



# Extending Trust

A Report of the Bureaucracy Task Force: May 2004

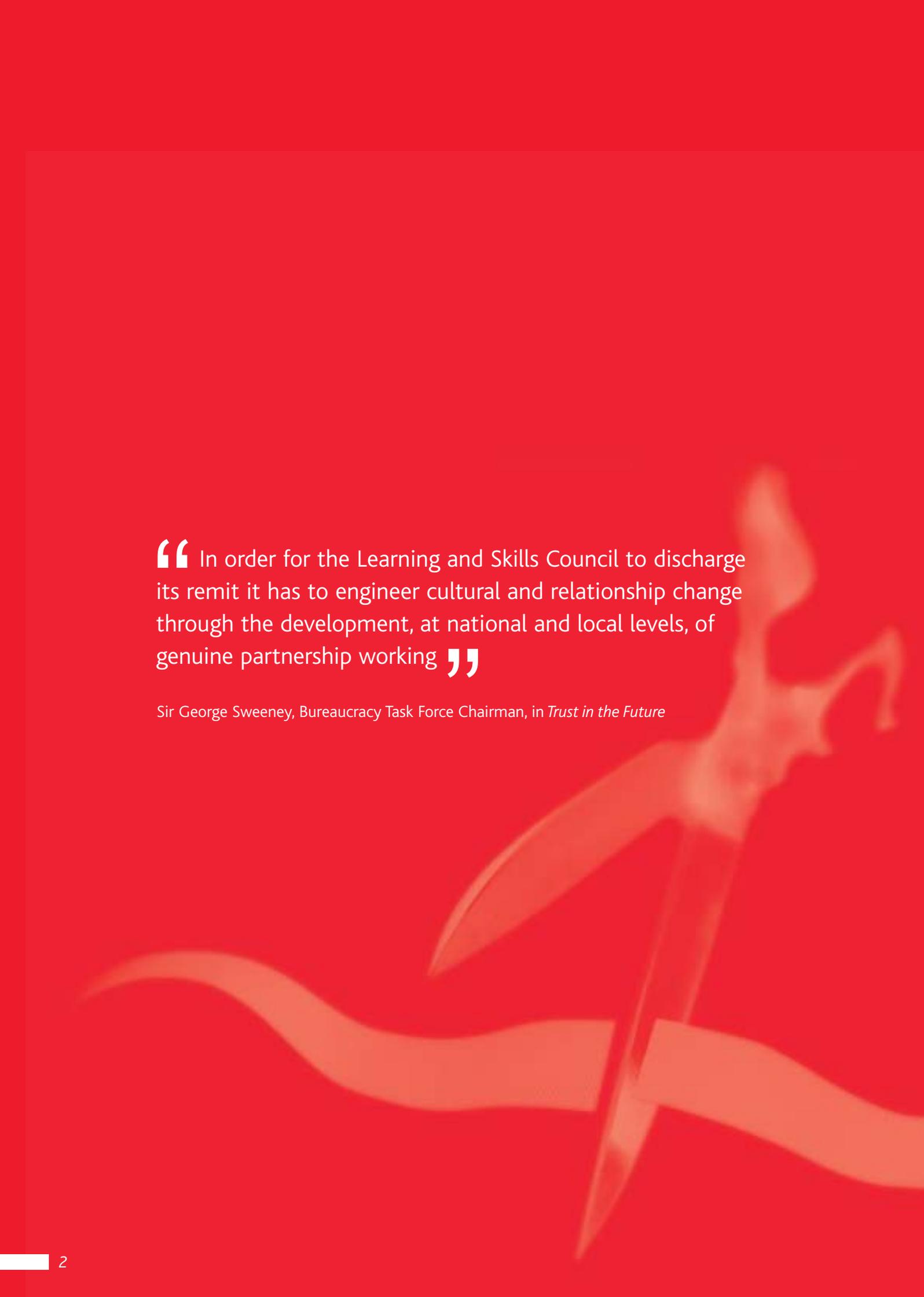




## Contents

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Foreword	3
Executive Summary	5
Recommendations for Action	6
The Bureaucracy Task Force	8
Statutory Council-Provider Relationships – Synopsis	9
Intelligent Accountability	10
Self-Regulation	12
The Single Validation Principle	13
Provider Concerns and Contexts – Synopsis	16
• Work-Based Learning	16
• Schools Sixth Forms	17
• Adult and Community Learning	18
Reform Principles	20
• Proportionality	20
Measures and Milestones	22
Appendix 1: Bureaucracy Task Force Terms of Reference	30
Appendix 2: Bureaucracy Task Force Members (Phase 2)	31
Appendix 3: Provider Views and Contexts in Details	32
Appendix 4: Statutory Council-Provider Relationships in Detail	42
Appendix 5: New Relationship with Schools	44



“ In order for the Learning and Skills Council to discharge its remit it has to engineer cultural and relationship change through the development, at national and local levels, of genuine partnership working ”

Sir George Sweeney, Bureaucracy Task Force Chairman, in *Trust in the Future*

## Foreword

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Never before has so much confidence and trust been placed in the hands of colleges and work-based learning providers to deliver a world-class workforce.

In this, our final report, I want to carry the case we made in our first report to its logical conclusion, and extend its principles and values to all providers.

Our case was based upon the central proposition that bureaucratic burdens had been heaped upon the sector as a response to a fundamental lack of trust. Our solution was to propose a strategy based upon building a trust relationship.

This has been successful and real gains have been made. However, I now want to go further and call for the removal of even larger tranches of bureaucracy through the development of a system of self-regulation in the sector.

It seems to me that this goes with the grain of declared Government policy to ensure maximum resources reach the front line of a service.

Ministers can recognise the concept and make it clear they would wish it to happen for the sector. The Learning and Skills Council (LSC) can welcome and encourage the idea, recognising its success by further radical reductions in bureaucracy.

However, self-regulation is not something that can simply be imposed or gifted. We in the sector need to show that we can be trusted to order our own affairs. It is a challenge to all of us in the sector and our various representative bodies.

There are many examples of self-regulation that we can emulate, including the legal, medical and accountancy professions. Under these models, Government trusts the professions to keep their own houses in order and discipline those who stray from the path.

When things go awry, as they invariably do, the Government does not overreact. The professional bodies are allowed to both regulate themselves and represent their own interests – the Law Society is perhaps the best example.

Self-regulation for the post-16 learning sector could take a number of forms. It could include:

- ethical standards set by the professional body
- training and support to members
- detailed working guidance issued by the professional body; and
- a 'policing' function, where the professional body acts as a self-auditor of its members and acts on the results. Action may stretch to disciplining or expelling members.

We are accountable to the community and our professional peers but I want us to debate and agree a set of values and then live by them. I believe that these values should be based on "doing the right thing".

Within this report, we also back the radical proposals for reducing the burden of health and safety regulation by single-validation, which, in principle, could have wider applications.

However, I would stress that reduced bureaucracy does not mean reduced accountability. Every single one of us has a moral responsibility to keep our students safe while they are learning a new skill or trade. This is a responsibility that none of us can abrogate – ministers, civil servants, principals and employers alike. We must all ensure that we protect our students, to the very best of our abilities, from the hazards in life.

*Extending Trust* continues to promote better but less regulation, in the context of the trust relationship. I hope you will feel, as the Task Force does, that the potential prize is worth your commitment.

So, as the life of the Task Force draws to a close, my thanks are due to many individuals and organisations. I am proud of our collective achievements. I know that Sir Andrew Foster's Bureaucracy Review Group will be able to build on the solid foundations and goodwill that now exist.

However, we must continue to question whether bureaucracy is necessary. But, we must never take our eye off the ball, nor should we be distracted from our responsibilities. We are in the business of teaching and learning. We are the custodians of the public purse. We also deserve to be a respected sector and must demonstrate that we are trustworthy.

The real challenge in achieving a system of self-regulation is to ourselves. Representative bodies that speak for the sector - including the Association of Colleges and the Association of Learning Providers – should now take the lead in developing this agenda in close cooperation with other leading organisations. The time is right for this radical development. We can show that trust will work.



Sir George Sweeney  
*Chairman of the Bureaucracy Task Force*



## Executive Summary

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Streamlining procedures and increasing local autonomy and flexibility are widely seen as important instruments of public service reform. The LSC's Chief Executive, Mark Haysom, has placed himself squarely behind this key policy objective.

In October 2002 the Bureaucracy Task Force published *Trust in the Future* and, in November 2003, *Building Trust* reported on progress made in implementing its recommendations. This report brings other partners into the compass of reform.

Current reforms offering a context for this report include:

- implementation of *Success for All* and the Skills Strategy
- changes to funding and accountability frameworks
- changes to internal and external quality assurance measures, and processes and the balance between them; and
- far-reaching reviews of curriculum and assessment frameworks.

Additionally, 14-19 Area Wide Inspections and the strategic area review process highlight the need for local strategic planning forums.

Provider consultations revealed concerns about:

- federated provision
- quality assurance processes
- data and data collection
- constraining qualification frameworks
- variations in practice across local LSCs and conflicting messages from National Office and local LSCs
- the quality and extent of LSC-provider communication; and
- funding and data.

How far the reform agenda can be pursued depends now largely on the extent to which *providers themselves* are willing to accept the responsibilities represented by a new relationship. Two key recommendations, the development of self-regulation practice and the adoption of the 'single validation' principle, offer radical alternatives to current practice. The Task Force believes they offer an opportunity for an important step forward in changing culture and relationships and reducing bureaucracy.

## Recommendations for Action

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**Proposition: extending the concept of a 'trust relationship' to all providers will require goodwill and demonstrable commitment on the part of both the LSC and providers.**

Recommendation 1.i The LSC will need to demonstrate transparency and openness at national, regional and local levels so that all partner organisations can be aware of, and confident about, policy, strategy and resource allocation.

Providers must, for their part, promote and demonstrate accountability and openness in their dialogues with the LSC.

Recommendation 1.ii The learning gained from pilot and pathfinder experiences should be applied more widely to ensure that audit and quality assurance mechanisms are proportionate to success.

Recommendation 1.iii The principles behind the recent changes to the further education (FE) funding process should be applied, where possible, across the whole sector.

Recommendation 1.iv Where providers are able to make binding commitments on the appropriate use of public funds and have a track record of meeting quality assurance (QA.) criteria, consideration should be given to a move from contract to grant-based funding.

Recommendation 1.v Taking due account of the recent end-to-end review of Modern Apprenticeships (MAs), progress on the introduction of Entry to Employment (e2e) and the developing role of work-based learning (WBL) providers, the LSC should consider how best to reduce barriers to the take-up and completion of MAs.

**Proposition: the challenge of sector self-regulation must be accepted if 'intelligent accountability' and the 'trust relationship' are to be fully realised.**

Recommendation 2.i There should be an active debate across and within FE and, where possible, other sectors about the development of self-regulation procedures, alongside existing statutory requirements, with a view to their early introduction.

Recommendation 2.ii The LSC should pursue its intention to work with the Department for Education and Skills (DfES) in the New Relationship with Schools (NRwS) pilots which are due to be nationally introduced in 2005.

**Proposition: implementing the 'single validation principle' will realise significant gains and should be actively pursued.**

Recommendation 3.i The Task Force strongly endorses the approach taken to health and safety rationalisation and urges the Bureaucracy Review Group to progress its implementation.

Recommendation 3.ii The Task Force further recommends the extension of this 'single validation principle' to as many aspects and areas of public service as is possible.

**Proposition: Local LSCs will find strategic planning dialogues difficult or impossible to sustain at single provider level and need to make best use of federal and collaborative arrangements and existing networks and relationships where they can.**

Recommendation 4.i Integrated provider planning forums and networks for WBL (bringing together large and federated providers), 14-19 and adult and community learning (ACL) provision should be established at local LSC or sub-local LSC levels.

**In order to make more effective provision for learners, the Learning and Skills Council must support and build more consistent operational activity at local, regional and national levels.**

Recommendation 5.i Regional organisation should take account of the need for greater consistency, particularly in the operation of profiling, contracting and performance review processes.

Recommendation 5.ii The LSC should issue guidelines on sub-contracting processes to facilitate collaborative provision.

Recommendation 5.iii The LSC and the inspectorates should continue and accelerate work towards greater articulation and cross-referencing between inspection, audit and performance review processes.

Recommendation 5.iv Existing patterns of ACL planning, funding and provision should be reviewed and reformed.

## The Bureaucracy Task Force

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The Learning and Skills Council superseded the FEFC<sup>1</sup> and TECs<sup>2</sup> and has considerably wider responsibilities than they together discharged. It inherited a funding methodology which was widely recognised to be over-complex and bureaucratic. Its operation of 'clawback' was a significant contributor to the financial insecurity and instability of some providers.

Streamlining procedures and increasing local autonomy and flexibility are important and increasingly significant instruments of public service reform. The Skills Strategy White Paper<sup>3</sup>, for example, speaks of the importance of giving providers '*maximum discretion to decide how best to respond to needs*'.

The LSC responded to this national agenda for change and a considerable groundswell of unease among providers by setting up the Bureaucracy Task Force under the Chairmanship of Sir George Sweeney. The Task Force was independent of the LSC and has remained so. Its first report, *Trust in the Future*, focused on the FE sector and made recommendations for the LSC and for partner organisations. A year on, the Bureaucracy Task Force published its progress report, *Building Trust*.

The recommendations in this report are intended to extend the reform process across the LSC's provider base. The main thrust of this phase of the Bureaucracy Task Force's work has been to address the concerns of work-based learning providers, though always with an eye to any implications for others, particularly adult and community education providers and schools with sixth forms.

The underpinning assumption on which *Trust in the Future* was based was that excessive monitoring and accountability processes and indicators arose from a relationship based on, and reinforcing, a lack of trust. To tackle the bureaucratic burden meant altering the relationship.

Engineering relationship and culture change is a complex process. The Task Force is clear, though, that only through such change can a real and lasting reduction in bureaucracy be achieved. The LSC's Chief Executive, Mark Haysom has placed himself squarely behind this key policy objective. Speaking at the Association of Colleges' Conference in November 2003 he said, "I want the LSC to be famous for working in partnership...It is a personal mission to drive out needless bureaucracy...I believe the world is local. Most decisions of importance should be taken by the people closest to the front line."

Through their work with the Task Force, the LSC and key partners have demonstrated their commitment, and we envisage that they will respond quickly and positively to our recommendations.

<sup>1</sup> Further Education Funding Council.

<sup>2</sup> Training and Enterprise Councils.

<sup>3</sup> 21<sup>st</sup> Century Skills – Realising Our Potential, DfES, July 2003.



## Statutory Council-Provider Relationships – Synopsis

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The LSC provides funding to a wide range of organisations across four different learning sectors:

- further education
- school sixth forms
- adult and community learning; and
- work-based learning for young people.

The legal status of providers varies and, while aiming for a common approach to the funding of provision, the LSC must take account of these differences. Three types of funding agreement are set out in *Government Accounting* and the LSC is required to use them selectively. Each brings with it a different set of obligations and responsibilities for both the LSC and the provider.

Further education colleges and local authorities are statutory corporations and publicly funded bodies. Other providers funded by the LSC include companies that deliver services (including but not only work-based learning) to a number of parties.

### Funding

The agreed level of funding for the academic year is paid over to colleges monthly on an agreed profile. For school sixth forms, LSC allocations are paid as a grant to local education authorities (LEAs), which must include them within the school budget shares. The arrangements for payment to adult and community learning providers are at the discretion of LEAs and provision and costs vary. Many providers are also providers of FE and operate under more than one set of eligibility criteria. The LSC pays WBL providers on a profile of predicted volumes of activity.

Grant-in-aid funding applies to colleges. They *must* make proper use of public funds and cannot distribute their surpluses or reserves outside the public sector. If a college does not spend LSC funding the surplus is retained in the college's reserves and is, ultimately, repayable to the Secretary of State.

Grant funding can be paid to either public or non-public providers but providers *must* make proper use of public funds. Funds not spent on LSC purposes are sometimes retained and sometimes returned to the LSC.

Contract funding is annually renewed, but often used for longer term funding. Surpluses generated here can be used for non-LSC purposes. All public sector bodies, however, are still required to make proper use of public funds when applying surpluses within their organisation.

Because they are not public sector bodies and have greater freedom in the use of surpluses, private sector work-based learning providers have relatively little access to additional public funds and support. As these providers are only accountable under contract for what they deliver, and not what they spend, the LSC must necessarily measure and audit their delivery.

Where colleges of further education act as managing agent for work-based learning provision in private sector companies, or sub-contract provision to them, it is accepted that the college is bound in *all its activities, including those* by public sector requirements. The college acts as a public-sector proxy for non-public sector providers.

## Intelligent Accountability

The drive to reduce bureaucratic burdens is a central tenet of the Government's reform agenda across all aspects of public and private sector activity.

*"Our interest is in promoting quality outcomes, not policing in detail every activity that might contribute to how those are achieved."*

David Miliband, Minister of State for School Standards, North of England Education Conference, Belfast, 8th January 2004.

In the field of education and training, the impact of this policy driver has been significant though, as ever, practitioners are sceptical about the level of commitment and the chances of genuine improvements being experienced in the classroom, workshop and workplace.

Across the school and further education and training sectors there is an increasing emphasis on quality assurance as an institutional/organisational responsibility and a consequent lessening of the weight of external 'audits' – the phrase for today is 'intelligent accountability'. This shift in the relative weighting of external and internal accountability arises partly from a sense that, following a period of intense and rigorous inspection by external 'auditors' of various kinds, institutions and organisations are now better equipped to apply the same criteria themselves. There is also a growing recognition that improvement is more likely where there is self-regulation and continuous and sustained self-evaluation, than where external inspection *alone* is relied on. In his speech to the North of England Education Conference early in 2004 the Schools Minister, David Miliband<sup>4</sup> stated that current arrangements had '*served the education system well*' but that the time was right to embed '*honest, hard-edged self evaluation across the whole system.*'

In a perverse way, a strong external accountability process can lead to an abdication of responsibility at institutional or organisational level as Her Majesty's Chief Inspector of Schools observed: "*Where inspection determines action, there must surely be a risk over the long term of creating a culture of compliance, where the purpose of college management redefines itself as seeking to satisfy the inspector, rather than to meet the needs...*"<sup>5</sup>

The developing model across providers, *where there are no concerns*, is one of light touch inspection and validation rather than any more substantial and disruptive process. For example, the number of inspector days allocated to schools overall is likely to be halved<sup>6</sup>.

Discussion is taking place between the Office for Standards in Education (Ofsted) and the Adult Learning Inspectorate (ALI) to explore how the inspection approach proposed for schools can be applied for colleges. The inspection resource allocated to any given college will take account of its track record and up-to-date information on whether standards have been maintained or improved. For training providers, a risk assessment will inform the planning of the inspection,

<sup>4</sup> David Miliband's speech included information on the New Relationship with Schools (NRwS); further details are given in Appendix 5.

<sup>5</sup> David Bell in his conference speech on 3rd December 2004.

<sup>6</sup> *The Future of Inspection, Ofsted, February 2004.*



which will be tailored to meet the needs of the provider. The smaller size of inspection teams, compared with those currently deployed, will result in shorter reports coupled with profiles of institutional performance. Much greater emphasis will be given to institutional self-evaluation, emphasising that the primary responsibility for quality assurance rests with the provider of education and training. The recent consultation paper notes that *'it is time to trust schools more and to draw on the professionalism of teachers'*. (Para. 26)<sup>6</sup>

The challenge for the learning and skills sector is to demonstrate that the increased confidence in the professionalism of management is well placed, not only by undertaking honest and rigorous self-evaluation, but also demonstrating the capacity of the institution to drive forward an agenda for improvement. This goes well beyond the approach to validating self-assessment that was characterised by the 1997 to 2001 college inspection cycle. Ministers then concluded that too many institutions were not sufficiently honest in their judgements about performance. Greater institutional self-regulation requires greater responsibility to ensure that judgements about standards are appropriately self-critical.

Changes in the organisation and structure of inspections may be reflected in changes to the inspectorates themselves<sup>7</sup> and we should expect, too, to see a better fit and articulation between performance reviews and inspections.

Area accountability threading through to LEA and LSC accountability is already a reality. Area accountability, of course, requires area planning of provision—institutional plans will be viewed in the context of area wide-provision and a defined learner entitlement. Strategic Area Reviews and 14-19 Area Wide Inspections already provide an audit and quality assurance framework for this area planning function<sup>8</sup> and area planning forums are becoming increasingly common, often operated through LSC-LEA partnerships.

<sup>6</sup> *The Future of Inspection, Ofsted, February 2004.*

<sup>7</sup> *In Building Trust, the Task Force progress report published in November 2003, the possibility was raised of a single inspectorate.*

<sup>8</sup> *though adult and community learning are outside the scope of Area Wide Inspections.*

## Self-Regulation

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The shift to a more thoughtful paradigm of accountability offers the sector an opportunity to take even greater responsibility for setting and policing standards.

Considerable gains have been made, particularly for colleges, since the task force first recommended a new approach and a new relationship. Those gains will be extended to the whole of the sector in the future. But the LSC cannot just pretend risks have gone away because of changes such as plan-led funding and other simplifications of funding. If the LSC has to continue to take account of, and minimise, these risks, we will not reach the point where audit burdens are totally comparable with, for example, the higher education sector.

The Task Force believes that self-regulation will alter perceptions of the sector so that provider groups are seen as inherently trustworthy, as universities are. This would allow the LSC and others to minimise external monitoring and audit demands.

Self-regulation exhibits some or all of the following characteristics:

- ethical standards are set by the professional body
- training and support is given to members
- detailed working level guidance is issued by the professional body; and
- a 'policing' function operates, where the professional body acts as a self-auditor of its members and acts on the results. Action includes disciplining or expelling members.

Government largely trusts self-regulating professions such as law, medicine and accountancy to keep their own houses in order. The professional bodies are allowed to both regulate themselves and represent their own interests.

In essence, the LSC cannot further cut audit requirements at the moment, but *if* providers were demonstrably self-regulating...it could in future. The greater the degree and effectiveness of self-regulation the less the LSC would have to do. The LSC could not impose self-regulation, but it could commit itself to the idea and recognise its successful implementation by withdrawing LSC scrutiny in proportion to what had been done.

Self-regulation is open to all, including those providers that are funded by LSC contract rather than grant now and in the future. Some of the best examples of self-regulation are in the private sector. It is, however, only providers themselves, and not the LSC, that can make self-regulation happen. This might be through professional associations such as the Association of Colleges, Association of Learning Providers and HOLEX, the local adult learning providers' network. It might involve the formation of a separate body or bodies, as with the General Medical Council, if this helped perceptions of the separation between representation of interests and upholding standards. Self-regulation is also very much in line with the DfES thinking about the future of the sector.

The Task Force strongly supports the exploration of options for self-regulation both within the FE sector and by other sectors and providers.



## The Single Validation Principle

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There is an old craft adage—‘*measure twice and cut once.*’ This is sound advice given the alternative of making a mistake and regretting it later. Crucially this fail-safe measuring is part of one unified process and therefore no more than sensible good practice. Unfortunately, in many areas of public life, we have misapplied the principle and find ourselves experiencing multiple measurements by different parties, at significant cost and to no-one’s obvious benefit. *Trust in the Future* drew attention to the ‘*need for the alignment of (reduced) audit and (reduced) inspection cycles so that they were complementary and mutually iterative activities*’ and much has been done since to address this issue. We need, though, to build a general principle from the elements of harmonisation and rationalisation that are being pursued.

Any QA/audit judgement from an accepted authority should stand as a proxy for other authorities and remove the need for any repetition of the process within a short timescale.

The Task Force recognises that there will be formidable barriers to securing this change. Government departments and the bodies they sponsor have responsibilities that they cannot waive or delegate to others, even if they wished to. Too often, departments and their bodies take the view that they cannot accept others’ assurances on the grounds that these assurances are ‘not made here’. If single validation is to happen, it will need action well beyond the LSC and even the DfES. The impact this change would secure would be dramatic. As an example, the Task Force commends the work detailed below, undertaken by the LSC in the area of health and safety.

### The Problem

The *Learning and Skills Act 2000* requires the LSC to secure proper facilities and equipment for learning. The LSC also has a common law duty of care to learners by virtue of its position in funding others to manage and deliver learning. Providers (colleges, training providers, local authorities, education business partnerships and voluntary organisations) must ensure that health and safety are effectively managed (including continuously seeking to improve health and safety standards) and that learning takes place in a safe, healthy and supportive environment and must promote the ‘safe learner’ concept.

Most funded vocational learning involves a period of time with someone other than the funded provider, usually a local employer. Employers are essential, as providers need them to provide real work opportunities and experiences for learners. Providers assess employers prior to placement to ensure the learner is going to be in a safe, healthy and supportive environment. However, every organisation has its own interpretation of what a safe, healthy and supportive environment is. Over 3,000 different interpretations and systems exist. Further, there is no competency standard applied to those who carry out the assessment or vetting. This naturally causes confusion (and annoyance) to employers on the receiving end of health and safety assessments. An employer who is involved with more than one type of learning receives more than one assessment, to different standards, by persons of varying competence. Some employers have reported up to eight different health and safety assessments a year.

The present system is a disincentive, particularly to small and medium sized enterprises (SMEs), for many of whom there is no consistent, practical support. However, nearly all want to do the right thing and look after their employees and visitors.

Of a total of seven million funded learners, approximately three million undertake some work-related learning or work experience with an employer other than the funded provider. This means that over two million health and safety assessments are carried out a year on around one million employers.

The largest funding streams include:

- 1.2 million year 10 or 11 pupils going out on work experience every year
- 500,000 Modern Apprentices, National Vocational Qualification (NVQ) learners and other funded young people in workplaces with employers
- 3.7 million students in the FE sector with an estimated 50 per cent spending a period undertaking some work experience; and
- 1.7 million funded adults within ACL who may undertake some learning remote from local authority premises.

On average each employer used for placement is assessed at least two or three times a year by different organisations. As an example, in a survey of 1,000 employers offering work experience placements, 640 were also involved with work-based training such as Modern Apprenticeships. In addition, Jobcentre Plus also places New Deal clients with employers and higher education degree students nearly all undertake a period of work experience. Multi-site employers such as retail chains have every site assessed, often several times a year.

Given the numbers involved and the level of duplication, it appears that something like one million unnecessary health and safety assessments are undertaken each year.

The cost averages about £30 per assessment, whether undertaken through employers or contracted out (£17–£80/assessment). The cost to employers in terms of down-time and loss of productivity for an owner, manager or an employee to provide the information, show the assessor around and agree certain matters is probably about the same.

### **The Solution**

To prevent duplication of assessments two things have to be in place:

- a minimum learning procurement standard used to assess the suitability of employers and their work locations. Such a standard has been agreed in consultation with the DfES and the Health and Safety Executive (HSE) and is based on legal requirements, HSE and DfES guidance and good practice; and
- a national standard for those who assess the suitability of employers and their work locations. This too has been developed and endorsed by the HSE.



There are a number of potential additional benefits:

- insurance companies and brokers could consider a reduction in employers' liability insurance premiums if they met the standards (presently being considered by the Association of British Insurers)
- HSE and local authorities could consider giving a 'holiday' from routine inspection or re-rating employers achieving the standard (agreed in principle with HSE)
- local authorities and large companies could use the standard to assist in screening companies as part of the tendering process, reducing unnecessary additional form filling for health and safety
- support for SMEs could be arranged via the Small Business Service, local Business Links and other organisations to assist them in achieving the standards
- an award or certificated scheme could be offered so employers and SMEs could demonstrate to others their achievement; and
- a database of employers would provide valuable information on which employers were actively involved in what type of learning.

The Task Force strongly endorses the approach taken and the specific recommendations listed below to progress this work.

1. The 'safe and healthy environment' standards agreed with HSE and DfES should be used as a common procurement standard by the LSC and in turn by those it funds.
2. The national standard of competency for assessors should be used.
3. The LSC should manage the delivery of workshops to all funded providers and offer guidance and support materials for assessors to build greater competency and consistency.
4. The LSC should provide support to all funded providers and employers through a web-site and inter-active CD.
5. A national database of employers assessed against the health and safety standards should be developed.

The Task Force further endorses the extension of this 'single validation principle' to as many aspects and areas of public service as is possible.

## Provider Concerns and Contexts – Synopsis

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Provider views have been sought in a number of ways during the life of the Task Force. Work-based learning providers were consulted through a series of regional conferences, the DfES has surveyed the views of school headteachers, and the department and the LSC jointly commissioned research into provider perceptions. A detailed consideration of their responses can be found in Appendix 3.

### Work-based Learning

Many of the issues raised related to provider experience of the 2002-2003 year, and were already being addressed. The Measures and Milestone section at the end of the report offers an update on the reform process within the work-based learning sector. The chief concerns of work-based learning providers are listed below.

#### Federated Provision

Anxiety focussed around these issues:

- the application in different local offices of different criteria relating to an acceptable scale of provision to merit separate contracting
- the different levels of 'encouragement' to federate being experienced across different local offices
- the pace and lack of consultation associated with what was perceived as the imposition of federal structures
- the possible dilution of QA judgements at provider level where providers were federated and the potential impact on the overall quality of provision; and
- a potential loss of income associated with having to support consortia administration.

#### Quality Assurance Processes

There was dissatisfaction with provider performance review practice.

*"Provider review – is done to you. Cannot be done behind closed doors – transparency?"*

Some work-based learning providers felt reviews penalised 'excessive' growth against plans, and doubts were expressed about the ability of some local office staff to assess quality. The inappropriate proxies used for quality were also criticised.

#### Data and Data Collection

The extent, the validity and, sometimes, the duplication of information and data collection requirements featured strongly in responses at every consultation event. Providers felt that the multiplicity of agencies (beyond the LSC itself) to which they had to relate led to their having to meet recurrent demands for similar information and data, though often required in significantly different formats.



### **Constraining Qualification Frameworks**

The Modern Apprenticeship (MA) framework was not seen to match the perceived wants or needs of learners. Providers sometimes felt that they were being asked to sacrifice learners' best interests to access funding.

### **Variations in Practice Across local LSCs and Conflicting Messages From National Office and local LSCs**

There was little sense, from a provider perspective, of an interface with a national organisation offering coherent and consistent guidance and procedures.

### **Providers Commented on the Different Demands Made by Different Local Offices.**

Among the priorities within the LSC's implementation strategy is *'Determining within the LSC what we need to do nationally and what we should do locally'*. A key test of partnership working may be the effectiveness with which it is achieved within the LSC: only by doing so can the LSC establish the kind of consistency needed for the building of similar partnership relationships with providers.

### **The Quality and Extent of LSC-Provider Communication**

The quality of communication between the national and local offices and between both and providers was a recurrent theme. There was too much to read and no clear way to prioritise publications. Staff were being diverted from the training role by the amount and complexity of communications. Even changes meant to improve procedures had a cost, and effective communication of the purpose and intended outcome of change had not always been achieved:

*"Change fatigue – if we know what the end goal is we can understand why the changes are being implemented – but change management is difficult if you can't see the conclusions."*

### **Funding and Data**

The criticisms levelled at the data process by work-based learning providers echoed the views of the FE sector: it was complex, time-consuming and error-prone. Reconciliation and its frequency were particularly problematic and undermined attempts at long term planning. Unforeseen change was destabilising.

### **School Sixth Forms**

Consultation with schools did not reveal any strong perception of undue bureaucracy in the sixth form funding methodology, indeed it was the general view that the LSC was transparent over its sixth form funding regime.

A survey commissioned by the DfES in August 2003 revealed a number of concerns but only one related specifically to demands made by the LSC. This was the lack of a relevant report option within the most common school Management Information Systems (MIS) system.

Schools were primarily concerned about:

- the inability of internal MIS to generate pre-inspection data
- Education Maintenance Allowance eligibility monitoring

- Connexions data requirements for students requiring additional support; and
- exam board data requirements.

Further research completed in the summer of 2003 elicited views from 83 schools with post-16 students. There was concern about local office staff having an imperfect understanding of schools and the lack of a personal LSC contact. The relationship with the LSC was perceived to be less close by schools than it was by providers such as FE colleges. Compared with other providers surveyed, schools were less positive about the extent to which the LSC support positively assisted their operations. More disturbing was the lack of awareness of the significance (or even the existence) of *Success for All* in a relatively high proportion of schools surveyed. If the LSC's strategic responsibilities (many of which are shared with local education authorities) are to be discharged in relation to schools, schools, local education authorities and the LSC will have to build more effective strategies and ways of working together.

### Adult and Community Learning

Currently LEAs use ACL funding in a variety of ways:

- through their own maintained specialist adult/community learning services and institutions
- through 'community schools', either by delegating responsibility and budgets to school governing bodies or by basing LEA-managed staff in schools used for localised provision
- through sub-contracting arrangements, usually with FE colleges; or
- through a hybrid of these models.

This activity is often supported through additional grant aid to voluntary and community organisations. Thus it is commonly the case that ACL is a separately-funded parcel of provision that sits alongside other LSC-funded provision in one or more of: LEA-maintained external institutions; community schools (also recognised as external institutions); independent external institutions (voluntary and community sector); and/or FE colleges sub-contracted by LEAs.

The separation of ACL budget and monitoring arrangements from arrangements relating to the other strands of work means that each provider (including sub-contracted colleges and voluntary and community sector agencies) is subject to two separate sets of requirements, possibly involving:

- separate budgets subject to distinct audit arrangements (often requiring apportionment of costs for accounting purposes)
- separate budget allocation arrangements
- reporting of provision by separate returns of individualised learner information (the Individual Learner Record (ILR)—for ACL is a reduced version of the 'full' ILR)
- distinct monitoring returns for aspects such as family learning (themselves subject to distinct performance indicators as set by DfES and against which the LSC has to report)
- in some local LSC areas separate strategic area reviews for the different funding streams and separate performance reviews; or

- separate plans (until 2003-04) for the different funding streams.

Where providers also have WBL contracts a third set of procedures also applies.

For providers, funding streams and audit and reporting processes do not align with provision. It is programmes rather than funding streams that are the subject of inspection; the Adult Learning Inspectorate inspects all LSC-supported provision including ACL. Service outlets are invariably managed as a 'whole-service' unit, with core services applied across all funding streams. Learners make no distinction between ACL and FE provision. Teaching staff frequently teach classes which fall under different funding streams and it is common practice for learners in the same class to be accounted for under different funding routes, depending on whether or not they elect to undertake formal accreditation.

## Reform Principles

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The first phase work of the Task Force helped to focus the LSC on the principles to which it was already committed and the steps that could be taken to lessen the bureaucratic burden. This report aims to extend across the post-16 and adult education and training sectors those key characteristics of the 'trust relationship' being implemented within the FE sector. They include:

- a commitment to transparency and partnership working
- collaborative planning processes covering a three-year time-frame
- funding agreements over a similar time-frame
- a funding methodology which supports the planning process; and
- audit and quality assurance mechanisms in inverse proportion to success.

### Proportionality

*"Audit and external scrutiny should minimise barriers and disincentives to cross-cutting working. Auditors and inspectors should support and encourage sensible risk-taking, so long as risks were properly assessed and managed, good value for money was achieved and necessary controls were maintained."*

Local Delivery of Central Policy, Better Regulation Task Force, July 2002

The guiding principle behind a differentiated approach is that audit and quality assurance mechanisms should apply in inverse proportion to success and in proportion to risk. Providers that benefit from radically slimmed down procedures need to demonstrate a commitment to open and honest partnership working and meet a number of quality benchmarks. These might be expected to vary by provider type and size. Those agreed for college *Success for All* pilots are:

- commitment to the trust relationship
- agreement of the local LSC
- robust MIS systems supporting funding claims and ILR returns; and
- submitted funding claims that do not have significant eligibility errors or under-performance against targets.

At the beginning of April 2003, the first 20 colleges were identified to pilot the 'trust relationship'. In June 2003 the LSC welcomed a further 97 colleges into the initiative. These colleges benefited from a 'light-touch' audit regime. At the same time, the local LSCs of Sussex, Greater Merseyside and Birmingham and Solihull were selected to fast-track the four themes of *Success for All* with a number of providers, including colleges, work-based learning providers, the adult community learning sector and school sixth-forms. The interweaving of *Success for All* initiatives with the implementation of recommendations in *Trust in the Future* led to a decision



to 'test bed' all the themes of *Success for All* in a co-ordinated project to see how they would interact to drive up performance. Margaret Hodge, then Minister for Lifelong Learning and Higher Education, commented: *"I am pleased to see this extension of the 'Trust in FE' initiative. This is another important step in reducing unnecessary bureaucracy and freeing up resources for teaching."*

The Task Force anticipates that a more extensive process of trialling key initiatives in relation to work-based learning providers, ACL providers and schools with sixth forms will follow the publication of this report. As with its first report, because of the close involvement and support of senior LSC officers, a good deal of planning and preparatory work has already taken place.

The Task Force has agreed a number of propositions that flow from the research undertaken and its reflections and discussions. They are used here as framing statements within which to set its recommendations.

**Proposition**     **Extending the concept of a 'trust relationship' to all providers will require good will and demonstrable commitment on the part of both the LSC and providers.**

**Proposition**     **The challenge of sector self-regulation must be accepted if 'intelligent accountability' and the 'trust relationship' are to be fully realised.**

**Proposition**     **Implementing the 'single validation principle' will realise significant gains and should be actively pursued.**

**Proposition**     **Local LSCs will find strategic planning dialogues difficult or impossible to sustain at single provider level and need to make best use of federal and collaborative arrangements and existing networks and relationships where they can.**

## Measures and Milestones

Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
WBL	Learner Information Suite (LIS) for work-based learners.	A provider funding report module is currently being developed which will generate funding reports on demand for providers following submission of a data file through the data collections portal. This will be a fully 'online' system and requires no local LSC intervention. There are no limits to the amount of files; a provider can request up to 999 per month.	Design is underway. The only possible blockage is the Information Systems infrastructure not supporting the requirement. Technical architects have been involved in all stages of the design to date.	Providers can obtain up-to-date funding reports when they want them. There is no need for any local LSC intervention.
WBL	Reduction in the number of contract lines.	Reduction in lines for 2003 - 2004 to remove need to profile Additional Learner Needs/Additional Support Needs by programme and occupation. Reduction to three main lines for contracting for 2004-2005.16-18, 19+ and e2e with annual allocation for Additional Learner and Learning Support.	Delivered April 2004.	Reduction in profiling lines. Reduction in contract variation due to fewer lines.
WBL	Internal funding group.	Work Based Learning Design Group convened and made recommendations.	Group finished as work completed.	Recommendations for 2004-05.
WBL	Allocation Management and Payments Systems.	A new simplified Allocations Management and Payments System has been designed which facilitates the simplified approach to contracting.	Release 1 of modelling system released in March. Release 2 due in July.	Reduced work for local LSCs in inputting and re-profiling allocations.
WBL	Funding on profile.	From 2001-2002 the LSC has abolished payment for WBL and other TEC funds on the basis of invoices in arrears. Instead, funding is on profile and providers no longer submit voluminous evidence each month to the LSC, which had to be audited before payment.	Done in April 2001.	Major reduction, although widely discounted.



Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
WBL	Simplification of evidence requirements.	From 2001 - 2002 the LSC simplified significantly the evidence requirements for WBL funding, compared to the rules operated by the TECs. The emphasis is now on substance over form rather than precise completion of all possible fields on documents.	Done in April 2001.	Major reduction, although widely discounted.
WBL	Reduction in number of LSC contracting entities.	From April 2001 the LSC reduced the number of contracting arms from 72, under the TECs, to 47. Providers seeking funding nationally had many fewer relationships to maintain.	Done in April 2001.	Major reduction, although widely discounted.
WBL	Lead arrangements.	Lead arrangements implemented for 2003-2004. Each provider assigned a lead LSC which, following allocation, manages the overall contract and relationship with the provider.		One funding agreement. One provider review. One development plan.
WBL	Lead assurance arrangements.	The LSC will move to lead assurance arrangements for all WBL providers with more than one LSC contract by 2004-2005.	Now being implemented.	Major reduction in assurance work for providers with many LSC contracts for WBL.
WBL	Lead arrangements.	The LSC merged the audit of FE colleges' FE and WBL provision progressively from 2002-2003 with all colleges in scope by 2003-2004.	Implemented.	Reduction in the number of auditors colleges needed to deal with.

Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
WBL	Lead Funder.	The LSC is discussing with a number of other government bodies how 'lead funder' principles could apply. These bodies include Construction Industry Training Board, the Ministry of Defence and Jobcentre Plus. Ideally the LSC would receive assurance about the use of its funds and about performance under contract from other lead bodies, or vice versa. In practice this is very difficult to achieve and will need support from the highest level.	While established as a principle much practical work remains to be done. Deliverable, but unlikely to yield large-scale results before 2005-2006. The LSC may be able to strike small-scale bilateral deals before then.	Significant reduction to providers in accountability and performance review burdens.
WBL	Single funding agreements.	The LSC has introduced a single funding agreement for 2003-2004 for all funding streams of colleges with standard terms and conditions. This replaces the multiplicity of different contracts, funding letters and other documents in addition to the main financial memorandum.	Delivered.	Time savings to colleges and the LSC in handling, assessing and drafting funding agreements.
WBL	Training Provider Statement (TPS).	Reduced from 28 fields to eight, and submitted as part of the online process (rather than to LSC first and then back to provider).	Delivered August 2003.	No more paper submissions to each local LSC.
WBL	2003-2004 reconciliation.	Automatic reconciliation on a quarterly basis has been introduced which reconciles the actual earned from the provider's data submission to the amount paid and the appropriate adjustment made to the next payment.	Delivered August 2003.	Providers do not have to negotiate redistributed amounts with each local office. Contract Managers no longer have to manually adjust contract payments. Enables better management of budgets and enables quicker response to moving money to other contracts when underspend is evident.



Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
WBL		Agreement has been reached in principle to move FE colleges that are WBL providers, and public sector WBL providers, to one annual reconciliation rather than quarterly reconciliations. A pilot will also be organised for private and voluntary sector providers.	None. Deliverable, but may only be possible for 2004-2005.	Time savings to providers in carrying out reconciliation processes in year.
WBL	2004-05 level of detail – contracts.	Reduced to three main lines with one annual allocation for Additional Learner Support and Learning Support. Detail of occupational mix and programme mix is included in the development plan.	Delivered April 2004.	Reduced work for providers in profiling.
Schools Sixth Forms	Working with LEAs.	Continue to make adjustments to LSC allocations.		
Schools Sixth Forms	Reconciliation.	The LSC abolished retrospective reconciliation and end-year adjustments in its school sixth form funding system for 2003-2004. Now one Pupil Adjustment (in November) that includes recruitment adjustment.		In-year and end-year adjustments will be simplified.
Schools Sixth Forms	Data Collection.	Paucity of data on individual pupils. Pilot project in South Yorkshire to see how use of SIMS* can be maximised. It is hoped that NRwS and Ofsted concerns over difference in data between success and achievement rates will lead to change.		Better data would assist with learner tracking, planning, performance management information and funding.

\*SIMS – Schools Information Management System.

Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
Schools Sixth Forms	Communication with school sixth form.	Major national round of consultation conferences for school sixth form and LEAs in autumn 03. These welcomed clear guidance for 2003-2004 and showed positive support for LSC system, including overwhelming agreement that it is not unduly bureaucratic.		Resulted in greater understanding/clarity of sixth form funding.
Schools Sixth Forms	Three-year funding.	Simplify the funding system and provide stability for schools sixth forms.		Possibly have three-year indicative budget approach; stability in funding arrangements; performance on retention and achievement would impact on subsequent years' allocations rather than retrospectively; LSC looking to make system more responsive to planned growth and curriculum change.
Schools Sixth Forms	School sixth forms in financial difficulty.	Criteria established whereby schools sixth forms can have their allocations rephased; also agreed not to make any downward, only upward, reductions for retention reconciliation. Two or three schools sixth forms to be part of 'testbeds'.		
Schools Sixth Forms	School sixth form review.	Been in close discussion with DfES and LEAs; there has been LSC input into School Improvement Partner and Single Conversation; SDP* to include sixth form related targets as part of NRwS (in discussion with DfES).		

\*SDP—School Development Plan.



Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
Schools Sixth Forms	Data collection and bureaucracy.	Work being taken forward on pilots – data, audit – and on the use of existing school sixth form data and systems.	Need to link learner aims – not presently collected – with National Pupil Database (exams results and entry); need to match data with other post 16 providers.	School profile data will include same detail on sixth form as KS3 and KS4 – achievement levels; value added data.
Schools Sixth Forms	Audit arrangements.	A minimal programme of audit work conducted in respect of 2002-2003 involving as few as 90 schools. Similar minimal programmes planned for 2003-2004 and 2004-2005. Local authority internal auditors paid by LSC to do the audit work on the LSC's behalf.	None, implemented for 2002-2003 and at advance planning stage for 2003-2004.	Audit work on LSC funding at schools has been kept to an absolute minimum and involves auditors that schools are already familiar with.
ACL	ACL allocations.	From August 2003 claims from LEAs for main grant will no longer be required, they will from that date receive funds through a payment profile.		This would require fewer forms to be filled in and returned.
ACL	Audit arrangements.	The LSC gains assurance on the use of its funds by local government ACL providers from auditors already appointed by the Audit Commission. This work is done at the same time as these auditors' normal year-end work. Beyond this, the LSC has agreed a minimal programme of coverage with the National Audit Office.	None, implemented.	ACL providers do not have to deal with additional auditors or extra audit visits.

Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
All	Improved communications and access for all providers.	New website launched 14 July 2003; improved access geared to all providers; initial feedback has led to improved links; user group established for feedback. Work being done on improving the quality and quantity of paper based information and distribution of same. Distribution is acknowledged as a problem but work in progress to improve this for local LSCs through a central distribution system to ensure consistency.		Easier to use, easier for providers to gain access to information and support.
WBL	Individual Learning Plan to be revised.	Removed the requirement for providers to use a LSC standard plan. Reduced the fields to remove ILR duplication and specified the requirements of a plan rather than prescribing the format.	Delivered August 2003.	Reduction in paperwork.
WBL	One source of Funding Guidance.	Requirements for Funding WBL 2003-2004 produced.	Delivered August 2003.	One clear definitive source of information.
WBL	New Business Cycle.	Allocations process being incorporated into new business cycle.		Further streamline and simplify planning and allocations process.
WBL	Removal of conversion rates.	Conversion rates removed for 2004-2005.	Agreed for August 2004 onwards.	Reduction in number of rates. Simplification of funding methodology.



Sector	Recommendations	Action	Key blockages to progress	Impact of bureaucracy reduction
WBL	Removal of prescription of authorised/unauthorised absence.	Removal of the prescription from the LSC about what is authorised and what is unauthorised absence and the amount of days that a learner is allowed. Move to a systems-based approach where a provider is expected to have an absence monitoring and withdrawal procedure.	Agreed for August 2004 onwards.	Allows provider discretion and removes the need to end and re-start learners on the ILR for absences that the provider feels have not disengaged the learner.
WBL	One document detailing changes.	Key changes and developments document produced for local LSCs and providers to list all changes for 2004-2005 in one easy to reference document.	Delivered April 2004.	

## Appendix 1: Bureaucracy Task Force Terms of Reference

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1. Reduce bureaucracy by 25 per cent by 2002-2003;
  - quickly identify requirements that can be dispensed with, thereby reducing administrative demands on the sector
  - carrying out a review of the LSC's processes of audit, funding, monitoring, data collection and the inter-relationship between them in order to identify where significant reductions can be made.
2. Hold a series of regional workshops to identify the main issues for FE institutions.
3. Work with other government departments and agencies to identify opportunities to reduce bureaucracy.
4. Take account of the advice of National Audit Office and to be mindful of public accountability.
5. Consider the development of a gatekeeper role.
6. Work with DfES to minimise the number of separate funding streams and low value initiatives that carry disproportionate administrative costs, consulting with ministers as appropriate.
7. The group may commission items of work.



## Appendix 2: Bureaucracy Task Force Members (Phase 2)

### From November 2002 to May 2004

NAME	POST	REPRESENTING/ETC.
Sir George Sweeney	Principal; LSC National Council member	Knowsley Community College
Mr John Dallinson	Vice Principal	Newcastle College
Mr Robert Raven	Principal	Leicester Adult Education College
Mr Tim Andrew	Vice President; Headteacher	Secondary Heads Association; Chesham High School
Ms Catherine Fogg	National Chamber Training Executive	The British Chambers of Commerce
Mr Robert McDonald MBE	Managing Director	Confederation of Group Training Schemes; National Training Resources Ltd
Mr Howard Maylard	Operations Director	Construction Industry Training Board
Mr Giles Clarke	Chief Executive; LSC National Council member	ATL Telecom
Mr Steve Glasscock	Chief Operating Officer	Protocol Skills
Mr Bob Powell	Chief Officer	HOLEX
Mr Peter Little OBE	Chief Executive	Birmingham Rathbone
Mr Henry Ball	Regional/Executive Director	South East/LSC Sussex
Ms Hilary Chadwick	Executive Director	LSC Hampshire and the Isle of Wight
Dr John Brennan	Chief Executive	Association of Colleges
Mr Alan Davies	Divisional Manager, Young People's Policy	Department for Education and Skills
Mr Rhys Evans	Assistant Divisional Manager	Ofsted
Ms Nicky Perry	Director of Inspection (Communications and QA)	Adult Learning Inspectorate
Mr Jeff Carter	Head of Standards, Quality Audit Division	Qualifications and Curriculum Authority
Mr Ken Pascoe	National Director of Operations	Learning and Skills Council, National Office
Mr Geoff Daniels	Director of Funding Design and Development	Learning and Skills Council, National Office
Mr Peter Newson	Director of Financial Policy and PFA	Learning and Skills Council, National Office
Mr Patrick Rooney	Assistant Director, FE Support Unit	Learning and Skills Council, National Office
Ms Lisa White	Press Officer	Learning and Skills Council, National Office

## Appendix 3: Provider Views and Contexts in Details

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### The Work-Based Learning Provider Consultation

A series of nine regional consultation events were held with work-based learning providers. Presentations to set the context and explain the consultation process were followed by an open forum and small group discussions to elicit provider views. All contributions were recorded and discussion groups submitted written comments. Many of the issues raised during the consultation echoed those raised by colleges at an earlier stage in the work of the Task Force. However, there were differences in emphasis that are worth noting.

Because of the timing of the consultation the views gathered often focussed on issues relating to 2002-2003, which either had been or were being addressed. They are included below as much for what they reveal about provider-LSC relationships as for any specific issues raised.

What came strongly through the consultations was a desire on the part of providers to put learner interests first.

The focus of the consultation was specifically on provider concerns – the LSC opened itself up to criticism of its current practice. An invitation to speak openly and in confidence, however carefully structured, inevitably led to a focus on provider agendas rather than the Task Force agenda. An overwhelming anxiety, particularly among small providers, was the viability of their provision at a time of change. To an extent, this made it more difficult for some participants to fully engage with the issues and options as they were presented. There were also clear indications that provider-local office communications and relationships varied considerably.

Since *'providing a forum or forums for our delivery partners to interact with us and with each other'* is a key priority within the LSC's implementation strategy, one conclusion that can reasonably be drawn is that regular regional open forum events like this consultation series (jointly planned by the National Office and regional offices) would, of themselves, do a good deal to build a better provider-LSC relationship.

### Relationships and Inter-relationships

The consultations revealed wide variation in the quality of existing relationships.

There was a good deal of anecdotal evidence of different and, to providers, arbitrary local office requirements regarding the scale of provision and some apparently abrupt and unreasonable contract changes/non-renewals. There were concerns about a possible 'hidden agenda' to reduce the number of providers and a sense (even when the need for fewer and larger providers was recognised) of 'forced marriages' from some local offices – of a directive not a consultative process.

Generally, smaller providers were more insecure; some went to pains to ensure that their attributed comments would not be communicated to their local office.



Anxiety focussed around a number of issues:

- the application in different local offices of different criteria relating to an acceptable scale of provision to merit separate contracting
- the different levels of 'encouragement' to federate being experienced across different local offices
- the pace and lack of consultation associated with what was perceived as the imposition of federal structures; and
- where providers were grouped together, the possible dilution (through aggregation) of QA judgements at provider level and the likely impact on the quality of provision overall

*"Small providers are very concerned that if they become sub-contractors, the quality/level of their grades will be reduced as inspected with main contractor."*

- a potential loss of income associated with having to support consortia administration.

*"Training providers who do not have sector specific training facilities but hold contracts to sub contractors with facilities (for example: engineering) are diluting payments to providers who require full funding."*

### **Local Offices and the National Office.**

There was little sense, from a provider perspective, of an interface with a national organisation offering coherent and consistent guidance and procedures.

Providers commented on the different demands made by different local offices. Local differences in procedures and practice can be seen as inconsistency and unfairness in the context of a national organisation.

There were significant differences, for example, in the conduct of initial assessments, performance reviews, the emphasis placed on equality and diversity issues and in the degree of specification and LSC input into ILPs.

Among the priorities within the LSC's implementation strategy is – *'Determining within the LSC what we need to do nationally and what we should do locally'*. One clear benefit of the regional structure recently introduced *should* be more consistent activity at a local level.

To argue for common information requirements and instruments might be seen as imposing an unnecessary constraint on local offices, where local freedom and discretion are keenly valued. Local discretion and flexibility are important because local LSCs need to adapt and adopt in the context of local circumstances. They must have the freedom to plan strategically and implement local programmes to meet national and local priorities and targets. But providers and learners are entitled to common process and procedures. The Task Force believes that the impact on end users – providers and learners – should be the key criterion here.

In the context of building a partnership relationship based around trust and transparency, this is a critical challenge for the LSC. There is an obvious tension between the requirement for local planning, flexibility and discretion and the need for consistency and coherence. From the point of view of providers there is too little consistency. Providers that related to more than one local LSC were particularly vocal on this issue but those relating to a single local LSC expressed concerns too. Provider forums and networks enable experiences to be shared and the different requirements placed on providers by local LSCs, notwithstanding local circumstances, are difficult to support in the context of a national organisation.

A key test of partnership working may be the effectiveness with which the LSC can resolve this internal issue: only by doing so can it establish the kind of consistency needed to ensure the climate for the building of similar relationships with providers.

### **LSC-Provider Communications**

The issue of LSC-provider communications also featured strongly in the consultation process. There was too much to read and no clear way to prioritise publications. Staff were being diverted from the training role by the amount and complexity of communications. One participant estimated that 20 per cent of his staff were dealing with administration, not quality. Even changes meant to improve procedures have a cost, and effective communication of the purpose and intended outcome of change has not always been achieved:

*“Change fatigue – if we know what the end goal is we can understand why the changes are being implemented – but change management is difficult if you can’t see the conclusions.”*

Unrealistic turnaround time was another complaint, with examples given of late windfall funding (with tight spending deadlines) requiring a separate audit trail. Lack of, or short, notice given for implementing new arrangements or providing information was a further pressure on providers. One provider, for example, spoke of the technical certificate requirement that would operate from September although VABs<sup>9</sup> had not yet developed them in the areas concerned.

*“Tight deadlines imposed by LSC for example: re-contracting, fitting in company deadlines with LSC deadlines...”*

*“Timing for profiling for 2003-2004 contracts – much too early.”*

The quality of communication between the national and local offices and between both and providers was a recurrent theme, as in the illustrations below.

*“EO/diversity – new demand for information but how can we provide info we have never previously captured? Resistance to demands for more information when staff/students don’t know the purpose of the requests for info.”*

*“Decisions made by National Office need to be communicated to local LSC more efficiently and then on to providers. LSC staff must have answers for providers. Communication is the key to reducing bureaucracy.”*

<sup>9</sup>Vocational Awarding Bodies.



## Quality Assurance Processes

Concerns were also raised about QA processes. There was dissatisfaction with provider performance review practice for example.

*“Provider performance review – each LSC has a differing approach. This makes consistency in an organisation very difficult to manage.”*  
*“Provider review – is done to you. It cannot be done behind closed doors – transparency?”*

A perceived increasing focus on proximity to profiles as a key criterion was one issue raised. Some felt reviews penalised 'excessive' growth against plans.

Doubts were also expressed about the ability of some local office staff to assess quality in the context, for example, of judging portfolios.

The inappropriate proxies used to measure quality were also criticised.

*“Too much emphasis on targets, not enough on quality.”*  
*“Quality and intervention – focus on administration, no focus on learner experience.”*  
*“Added value needs to be recognised and somehow measured/recorded. No recognition of partial achievement.”*

## Data and Data Collection

The extent, the validity and, sometimes, the duplication of information and data collection requirements featured strongly in responses at every consultation event.

Providers felt that the multiplicity of agencies (beyond the LSC itself) to which they had to relate, led to their having to meet recurrent demands for similar information and data, though often required in significantly different formats. As an example, ALI and Ofsted have traditionally had different achievement measures and required different data<sup>10</sup>.

*“Stats/targets required by ALI and LSC are not consistent making it unnecessarily a time-waste of a job collecting/producing stats and determining definitions.”*  
*“The group expressed concern that the increasing number of strategic partners require very different inputs from providers. The SSC, LSC, RDA, Jobcentre Plus, all have data collection systems which are not consistent. If we are to inform strategy we need to create easy shared systems for our strategic partners. However, all the strategic organisations need to work together to create one framework for data collection.”*

<sup>10</sup> They are now standardising their practice in this area.

Profiling was regarded by some, particularly those whose client groups were necessarily less predictable than the norm, as an uninformed and uninformative activity. They felt that profiles required them to make quite unrealistic pre-recruitment 'guesstimates' of likely numbers - since the nature of the cohorts recruited made for considerable variation year-on-year. Accountability for the accuracy of profiling with relatively volatile cohorts and claw-back following reconciliation were regular sensitivities, particularly where providers were cross-sector.

*"Profiling in (the) present way adds no value whatsoever to learner experience."*

*"ILP (has been) imposed by LSC with no input from providers regarding suitability."*

A requirement to conform to profiles built on little or no valid predictive data was a real cause of unease:

*"Sharing risk – funding needs to be more flexible. Reconciliation – shared risk with contracting/profiling."*

Respondents felt, too, that the LSC was some way from achieving the 'multiple use of single data sets' aspired to in *Trust in the Future*:

*"Duplication of information – we produce a development plan from our Self Assessment Report. We produce a business plan and, with regard to Success For All, we now need to produce a further development plan."*

The shift to electronic data collection was underway during the process of consultation and the stage of implementation varied across local offices as the responses of providers show. Some local office data systems were clearly not operating effectively.

*"I have found that the batch data collection system has produced more work rather than reducing the work for the provider."*

*"It is impossible to reconcile the monthly payments with the remittance advice provided by Coventry."*

*"Completion of ILR – guidance notes are not clear and use of codes means possibility of errors is increased."*

*"We used to receive the PMR on disk which enabled us to undertake the reconciliation process on the computer – but this is no longer available – why can't we download this off the national system?"*



## Funding and Data

Research for the first Task Force report found that much of the information required from colleges by the LSC was needed and used within colleges, though often in a different format. It is likely that the same is true of non-college work-based learning providers.

*Trust in the Future* recommended that the LSC should not generally require more information from colleges than a well-run one needed for its internal management and that this principle was one the LSC and the DfES should endorse.

The criticisms levelled at the data process by work-based learning providers echoed the views of the FE sector: it was complex, time-consuming and error-prone. Reconciliation and its frequency were particularly problematic and undermined attempts at long term planning. Unforeseen change was destabilising. One participant suggested that monthly invoicing in arrears for what had actually been delivered would be a good deal easier to manage than the current system. For the LSC, the legal status of the provider determines the funding methodology and reconciliation process. The issue is explored later in this report.

## Constraining Qualification Frameworks

This proved another area of real difficulty for providers in relation to learners and employers. The MA framework was not seen to match the perceived needs of learners – let alone their wants. Providers sometimes felt that they were being asked to sacrifice learners' best interests to access funding. A number of providers spoke of trainees for whom on-programme funding had ended; outcome funding would eventually be gained but in the meantime these trainees were a non-chargeable cost. Time-limited funding was failing to meet learner or provider need and data only recorded trainees still in funding – not the same thing as being still on programme. The disincentive to recruit such trainees (often those in greatest need) was frequently mentioned.

*“Learner driven initiatives are difficult to get funded and/or are bureaucratic to the point of disappearing before being funded.”*

The Skills Strategy White Paper has acknowledged the need for reform here:

*“We must make colleges and training providers more responsive to employers' and learners' needs, reaching out to more businesses and more people, and providing training in ways that suit them. Creating a truly demand-led approach means reforming qualifications, reforming the way we fund colleges, and reforming the way we deliver training”.*

Foreword

At the time of consultation, the introduction of e2e was imminent and providers were reasonably optimistic that this would bring some improvement.

Some comments carried a suggestion of the additional and unfair constraints placed on WBL providers when compared with colleges – a sense of unreasonably different expectations being imposed.

*"WBL providers are only encouraged to deliver full MAs. Colleges are able to deliver units of NVQs. Employers are increasingly asking for mix and match and are only able to access this at FE colleges."*

*"Colleges with WBL do not deliver WBL in the sense of WBL providers – WBL providers have mostly employed learners who work five days a week with training/assessment at the workplace; colleges use placements (mostly) for mostly non-employed, who are able to attend college courses and who do not have the 'constraint' of having to work and earn their wages."*

*"Key skills testing – why do WBL have to do for all MAs whilst FE don't for all learners to achieve/get funding?"*

*"Uneven playing field when contracts are granted – NVQ only option for some, MAs only for others."*

*"The introduction of MA frameworks is a quality approach but technical certificates, induction and enhancements are not consistently applied through the QCA, NTO, awarding body process."*

The broadening role of work-based learning providers in meeting the 14-19 increased flexibility agenda offers another reason for reconsidering the role of providers and the extent to which MAs should underpin provider programmes.

The three vocational awarding bodies were felt to have different QA regimes and there was 'lots of buck-passing across the piece'. There were complaints of unreasonable and inconsistent key skills requirements across years and awarding bodies. It was claimed that the Cassels Report had envisaged technical certificates incorporating Key Skills, whereas they had become an additional and exclusive requirement.

Apart from its linkage to funding, there was a more general recognition that aspects of the qualifications framework simply were not fit for purpose:

*"NVQs/key skills/technical certificates – all becoming too paper based for a client group who largely didn't like/enjoy/succeed at mainstream education. Needs to go back to more work-based for example: skills tests to suit client group."*

*"Employers are turned off by MAs. Employers do not want modern apprenticeships. We work with a number of large employers who want the NVQ to help develop their staff and gain qualifications so they can progress in the workplace. However they don't want them away from the work place to study for key skills. The LSC, etc, are not commercially aware and are out of touch with employers which at the end of the day should lead WBL."*



The phrase '*testing to destruction*' was memorably used to describe the struggle of trainees to obtain a Level 3 in communications – described as an '*unrealistic demand which reinforced failure*'. A further example was given of it taking 42 months to obtain an in-store retail IT qualification, rather longer than young people tended to stay on the programme.

## Schools

Substantial consultation, including 13 funding conferences for schools, LEAs and local LSCs (attended by all LEAs and around two-thirds of all schools with sixth forms) found no strong perception of undue bureaucracy in the sixth form funding methodology. It was also the overwhelming view of schools that the LSC was extremely transparent over its sixth form funding regime.

A survey commissioned by the DfES in August 2003 revealed a number of concerns, only one of which related specifically to demands made by the LSC. This was the lack of a relevant report option within the most common school MIS system. A 'students by banding' report would assist with LSC requirements. At least one LEA, Coventry, has eased the difficulty for its schools by collecting and collating the required information and forwarding it to the local LSC directly.

Schools surveyed were primarily concerned about:

- the inability of internal MIS systems to generate pre-inspection data needed for Ofsted section 10 inspections
- Education Maintenance Allowance eligibility monitoring (though it was managed painlessly by students in one school surveyed and through Bromcom<sup>9</sup> in another)
- Connexions data requirements for students requiring additional support (in some Connexions areas, though in others no additional data was required); and
- Exam board data requirements (lots of manual conversions from marks to grades required).

A small number of schools (rather than all) will be subject to sample audits in any one year. The response from one school piloting the audit process was that it did not prove an onerous process since the required information was readily available.

Research into provider perceptions completed in the summer of 2003 elicited views from 83 schools with post-16 students.

Unsurprisingly, there was a feeling that local LSC staff had an imperfect understanding of schools and that schools lacked a personal LSC contact with whom mutual understanding could be developed. Compared with other providers surveyed, schools were less positive about the extent to which the LSC support positively assisted their operations. The relationship between schools and the LSC was perceived as less close than that with providers such as FE colleges; a function of relative size and of the relationships being primarily related to funding, often featuring the LEA in an intermediary capacity. More disturbing was the lack of awareness of the significance (or even the existence) of *Success for All* in a relatively high proportion of schools surveyed. If the LSC's strategic responsibilities (many of which are shared with local education authorities) are to be discharged in relation to schools, schools, local education authorities and the LSC will have to review strategies and ways of working together.

<sup>9</sup>Bromcom is an electronic registration system used in schools.

## Adult and Community Learning

Currently LEAs use adult and community funding in a variety of ways:

- through their own maintained specialist adult/community learning services and institutions (some with delegated governance, though this is not a requirement)
- through 'community schools', either by delegating responsibility and budgets to school governing bodies or by basing LEA-managed staff in schools and using those schools for localised provision
- through sub-contracting arrangements, usually with FE colleges; or
- through a hybrid of these models.

This activity is often supported through additional grant aid to voluntary and community organisations. Thus it is commonly the case that ACL is a separately-funded parcel of provision that sits alongside other LSC-funded provision in one or more of the following settings: LEA-maintained external institutions; community schools also recognised as external institutions; independent (voluntary and community sector) external institutions; and/or FE colleges sub-contracted by LEAs.

For these providers, the separation of ACL budget and monitoring arrangements from arrangements relating to the other strands of work means that each provider (including sub-contracted colleges and voluntary and community sector agencies) is currently subject to two separate sets of requirements. This may involve:

- separate budgets subject to separate and distinct audit arrangements (often requiring apportionment of costs for accounting purposes)
- separate budget allocation arrangements (there is as yet no 'formula' for ACL, nor will there be for 2004-2005)
- separate reporting of provision by separate returns of individualised learner information (the ILR for ACL is a reduced version of the 'full' ILR)
- distinct monitoring returns for aspects of the wider ACL budget (such as family learning) themselves subject to distinct performance indicators as set by DfES and against which LSC has to report
- separate strategic area reviews for the different funding streams (in some local LSC areas) and separate performance review – this probably results from the tendency in most local LSCs to allocate contract management responsibility for ACL to specific officers; and
- until 2003-04, separate plans for the different funding streams.

Where providers also have WBL contracts, a third set of procedures also apply. For providers this makes little sense. For them, funding streams and audit and reporting processes do not align with provision. Service outlets are invariably managed as a 'whole-service' unit, with core services applied across all funding streams. Teaching staff are frequently found working on classes that fall under different funding streams. Learners themselves make no distinction

between ACL and FE provision, indeed, it is common practice to find learners in the same class being accounted for under different funding routes, depending on whether or not they elect to undertake formal accreditation. Finally, it is programmes rather than funding streams that are the subject of inspection: the Adult Learning Inspectorate inspects all LSC-supported provision, including adult and community learning.

## Appendix 4: Statutory Council-Provider Relationships in Detail

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The LSC provides funding to a wide range of organisations across different learning sectors – further education, school sixth forms, work – based learning for young people, the voluntary and community sector) and adult and community learning. While aiming for a common approach to the funding of provision it must take account of differences in legal status and relationship in its funding of provision.

These differences (which are complex and founded in HM Treasury requirements) and their funding consequences can lead to accusations of partiality and unfairness from providers. It is important to note the LSC has little choice about how it correctly funds colleges and public sector providers, including local authorities.

The Task Force believes that there may be opportunities for some, particularly commercial and voluntary sector work-based learning providers, to enter a different funding relationship with the LSC if they are able to meet the key criteria that apply to that different relationship. Where grant funding is on offer, commercial and voluntary sector providers will have to make a choice between the relative freedoms and risks of one form of funding compared to the relative stability and restrictions of the other. Not all will choose a different funding relationship.

### **Legal Status and Funding Protocols**

The legal status of providers funded by the LSC varies with the nature and status of their organisation and determines the type of funding agreement.

Further education colleges are statutory corporations, mostly established under the *Further and Higher Education Act 1992*. They are publicly-funded bodies although formally classified as being in the private sector. Their powers and duties derive from, and are limited by, statute. The LSC and other public bodies are their primary source of funding. Colleges are expected to make regular use of all funds they receive, from whatever source. The agreed level of funding for the academic year is paid over to the institution monthly on an agreed profile. Where there is a difference between planned and actual provision, an institution's funding is protected at 90 per cent of its previous year's allocation each year for a maximum of two years. Where it is deemed necessary to provide exceptional funding to mitigate financial difficulties, this is offered on specified conditions set out in an agreed recovery plan. The LSC requires an audit of colleges' spending and in 2003-2004 will also require an audit of most colleges' compliance with the LSC's funding rules. In 2004-2005 this funding audit will end for almost all colleges.

Local authorities are statutory corporations and public bodies, however LSC funding is a small proportion of their overall income. The arrangements for payment to adult and community learning providers are at the discretion of LEAs and provision and costs vary. The LSC agrees targets and audits spending and, as for colleges' spending, must be proper and regular. Many providers are also providers of FE and operate under more than one set of eligibility criteria. For school sixth forms LSC allocations are paid as grant to LEAs, which must include them within the school budget shares. In-year adjustments to the 2002-2003 allocations reflected increases



or decreases in pupil numbers at the start of the 2002-2003 academic year. In addition to the in-year adjustments, there was a reconciliation process for school sixth forms for 2002-03 on the basis of pupil retention (if lower than 90 per cent) and limited reconciliation for achievement. Reconciliation is implemented through the following year's allocation. Most audits of schools are through the work of the Audit Commission on local authorities. The LSC carries out a minimal audit of schools' earnings.

Other providers funded by the LSC include companies that deliver services to a number of parties, including the LSC. The LSC pays WBL providers on a profile of predicted volumes of activity. During the month following the activity, the provider submits a return, detailing actual volumes. The local LSC conducts formal and informal reviews throughout the year to monitor the provider's delivery against the profile. Where activity differs from the profile, payments or future profiles are adjusted. Audit is of the providers' earnings against allocation.

Three types of funding agreement are set out in *Government Accounting*, issued by HM Treasury, and the LSC is required to use them selectively, depending on the kind of provider. Each brings with it a different set of obligations and responsibilities for both the LSC and the provider.

Grant-in-aid funding is the closest form of association between the LSC and a provider. Grant-in-aid funding applies to colleges of further education. The college's principal or chief executive is its accounting officer and is personally responsible to Parliament for the funds received from the LSC and other public bodies. The college *must* make proper and regular use of all funds from whatever source and cannot distribute its surpluses or reserves outside the public sector. If a college does not spend LSC funding, under its financial memorandum the surplus is retained in the college's reserves and is, ultimately, repayable to the Secretary of State.

Grant funding is a looser form of funding. It can be paid to either public or non-public providers but providers *must* make proper and regular use of public funds. Funds not spent on LSC purposes are sometimes retained, to be applied to future LSC purposes, and sometimes returned to the LSC. Spending of grant funding need not necessarily be directly related to outcomes although providers are still required to provide the LSC with value for money.

Contract funding is similar to grant funding in that it is annually renewed but is often used for longer term funding. Surpluses generated here *can be used for non-LSC purposes*, including payments to owners in the case of commercial organisations and application of surpluses to other activities in the case of voluntary organisations. The LSC has almost completely phased out the contract funding of public sector organisations and colleges it inherited.

Because they are not public-sector bodies and have greater freedom in the use of surpluses they generate from their operations, commercial and voluntary sector providers have relatively little access to additional public funds and support. As these providers are only accountable under contract for what they deliver, and not what they spend, the LSC must necessarily measure and audit their delivery. This requirement will remain unless there is a fundamental Treasury re-think of accountability. Where colleges act as managing agent for work-based learning provision in private sector companies or sub-contract provision to them, it is accepted that, as a publicly accountable body, the college is bound in *all its activities including those* by public sector requirements; that is, the college acts as a publicly accountable proxy for non-public sector providers.

## Appendix 5: New Relationship with Schools

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The LSC is involved with the 'New Relationship with Schools' initiative (NRwS), which is currently undergoing trials by the DfES.

NRwS is about school improvement. It aims to sharpen and simplify the school's internal analysis and 'conversation' with external partners into a more coherent cycle, thus reducing bureaucracy and freeing up management time to focus on teaching and learning.

In a number of ways, the approach reflects the *Success for All* relationships fostered by the LSC with FE institutions. NRwS offers a further opportunity for the LSC to work productively with LEAs and schools—especially to improve the quality of sixth form teaching.

The aim is for a school to hold 'a single conversation' about a school's priorities, targets, support and needs. Multiple accountabilities would therefore be reduced, and the DfES and LEA school improvement programmes would be re-engineered to focus more sharply on individual school needs.

### There are five key elements

- **The School Profile**—each school would produce a profile to an agreed format with common data including value added.
- **School Self Evaluation and School Development Plan.**
- **The Single Conversation with the School Improvement Partner (SIP)**, representing the LEA:
  - this would replace the myriad discussions on school improvement a head teacher holds during the course of the year
  - simplified funding—standards funding and possibly other funding streams would be assigned on the basis of this single conversation.
- **Inspection**—the lighter touch Ofsted model.
- **Data**—an agreed data set for each school.

### Timescale

Primary and secondary schools trials are currently being carried out. Secondary trials are being conducted in six LEAs—West Sussex, Newcastle, Newham (London), Lincoln, Liverpool and Hampshire. The system is due to be rolled out in 2005 to 2006.



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