third sector lead providers are more likely to deliver learning aims for those with prior attainment at Levels 4 and 5 (13 per cent) than non-third sector lead providers (5 per cent). However, this difference is not reflected at a sub-contractual level.

The Skills Funding Agency data also includes the overall Ofsted rating given to third sector providers of learning and skills (see Figure 20 below). These figures are based on the number of learners rather than the number of providers.

Figure 20 Ofsted Ratings of Lead Providers for Overall Effectiveness (by sector)
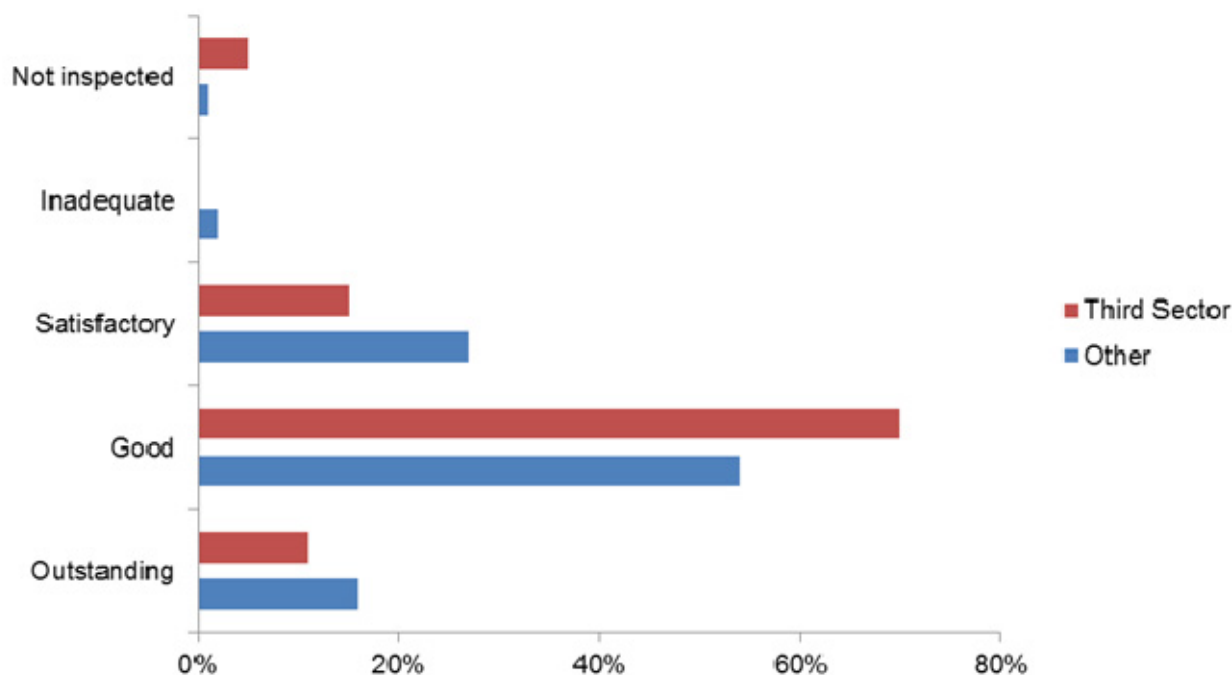

Figure 20 above shows that the majority of learners are based in provision which has been rated by Ofsted as 'Good', irrespective of the sector the lead provider is based. Only 11 per cent of organisations from the third sector were rated as 'Outstanding' (compared with 16 per cent from outside of the sector), and fewer than 1 per cent of third sector lead providers were rated as 'Inadequate'. Although similar data exists for sub-contractors, over half of sub-contracted provision from across all sectors has not been inspected.

The Skills Funding Agency data also permits an analysis of learning outcomes according to sector. The evidence shows that a slightly lower proportion of learners based with lead providers in the third sector achieved their learning aims than in non-third sector provision (58 per cent to 60 per cent). This was also reflected at a sub-contractor level where achievement was 64 per cent for third sector providers and 70 per cent for non-third sector providers.

Lead providers in the third sector had a higher proportion of learners with no achievement (29 per cent) compared with providers from other sectors (25 per cent). However, non-achievement rates for sub-contractors were slightly lower among providers from the third sector (24 per cent) than other providers (26 per cent). Over half of learners (54 per cent) based with lead providers in the third sector were continuing study and an even higher proportion (72 per cent) based with sub-contracted providers in the third sector were continuing their studies.

The Skills Funding Agency's data also shows the end destinations of learners based in third sector provision where this has been recorded. Unfortunately this data is unknown for the majority of lead providers from all sectors and from almost half of registered sub-contractors. The data which does exist appears to suggest a similar record in terms of continuing study, though the third sector performed relatively less well in terms of learners entering full-time employment. This accounted for 7 per cent of learners among third sector leads and 9 per cent of learners among sub-contractors from the sector, in comparison with 8 per cent of learners among non-third sector leads and 13 per cent of learners among non-third sector contractors.

System

The research sought to identify the barriers and opportunities facing third sector providers of learning and skills.

The majority of respondents (71 per cent) to the online survey reported that recent changes to the planning, policy and funding of learning and skills had impacted upon their organisation. Figure 21 below shows the nature of some of these responses (respondents were able to select more than one category).

Figure 21 Impact of Policy, Planning and Funding Changes
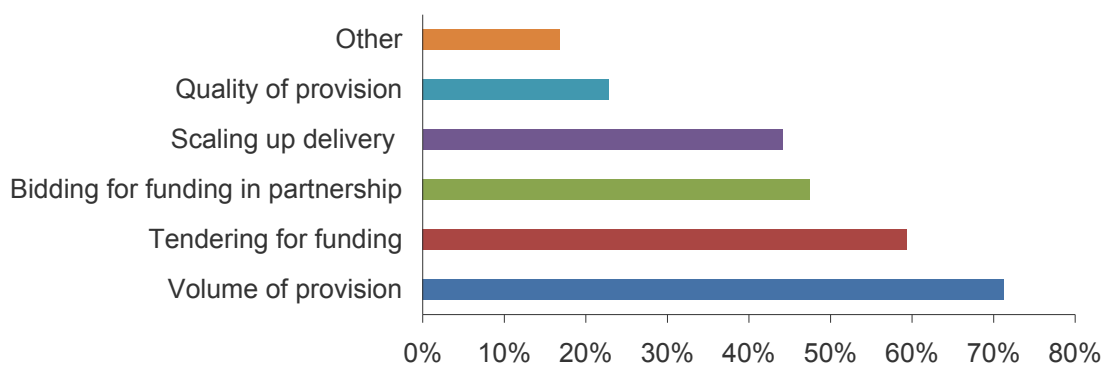
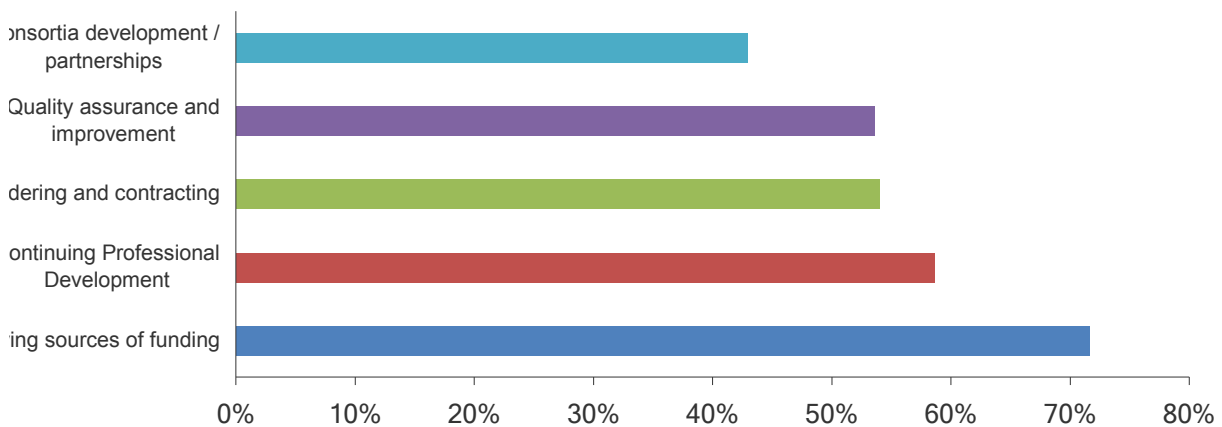*Source: Survey for Providers of Learning and Skills in the Third Sector (2012)*

The respondents were not prompted to say whether the impact had been positive or negative but an analysis of responses to the 'Other' category suggests a predominantly negative impact on third sector provision. This included the following concerns:

- lower levels of income and organisational downsizing;

- difficulties in engaging with the procurement process, especially the size and scale of available contracts;
- increased competition, especially from large/national organisations;
- payment by results, cash flow needs and the transferral of risk;
- unfavourable subcontracting arrangements and large management fees;
- unrealistic demands for data and evidence from both statutory and non-statutory funders; and
- the loss of existing local and regional support networks.

The online survey also asked respondents what their greatest support needs were. The responses to this are displayed in the Figure 22 below (respondents were able to select more than one support need):

Figure 22 Top Five Support Needs of Third Sector Providers

Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

The most common support need was 'Identifying sources of funding', as referenced by the majority of respondents. 'Tendering and contracting' was also referenced by a majority of respondents and 'Continuing professional development' was referenced by over half the respondents. Other provider support needs outside of the top five responses included 'Teaching and other delivery skills' (37 per cent); 'Curriculum development' (28 per cent); 'Information, advice and guidance' (28 per cent); 'Management Information Services; (24 per cent); and 'Recruitment and retention' (21 per cent). A few respondents also raised issues in terms of the qualification requirements of funders for specific types of delivery such as supporting dyslexic learners and in sports leadership.

In addition, focus group participants identified a range of support needs. This included the following issues:

- greater funding and recognition of support and engagement for hard-to-reach learners prior to formal learning activity;

27

- the complexity of dealing with several funding bodies and streams for learning and skills activity;
- the need for help in diversifying funding streams and the transition from grant income;
- less onerous data requirements from funding bodies;
- additional help to cover the costs of CPD and staff development;
- more focus on the demands of consortia and partnership work with large providers;
- improved and more regular communication with the various funding agencies; and
- mentoring support for bid writing purposes and Invitations to Tender.

Focus group participants also expressed concern about the loss of previously existing support and infrastructure arrangements, particularly at local and regional level, such as Local Strategic Partnerships, Government Office for the Regions and Regional Development Agencies. The formation of Local Enterprise Partnerships was noted but with reportedly little engagement with either the local voluntary sector or the skills agenda as a whole. In certain instances participants felt that the role of their local authority had changed from providing support to longstanding local providers to becoming more of a strategic commissioner of services.

The majority of the respondents to the online survey were currently unaware of some of the support services on offer. Only 40 per cent of respondents were aware of the support services provided by the Learning and Skills Improvement Service (LSIS), of whom 32 per cent had used them. This equates to 57 organisations from a total of 270 respondents overall. Those who had used LSIS' services had accessed: online information; CPD events and training; the Excellence Gateway; provider accounts; qualification development; quality assurance; and safeguarding training. Several respondents stated they no longer had access to their LSIS account following MCL and the reform of Skills Funding Agency contracts and several considered the materials were only suitable to large colleges.

This lack of awareness of LSIS and its services was also reflected in the focus groups in which a minority of participants had used LSIS services. Many were unable to access some of the restricted content because they lacked access to an account (only available to providers on the ROTO). A few participants mentioned the Excellence Gateway was difficult to navigate or that time restrictions prevented them from exploring it further. Similar to the online survey respondents, there was also a perception that the services and materials were more relevant to large FE colleges.

Regarding support services and materials offered by NIACE (which as a voluntary sector body has to raise income by charging for some of its products and services), 52 per cent were aware and 36 per cent not aware of these. Of those who were aware, 26 per cent had used or participated in: conferences, research publications and guides, bulletins and website. Reasons for not using services or materials included: cost, uncertainty as to how to access them, not relevant, and lack of awareness.

Capacity

The research aimed to map the strengths and weaknesses of the third sector as a provider of learning and skills.

Much of the content of this research summary so far has outlined what may be regarded as strengths of the third sector as a provider of learning and skills. They may be summarised as including the following:

- a holistic approach to delivery, in which learning and skills is often part of a broader role in community, economic and social development;
- an extensive role in outreach and learner support services, which are often the first step to engaging with 'hard to reach' learners;
- the capability to operate at a community or sub-regional scale;
- the ability to draw down a diversity of funding streams, both statutory and non-statutory;
- delivery to a higher proportion of female learners, people with learning difficulties and/or disabilities, BME groups, and people aged 65+; and
- the completion of a greater proportion of successful learning aims than in non-third sector provision

The major weaknesses or areas of vulnerability of third sector providers may be summarised as including the following:

- lack of capacity (of most organisations) to deliver on a national scale;
- relatively low income of the majority of providers from the third sector;
- dependency on some funding streams which may be at risk, such as grant funding and contracted services from local authorities;
- the concentration of further education learners in three large third sector providers;
- lack of awareness of existing support services and materials through LSIS;
- scope for improvement in quality of provision to raise the number of providers graded 'good' and 'outstanding by Ofsted;'
- susceptibility to negative effects as a result of recent changes in policy and funding, in particular the introduction of minimum contract values and payment by results; and
- Issues with the commissioning process and subcontracting arrangements.