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**6 August 1999**

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# CIRCULAR

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

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**Individual Learning Accounts:  
Further Education Sector  
Pathfinder Projects**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

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To

Principals of colleges  
Heads of external institutions  
Heads of higher education  
institutions receiving Council funds  
Chief education officers  
TEC chief executives

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Circular type

Information and consultation

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Summary

Outlines a framework for  
individual learning account  
pathfinder projects in the further  
education sector and invites  
expressions of interest in applying  
for funding. Responses are  
requested by 10 September 1999

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Reference number: 99/38

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Enquiries:  
Deirdre Macleod  
01203 863067  
Website <http://www.fefc.ac.uk>

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**99/38**

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# Individual Learning Accounts: Further Education Sector Pathfinder Projects

## Introduction

1 This circular outlines a framework for individual learning account (ILA) pathfinder projects in the further education sector. Colleges are invited to notify the Council by Friday 10 September 1999 of their interest in developing and running a pathfinder project.

## Background

2 In its letter of guidance to the Council of 8 December 1998, the Department for Education and Employment (DfEE) asked the Council to set aside a small amount of its funding for 1999-2000 to explore the feasibility of channelling some of the funding which currently goes to providers through ILAs. At its December 1998 meeting, the Council set aside £2 million for this purpose. The DfEE has agreed to contribute a further £2 million.

3 The government intends to introduce a national system of ILAs from April 2000. The outcomes of the FE sector pathfinder projects will inform the government's approach to developing the national framework of ILAs.

## Individual Learning Accounts: Purpose

4 ILAs are a major element of the government's vision for a learning society. They will offer individuals the means to manage, plan and invest in their own learning, and thus take charge of their careers and futures.

5 As demonstrated by the white paper, *Learning to Succeed*, the government expects employers, individuals, communities and learning providers to share responsibility with the state for meeting the cost of learning. ILAs are an important vehicle for encouraging employers and individuals to contribute more to the cost of learning.

6 Further information on the purpose and development of ILAs is set out in annex A to this

circular and may also be found in the DfEE publication, *Individual Learning Accounts: A Summary of Progress*.

## FE sector pathfinder projects: aim

7 The target group for the FE sector pathfinder ILAs is people who are on low incomes, and who are not eligible for fee remission, but who may be deterred from taking part in learning by the cost of participating. The ILAs will aim to encourage people on low incomes to participate and to take more responsibility for their learning. The accounts will provide an element of financial support for those learners, but will also require them and/or their employers to make a small contribution to the cost of learning.

8 The FE sector pilot projects will aim to:

- explore ways in which ILAs might be used to encourage those on low incomes to participate in learning
- explore how people and their employers might be encouraged to contribute more to the cost of learning
- identify what other forms of financial and non-financial assistance may be required, in conjunction with learning accounts, to help people participate in learning
- identify any practical issues for colleges arising from working with ILAs.

9 Improving individual choice is a further important government objective for ILAs. Under the national framework, people acquiring ILAs will be able to choose where they wish to spend the funds in their account. The FE pathfinder projects should also allow people reasonable choice in where they may spend the contents of their ILA. This might be achieved by creating a 'bank' of ILAs within a lifelong learning partnership that might be used to pay for courses of learning that the Council may fund at any of the institutions within that partnership. Accordingly, applications for project funding are preferred from lifelong learning partnerships.

10 The Council is keen that pathfinder projects should build on current work being undertaken by colleges to encourage those on low incomes to participate in learning. Colleges should consider how learning accounts might add value to work that they are undertaking in one or more of the following areas:

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### **A. Widening participation in further education**

11 The report by the Kennedy committee on widening participation, *Learning Works*, and the report by Professor Claire Callender, *The Hardship of Learning*, both observe that financial hardship may be a significant barrier to participation and progression in further education. Expenditure associated with participation, including the costs of tuition, exam and registration fees are an essential part of the cost of learning, but may also prevent people entering education and training.

12 The Council currently operates a fee remission policy for students on low incomes and their dependants. Some individuals in low-paid work or in part-time jobs may be ineligible for fee remission because they are above the income threshold for fee remission, but may be deterred from entering learning as a result of the cost of participating.

13 The Council wishes to develop a number of pathfinder projects which will explore how ILAs might help people who are on low incomes, but are not eligible for fee remission, to participate in learning.

### **B. Widening participation through workplace learning**

14 *Learning Works* argues that education and training provision within the workplace may play a vital role in widening participation. Some larger companies have well-developed in-company learning schemes which have been successful in raising the aspirations of employees and in encouraging positive attitudes towards education and training.

15 The Council wishes to explore how ILAs might encourage employers to develop employee development schemes. ILAs may be particularly attractive to smaller companies whose level of investment is generally lower than larger firms. The Council also wishes to consider how learning accounts might be used to support training in small businesses and, in particular, small businesses run by people from ethnic minorities.

### **C. Sustaining individual demand for learning**

16 The Council operates a tuition fee remission policy for students following adult basic education programmes. The Moser report on basic skills, *A Fresh Start: Improving Literacy and Numeracy*, recommends that ILAs might be targeted on people

who have successfully completed basic skills courses to help them progress to further learning. The Council wishes to examine how ILAs might encourage people to make the transition from basic skills provision into mainstream further education.

### **D. Co-financing of learning by people and their employers**

17 The second report of the Skills Task Force emphasises the importance of developing transferable skills that promote employability. There is evidence to suggest that, while employers regard much of the training that they provide as being transferable, much in-house training is geared towards meeting employees' work-based needs.

18 The Council wishes to explore how ILAs might promote the development of transferable skills by helping employers and employees on lower incomes to co-finance the cost of non-job specific learning.

### **Scope of the pathfinder projects**

19 Between them, the pathfinder projects will fund approximately 1,500 full-time equivalent students; this equates to approximately 10,000 part-time students. The Council expects to fund approximately 40-50 pathfinder projects. It is expected that each project should fund between a minimum of 50 and a maximum of 500 ILAs.

20 ILAs funded through the FE pathfinder projects will be available to students who:

- are aged over 19
- are in work, or about to enter work
- are not eligible for assistance under the Council's fee remission policy, but are on a low income
- do not hold any other learning account arranged through TEC, trade union or other pilot ILA schemes
- are registered as students of, and have a learning agreement with, a college in the further education sector
- are pursuing a course that the Council may fund.

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## Funding the pathfinder ILAs

21 Currently, colleges may choose whether or not they charge fees to individual students. Where such people might be deterred from participating in learning by the costs involved, colleges may decide to waive course fees.

22 Pathfinder ILAs will provide an element of financial support to learners on low incomes. A proportion of the cost will also be met by the individual and/or his or her employer.

23 To enable the Council to calculate the relative proportions of financial support to be met by the Council and by individuals/employers, it will be a

condition of project funding that colleges agree to set a tuition fee for provision to be funded through pathfinder ILAs. The Council will agree with colleges/partnerships selected to run projects the precise level of the tuition fee for provision funded through ILAs. The Council contribution of approximately half of this sum would be released only when the matching contribution from the individual and/or employer is received by the college.

24 The target group for the pathfinder ILAs and the source of the contributions to the accounts are illustrated in the table below.

<i>Type of learner</i>	<i>Likely behaviour</i>	<i>How will fee be paid?</i>	<i>Eligibility for pathfinder ILAs</i>
(1) low income eligible for fee remission	<b>unlikely</b> to participate in learning without financial support	through fee remission	<b>No.</b> Other sources of funding exist to assist these learners
(2) low income <b>not</b> eligible for fee remission	<b>unlikely</b> to participate in learning without financial support	half of fee to be funded through Council contribution to learning account; other half of fee to be contributed by individual and/or their employer	<b>Yes.</b> No other sources of funding exist to assist these learners
(3) higher income <b>not</b> eligible for fee remission	<b>likely</b> to participate in learning without financial support	Individual/employer funding	<b>No.</b> Potential danger of substitution of public funding occurring

25 As far as possible, it will be important to avoid substituting public funding for private funding. Individuals on higher incomes, who are able to pay a fee equivalent to the full value of the fee remission units attracted by the provision (category 1 in the table above), must be encouraged to continue to do so. Colleges running projects may wish to develop criteria which enable the identification of students who are eligible to receive financial support through the pathfinder ILAs.

26 Funds held in the ILA should be used as a contribution to the cost of fees only. However, students who are eligible for pathfinder ILAs may also benefit from other forms of financial and non-financial assistance to help them participate in learning. This may include: time off to study; funding for childcare provision; and positive

attitudes by companies towards learning by employees. Colleges running projects may wish to consider how other forms of financial and non-financial assistance might be used in conjunction with ILAs to help people on low incomes participate in learning.

27 The financial infrastructure which will underpin the national framework of learning accounts is not yet in place. Colleges will need to consider how the Council-funded contributions to the learning account might be held and brought together with individual and employer contributions. For example, the learning account might take the form of a 'promise to pay' which is distributed to individuals and which is activated only when the student returns the 'promise' to the colleges along with his or her contribution to the cost of provision.

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## Eligibility for funding

28 At this stage, colleges are invited to send expressions of interest in applying for funding only. They should also complete the form at annex B to this circular, which sets out the criteria for applying for funding.

29 Given the role that ILAs may play in promoting individual learner choice, the Council would prefer to receive applications from lifelong learning partnerships. To note interest, partnerships should submit one form only, setting out details of all of the institutions which will be involved in the project, and providing full contact details for one college which will act as the lead institution. If successful, project funds will be allocated to that institution.

30 All institutions that deliver provision which is fundable by the Council are eligible to participate in the FE sector pathfinder projects. However, the lead institution making the application should be an FE sector college.

31 Colleges should be aware that involvement in a pathfinder project will require a significant commitment of time and effort on the part of senior institutional managers to develop and implement innovative proposals. Consideration will need to be given to identifying an appropriate activity on which to base the pilot project and to how financial contributions might be brought together in a way that simulates the operation of an ILA.

## Next Steps

32 Expressions of interest will be considered by regional offices. Those applicants that meet the Council's aims for the projects in an interesting and innovative manner will be invited to attend a project development seminar on Monday 4 October and will be sent a form to apply for funding. The purpose of the seminar will be to ensure that, between them, the proposed projects cover the full range of themes identified in paragraphs 11-18. Partnerships and colleges selected to apply for project funding must attend the project seminar if they wish to pursue their application. Forms for applying for funding will be distributed at the seminar. Attendance at the seminar does not guarantee that an application will be successful. Applications will be assessed on the merits of the written application, not on contributions made during the seminar.

33 Colleges will be invited to submit applications for funding by Friday 29 October 1999. A small sum of funding may be available to help colleges prepare their applications.

## Timetable

34 The Council would like most of the pathfinder projects be operational from January 2000 or shortly thereafter. A timetable for the development of the pilot projects is set out in annex C to this circular.

## Contact Details

35 Queries about this circular should be addressed to the appropriate regional director. Contact details for regional offices are at annex D to this circular.

36 Partnerships and colleges interested in developing and running a pilot project should express interest by returning to the appropriate regional director the completed form at annex B to this circular by Friday 10 September 1999.



# Purpose of Individual Learning Accounts

1 ILAs are a major element of the government's vision for a learning society. The purpose of ILAs is to allow individuals to plan and invest in their own learning, so that they may gain greater control over their personal development.

2 The government's white paper *Learning to Succeed*, expects employers, individuals, communities and learning providers to share responsibility for achieving a lifelong learning culture. The government expects employers and individuals to take a greater role in meeting the cost of learning. ILAs are an important vehicle for encouraging employers and individuals to invest more in learning.

3 An ILA will be a special bank account to help individuals plan and pay for learning. Although not yet finally agreed, the other principal features of the account are likely to be:

- that it will be available through a range of financial institutions, with key parameters determined by the government
- that an individual can withdraw their own contributions to use for any purpose
- that course fees will be paid for directly from the account by electronic funds transfer authorised by the individual
- that the government will provide the incentives announced in the budget on 9 March 1999 only for individuals who open an account and pay for their learning through that account.

4 The government believes that ILAs may help to both widen and increase participation in learning, while encouraging individuals and their employers to contribute more to the cost of their learning, so that state financial support may be targeted on those who need it most.

5 ILAs will be a key addition to the package of support available to learners. They will be focused primarily on those in work or about to enter work. Unemployed people are offered support with learning and skills development through the New Deals and related programmes. People on basic skills provision are also eligible for free learning.

# Preparation for the National Framework

6 The government intends to introduce a national system of ILAs from April 2000.

7 The DfEE is also currently working with financial service institutions to develop the technical and financial infrastructure to underpin the national framework of accounts. It is expected that this will also be in place from April 2000.

8 To prepare for the introduction of a national system of ILAs, the government has also undertaken a range of development work.

9 It has carried out research to explore how individuals might be encouraged to invest their own money in learning. This work has enabled the government to identify those individuals on which ILAs might be targeted. Initial activity will encourage take up by those on low to middle incomes with aspirations to progress, younger workers including young parents, people wanting to return to work, and those from ethnic minority groups.

10 Over the last year, the government has tested a number of different approaches to ILAs. During 1998-99, it has worked with TECs, national training organisations and trade unions to consider how demand and interest in ILAs might be stimulated.

11 In his March 1999 budget statement, the chancellor announced a range of fiscal incentives to encourage individuals and employers to invest in learning. These will be available to individuals taking out an ILA within the national framework from April 2000. The incentives announced are:

- for one million starter accounts a contribution of £150 for each individual in the first year of the account, subject to a small contribution from the individual
- a 20% discount on the cost of eligible courses on spending up to £500 in each year (but only available from the second and subsequent years thereafter for those with a transfer account)
- an 80% discount on the cost of certain key courses, including computer literacy



- that employees will not be subject to tax or national insurance contributions on an employer's contributions to an ILA for eligible learning, as long as the employer extends the facility to the lowest paid employees in the company on a similar basis
- that an employer's contributions to ILAs will, like other employee training costs, be deductible for tax purposes.

# Expressions of Interest

(Reference Circular 99/38)

Please photocopy and complete this form and return it to the appropriate regional director by Friday 10 September 1999.

## THE FURTHER EDUCATION FUNDING COUNCIL

Institution name

Partnership

Contact (*please print*)

Signature of principal

Details of partners

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 01203 863000  
Fax 01203 863100

Themes to be covered

[list letter(s) of the themes set out in paragraphs 11-18 of this circular]

How the project will meet the Council's aims for the projects [maximum 100 words]

[see paragraph 8 of this circular for the Council's aims for the projects]

Summary of proposed project [maximum 200 words]

[please provide information on the following topics: scope of the project; number of students to be funded; level of funding requested from the Council; number of colleges to be involved; how the impact of the project will be measured]

Please tick the appropriate boxes:

- the provision related to the project will be made in the partnership area by local providers ☐
- the curriculum areas involved, quality assurance, student support and management have not received grades 4 or 5 in inspection ☐
- college senior managers are able to devote adequate time to developing, implementing and evaluating the impact of the pilot project ☐
- the partnership/college is able to send a representative to a pilot project development workshop on Monday 4 October 1999. ☐

The representative will be:

\_\_\_\_\_ (*name and position*)

- issues which the partnership/college would like discussed at the seminar in September:



# Timetable for the Development of the Pilot Projects

<i>Date</i>	<i>Activity</i>	<i>Documentation required</i>
Friday 10 September 1999	Receipt of expressions of interest	Annex B of Circular 99/38
Monday 4 October 1999	Pathfinder project development seminar	
Friday 29 October 1999	Receipt of applications for project funding	Documentation to be issued at project seminar
mid-November 1999	Colleges notified of outcome of application process	
November to December 1999	Liaison between Council and successful projects	
January 2000 onwards	Commencement of projects	

# Regional Offices

## East Midlands Region

Regional director: Christine Frost

Cheylesmore House

Quinton Road

Coventry CV1 2WT

Telephone: 01203 863000

Fax: 01203 863359

## Eastern Region

Regional director: Martin Lamb

2 Quayside

Bridge Street

Cambridge CB5 8AB

Telephone: 01223 454500

Fax: 01223 454535

## Greater London Region

Acting regional director: Jenny Burnette

Metropolis House

22 Percy Street

London W1P 0LL

Telephone: 0171 312 4100

Fax: 0171 312 4134

## North West Region

Regional director: Emily Thrane

10 Brindley Road

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Cornbrook

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## Northern Region

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## South East Region

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3 Queens Road

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## South West Region

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## West Midlands Region

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## Yorkshire and Humberside Region

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