



Department
for Business
Innovation & Skills

**THIRD SECTOR ENGAGEMENT AND
PARTICIPATION IN THE LEARNING
AND SKILLS SECTOR**

Literature Review and Baseline Report

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Prepared by:



Supported by



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Executive Summary

Introduction

Recent years have seen encouraging closer working and strategic dialogue between Government Departments (and their agencies) and the Third Sector covering most areas of public service provision. However, despite this, there is little quantifiable data on the nature and extent of Third Sector engagement and participation in the delivery of learning and skills.

Understanding the make-up, dynamics, and possible scale of Third Sector engagement could help policy makers (and others) ensure their actions and decisions maximise the Sector's contribution to achieving wider objectives including:

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

In February 2012, the Department for Business, Innovation and Skills (BIS) commissioned research to examine Third Sector engagement and participation in learning and skills and any barriers to achieving Government's ambition for the Sector to play its full role in both learning and skills and in building the Big Society. The first phase of this research, in March 2012, was a desk-based review of secondary sources undertaken by the National Institute of Adult Continuing Education (NIACE)¹ and Skills – Third Sector. Its purpose was to provide the following:

- a definition of the “Third Sector” based on credible secondary sources;
- a typology of learning and skills providers;
- identification of the scale of provision and the extent to which third sector providers are active in delivering learning and skills, and in what capacity;
- a description of typical contractual arrangements, including subcontracted provision;
- a description and quantification of the principal funding streams as well as how many are involved in delivering the DWP Work Programme and BIS-funded Community Learning; and
- a calculation of the number of learners and identification of the types of learning undertaken.

¹ The National Institute of Adult Continuing Education (NIACE) is an independent charity which promotes adult learning across England and Wales. Through its research, development, publications, events, outreach and advocacy activity, NIACE works to improve the quality and breadth of opportunities available for all adults so they can benefit from learning throughout their lives.

Defining the Third Sector

The secondary sources confirm that obtaining a consistent definition of the Third Sector is problematic. Definitions are subject to change according to policy changes, funding requirements, the emergence of new organisational forms, and the requirements of research. This shifting context means producing a working definition of Third Sector learning and skills providers, for the purposes of understanding their current and potential role, is a complex undertaking.

For the purposes of this research, a definition of the Third Sector which includes charities and Community Interest Companies, voluntary and community organisations, social enterprises and co-operatives was adopted as this is consistent with current policy and also fairly wide-spread, albeit contested, understanding across the sector itself. This enables the identification of a distinct sector made up of organisations with similar ethos and modes of redistributing profit, differentiating them from other organisations, such as higher education institutions which may be viewed as civil society organisations. However, it was necessary at times to narrow this definition considerably – for example, to Charities and Community Interest Companies – in order to interpret and use the data presented by the secondary sources.

Typology of Providers

A typology of learning and skills providers was developed following a review of definitional literature and an analysis of organisational forms. This consists of the following:

- Charity
- Community Interest Company (CIC)
- College
- Local authority
- Public Limited Company
- University
- Other

This typology could provide the basis for an initial identification of the extent of the Third Sector's direct involvement in learning and skills provision, as well as further analysis of the variety of subcontracting relationships which may exist between different organisational types.

Scale and Extent of Provision

Research to date appears to suggest that the Third Sector has had a considerable role in learning and skills provision in the past, in particular in relation to the most disadvantaged and excluded groups of learners. However, the recent simplification of funding streams for adult education and skills makes direct comparisons between this evidence and the current situation difficult, militating against the identification of trends and longitudinal studies to identify significant changes over time.

The publication by the Agency (formerly the Skills Funding Agency) of a list of all organisations in receipt of public funding to deliver learning and skills (including subcontracted provision worth £100,000 or more) helps considerably in assessing the scale and extent of provision by the Third Sector.

Analysis of organisations registered with the Agency to deliver learning and skills provision shows that the Third Sector currently makes up 11.9% of directly-funded provision for the Single Adult Skills Budget and 14.6% of BIS-funded Adult and Community Learning (ACL). DWP figures on the Work Programme also show that the Third Sector constitutes nearly 50% of the supply chain and 7.5% of prime contracts.

Drilling in to the data to obtain a picture of the relative significance of the sector to learning and skills would require comparisons with other providers across the further education system, and Third Sector provision in other areas of public service delivery. It would also entail identifying the scale of the Third Sector's role in subcontracted learning and skills provision, and an assessment of the extent to which learning and skills provision occurs in Third Sector bodies which are not directly publicly funded or do not consider learning and skills to be their primary purpose.

Typical Contractual Relationships

Four principal ways for contracting with Third Sector providers for learning and skills provision were identified. These are:

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

Main Funding Streams

Currently available data does not allow for an accurate quantification of income streams for learning and skills by sector or organisation type. Whilst it may be possible to map the total funding for Single Adult Skills or ACL to the proportion of Third Sector organisations on the Register of Training Organisations (formerly ACTOR), this does not allow for differences in funding between organisations on the register or analysis of how this is distributed across subcontracted provision.

An alternative method for calculating the amount of public funding received by Third Sector providers would be to use the categories within the International Classification of Non-Profit Organisations. This provides an estimate of the amount of statutory income received by organisations in the “employment and training” and “education” sub-sectors. However, it does not allow for the distinction of training activity in particular or the proportion of education which is for those aged 19 or over.

Number of Learners and Types of Provision

Data on learner numbers and types of provision for Third Sector providers is difficult to estimate. Relevant data was previously available through the Learning and Skills Council (LSC) Third Sector policy team and their analysis of Individual Learner Records. The transition to new funding arrangements via the Agency has not produced a similar approach and there is potential for further work in this area.

In conclusion, a wide range of qualitative and quantitative sources was analysed during the literature review, drawn from academic research, government departments and agencies, and from within the sector itself. Collectively, they offer valuable baseline information about the Third Sector's involvement in learning and skills. However, it is also apparent that the available data applies to a relatively narrow range of the Third Sector organisations that are potentially in scope, and even in relation to these, the sources offer partial and often insufficiently robust data. This has enabled the present study to identify and recommend further areas for research and analysis. These are offered below.

Recommendations

1. Explore the feasibility of a generic definition of Third Sector learning and skills providers, building on the work of the Learning and Skills Council (2009) to support a clearer understanding of what is included in the sector.
2. Research additional data sources both within and outside the Third Sector (for example, organisational annual reports, local and national government data), and how existing sources might be modified (within reason) to improve their contribution to more comprehensive and robust analysis of Third Sector engagement and participation in the learning and skills sector.
3. Identify the scale and nature of the role of learning in Third Sector organisations whose key function is neither education nor training, including the reciprocity between this and their other work and services, and reviewing the increasing secondary literature on 'under the radar' activity in the Third Sector, identifying the role of learning and skills.
4. Research the learner profile of Third Sector learning and skills providers, building on the findings of the LSC Report (2009), and identifying in particular the Third Sector's contribution to addressing inequalities – both in relation to access to learning, and more widely.
5. Research the impact of structural and funding changes in the FE system on Third Sector providers, including shifts in strategic, funding and planning arrangements.
6. Research the impact of changing contractual arrangements (e.g. Payment by Results) on Third Sector providers, identifying any accessible models for tracking payments to providers.

7. Review the changing nature and pace of Third Sector learning and skills consortia development and how these are responding to the external policy and funding environment.
8. Compare the effectiveness of different social return on investment (SROI) methodologies and identify the costs and benefits of their role in strengthening our understanding of the Third Sector contribution to learning and skills.
9. Scope capacity and capability issues among Third Sector providers and the impact of such factors on sustainability, quality and growth of Third Sector provision, for example, the providers' ability to tender, engage in bidding partnerships and strategic arrangements, assure and improve the quality of delivery, and scale up their provision.
10. Research the extent to which Third Sector organisations within the employment and training classification are involved in learning and related activities, including information, advice and guidance.

Defining the Third Sector

Difficulties in defining ‘the Third Sector’ are raised from a variety of perspectives – academics, government departments and other funders, through to organisations that are generally considered to be part of the Third Sector itself. This task becomes increasingly challenging as the range and type of organisations expands to include new models and legal forms, organisations engage in different forms of activity, and changes occur in the wider cultural and political environment in which the Third Sector operates. To some extent the definitions used may also reflect the questions being asked and the available data.

A range of terms is used in relation to the Third Sector, often synonymously, for example, the ‘Voluntary and Community Sector’, the ‘not-for-profit sector’, and (more recently) ‘civil society’. This variety of references can lead to confusion over exactly what is included in the Third Sector, as the National Council for Voluntary Organisation’s (NCVO) *UK Civil Society Almanac 2012* highlights:

‘Few, if any, issues cause so much dissatisfaction and disagreement amongst those working in that diverse universe of organisations sometimes referred to as the third sector, or the voluntary and community sector, or the NGO sector, or the non-profit sector. And so on. For some people, there isn’t even such a thing as a sector: the universe is just too diverse.’ (NCVO, 2012:3)

The subject of definitions has been extensively written about by academics. Pete Alcock of the Third Sector Research Centre suggests that ‘the notion of a third sector is inevitably a contested one’ (2010:6). For others, such contestation may be considered to be the source of substantial insight, such as in the emerging work on organisational hybrids (see Evers, A. and Laville, J. 2004) which explores how the Third Sector’s organisations intersect the conventionally defined realms of the public, the private, and the personal.

“The Third Sector” is frequently defined in a negative sense, according to what it is not (i.e. “non-governmental” or “non-profit”), rather than by what actually unifies a particular set of organisations in terms of shared activities or purposes. Indeed, as Alcock (2010) suggests, our idea of the Third Sector may be informed more by a ‘strategic unity’ in accordance with practical issues of funding or policy than as the product of certain shared intrinsic features. Other definitions, commonly used among organisations in the sector themselves, may focus more upon individual mission and specific area of activity (e.g. the arts, international development, or social care) than affiliation with a broader unified sector. This is what Jeremy Kendall of the Third Sector Research Centre refers to as the difference between ‘vertical policy fields’ and ‘horizontal policy fields’ (2009:18). Finally, the sector may also contain those micro-level or ‘below the radar’ groups and informal networks which do not have a legally incorporated organisational form.

The *Civil Society Almanac 2012* opts to differentiate the broader entity of “civil society” from the “core voluntary sector”. In the former, a more diverse range of organisations are included, such as universities, financial mutuals, co-operatives, employee-owned businesses, and companies limited by guarantee. In the last, only those organisations which are registered charities are included (with the notable exception of faith groups, independent schools, and those organisations with charitable status but not independent of government). The “core voluntary sector” definition also includes the advantages of

having a shared legal basis via the Charities Act 2011 and shared regulation in accordance with a statutory body, the Charity Commission.

Such debates about definitions are not merely academic and may hold considerable practical implications in terms of how actors in the Third Sector understand their own work, how Government policy is formulated, and how organisations are regulated. To illustrate the potential impact of what is at stake in such debates, using the civil society definition of the sector involves approximately 900,000 organisations, with a total income of £170 billion, and a paid workforce of 2 million. In contrast, the core voluntary sector definition would involve approximately 164,000 organisations, with a total income of £36.7 billion, and a paid workforce of 765,000 (NCVO, 2012). Evidently such definitional differences substantially alter the size and scope of the sector and how external bodies relate to it.

The state and the Third Sector

The way in which Government, both as a whole and via particular departments, defines ‘the Third Sector’ has major impacts on its relationships with individual sector organisations, particularly in terms of funding and policymaking. A significant proportion of the growth in both the sector’s income and workforce over the past decade has been the result of an increase in statutory funding, especially through payments for contracted services (NCVO, 2012). This has led to an increasingly sophisticated relationship between Government and the sector, with the development of numerous ‘horizontal’ initiatives to build the capacity of organisations across the sector, and the creation of discrete institutional forms within Government to provide strategic oversight on policy relating to the sector. The present inquiry will now briefly explore some of these recent developments.

The term “Third Sector” emerged from the cultural and political landscape of the New Labour Government at the turn of the 21st century. This was partly the result of a policy focus on creating a mixed economy of public service provision via a competitive market of providers drawn from all sectors of the economy. For these purposes, the “Third Sector” was defined as sufficiently broad to include organisational forms such as co-operatives, mutuals, and social enterprises in addition to registered charities and voluntary and community groups. This approach had consequences for how the sector was defined, as Alcock, P. & Kendall, J. (2010) note: ‘An increasingly “big tent” definition could be, and was designed to be, more and more inclusive, but such a stretch inevitably involved a sacrifice of definitional clarity.’ (2010:13)

The New Labour era also witnessed the strengthening of ‘social enterprise’. This new entity became both an object of Government policy and a way of describing organisations which reinvest their trading surpluses for social and/or environmental purposes. In 2005 this was accompanied by the launch of Community Interest Companies (CICs) as a distinct legal form for social entrepreneurialism.² CICs may be limited by shares or guarantee and must operate with a statutory “asset lock” to ensure that assets and profits are retained within the CIC for community purposes, or transferred to another asset-locked organisation, such as another CIC or charity.

² Though charities may choose to apply to register a CIC as a subsidiary company.

Growth in the number of CICs has been relatively gradual since they were established, with 208 created in the first year and a current total of 4,905 (CIC Regulator 2011). Beyond this legal form, evidence suggests a broader growth in the category of social enterprise. The *National Survey of Charities and Social Enterprises* (2010) has estimated that 45% of registered charities, 67% of companies limited by guarantee and 90% of community interest companies are social enterprises. The BIS *Small Business Survey* (2010) found that over 25% of businesses (perceived themselves to be a social enterprise but only 7% conformed to the accepted definition of social enterprise.³

The importance of partnership relations between Government and the Third Sector was codified with the first iteration of the Compact in 1998. The Compact aimed to provide a framework for the Third Sector's emerging relationship with mainstream politics. Rather than a legally-binding document, this was intended to promote consistent and effective partnership working between the Third Sector and Government Departments, executive agencies, Government Offices for the Regions, and Non-Departmental Public Bodies. For the purposes of definition, this first iteration of the Compact referred to the 'voluntary and community sector', rather than the Third Sector

A range of structural developments in Government during this period helped mediate its relationship with the sector, culminating in the creation of the Office of the Third Sector (OTS) in 2006. OTS was based within Cabinet Office and defined the sector in the following way:

'Organisations in the [third] sector share common characteristics [they are]: Non-governmental, value-driven, [and] principally reinvest any financial surpluses to further social, environmental or cultural objectives. The term encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small.' (Quoted in Alcock 2009:4)

This extended definition brought together responsibility for key funding decisions and policy support into one single institution for the first time.

During this period, the Treasury sought proactively to clarify the role of the Third Sector in its spending decisions, with the launch of cross-cutting reviews in 2002, 2005 and 2007 (with the last being a joint publication with the Cabinet Office). The focus of these reviews was the Third Sector's role in public service delivery. In *Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers* (2006) HM Treasury describe the sector in the following way:

'The third sector is made up of a rich diversity of organisations in both size and scope, encompassing voluntary and community organisations, charities, social enterprises, cooperatives and mutuals. But all share the common characteristic of being value driven, where profit is principally reinvested to further social, environmental or cultural objectives.'

³ This requires the enterprise to consider itself a social enterprise but not pay more than 50% of profit or surplus to owners or shareholders, generate more than 25% of income from trading, and therefore having less than 75% of turnover from grants or donation. In addition, they have to think themselves a very good fit with the statement 'a business with primarily social or environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community, rather than mainly being paid to shareholders and owners.'

From these values often flow a responsiveness to service users and awareness of their needs, along with a capacity for innovation, which can make such organisations particularly valuable partners for government in the delivery of public services.’ (2006:11)

This definition not only identified some of the key models emerging within the Third Sector at the time but also explained the underlying philosophical characteristics present in the sector.

A further significant development under the Labour Government was the passing of the Charities Act 2006. This helped put charities on a clearer formal footing. It inscribed into law the meaning of “charity”, listed the possible forms of charitable purpose, and introduced the “public benefit test” by which charities must report on how their charitable purposes operate for the public benefit.⁴ This also legislated for the establishment of the Charity Commission as a statutory regulator for charities.

In 2008, the Conservative Party published a Green Paper which outlined its policy position towards the sector, *A Stronger Society: Voluntary Action in the 21st Century*. Although this was not a radical departure from the previous policy agenda, with its emphasis on the promotion of social enterprise and increasing the Third Sector’s role in public service delivery, it did signal a forthcoming shift in the terminology applied to the sector. The Green Paper commented:

‘...beyond the sphere of the private and informal, there is a public, organised expression of society: the charities, social enterprises, co-operatives and community groups that make up the voluntary sector – what some would call, quite inaccurately, the third sector.’ (2008:4)

Although the organisations referenced in the Paper did not differ from the previous Government’s concept of the Third Sector, it demonstrated the incoming administration’s preference for ‘civil society’ over the term ‘Third Sector’.

Following the formation of the Coalition Government, the Office of the Third Sector was renamed the Office for Civil Society (OCS). On their website, OCS provides a definition for the sector which encompasses the types of organisation included:

‘non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organisations, charities, faith groups, social enterprises, cooperatives and mutuals.’ (Office of Civil Society - website accessed 15.3.12)

⁴ Within this legislation “charitable purpose” was defined to include the following - the prevention or relief of poverty; the advancement of education; the advancement of religion; the advancement of health or the saving of lives; the advancement of citizenship or community development; the advancement of the arts, culture, heritage or science; the advancement of amateur sport; the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity; the advancement of environmental protection or improvement; the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage; the advancement of animal welfare; and the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services.

Aside from the notable exception of faith groups (for whom little in the way of specific policy has been formulated), the definition employed by OCS remains consistent with the remit of the (former) Office of the Third Sector.

Although references to “the Third Sector” have been largely absent from the Coalition Government’s terminology (only featuring intermittently in the 2010 *Building A Stronger Civil Society* strategy for the sector), it would seem to be the case that the same basic range of organisations is being referred to - charities, community groups, co-operatives, mutual, social enterprises, and voluntary organisations. This is also evident in the latest update to the Compact in 2010, which states: ‘While it is understood that civil society is a contested term, for the purposes of the Compact, civil society organisations include charities, social enterprises and voluntary and community groups.’ (2010:6)

The Coalition Government launched the Big Society policy agenda soon after coming into power. This agenda, which has been written about at length by many commentators, academics and policy-makers, notably Jesse Norman MP, features three core components – empowering communities; opening up public services; and promoting social action. The ambition to open up public services had an initial emphasis on enabling greater opportunities for charities, social enterprises, private companies and employee-owned mutuals and co-operatives to compete to deliver services.

This ambition was supported by the publication of a Green Paper (November 2010) and consultation entitled *Modernising Commissioning: increasing the role of charities, social enterprises, mutual and cooperatives in public service delivery*. This sought to propose ‘measures which ensure commissioning strengthens the role of civil society in public services’ (2010:6). This Green Paper emphasised the relative benefits of service delivery from the sector, including greater levels of community involvement, increased responsiveness, ability to reach disadvantaged groups, and support for local economic growth.

A formal response to the Modernising Commissioning consultation is still forthcoming, though a White Paper and a further consultation on *Open Public Services* were subsequently published in July 2011. Although the measures outlined in the *Open Public Services White Paper* seek to create a greater diversity of provision such as the ‘open commissioning policy’ whereby commissioners will need to ‘seek and fully consider’ a minimum of three providers per service, it adopts a sector-blind approach overall. The White Paper states:

“We do not have an ideological presumption that only one sector should run services: high-quality services can be provided by the public sector, the voluntary and community sector, or the private sector” (HM Government 2012:9)

The promotion of Public Service Mutuals is another relevant aspect of public service reform. Although this initiative predates the Coalition Government, it has received extra impetus through the creation of the Mutuals Taskforce and devotion of significant funding for advice and support services. The apparent ambition of the Cabinet Office is to enable one in six public servants to co-own their services by 2015.⁵ If take-up of this programme

⁵ This is according to an interview with Francis Maude in Public Finance Magazine – *Minister calls for one million public sector co-owners* (24th Feb 2011).

is successful it will also considerably reshape the boundary between the public sector and civil society.

During this period, significant concerns have been raised, both within the Third Sector and among cross-party MPs, about the extent to which the sector has been able to compete to deliver public services. The issues raised include insufficient access to capital, disproportionate contract size, short tendering periods, and high levels of legal risk involved with taking on public services.

Several of these concerns were raised in the Public Administration Select Committee's (PASC) report on the Big Society published in December 2011. One of the Select Committee's key objectives was: 'to assess, in particular, the desirability and implications of encouraging innovative forms of public service provision by social enterprises, co-operatives and the voluntary sector' (2011:4). On this subject it concluded with the following:

'Charities and community groups have shown that they can provide some public services at better value for money than those delivered by the state and that some wish to do so. We have yet to see how the Government will encourage this since contracting out continues to favour the larger, more commercial providers.' (PASC, 2012:16)

In addition, the Select Committee noted that the numbers of local charities and community groups 'willing and able' to deliver public services were a distinct minority. Indeed, as the *UK Civil Society Almanac 2012* notes, three-quarters (75%) of voluntary organisations receive no money at all from statutory sources. Moreover, 81% of the £13.9 billion in statutory income is distributed to organisations with an annual income of £1 million or more (NCVO, 2012:42) This would suggest considerable variation across the sector in terms of its engagement with the public service delivery agenda.

Typology of providers

The principal means of identifying the main activity of organisations in the Third Sector is via the International Classification of Non-Profit Organisations (ICNPO). This classification is based on a modification of the International Standard Industrial Classification system to enable better measurement of the non-profit sector. The ICNPO relates to entities which share five key characteristics – organised (i.e. institutionalised to some extent); private (i.e. institutionally separate from Government); self-governing (i.e. equipped to control their own activities); non-profit distributing (i.e. not returning profits generated to their owners or directors); and voluntary (i.e. involving some meaningful degree of voluntary participation).

The ICNPO was used to inform the classification of the sector's activities in the *UK Civil Society Almanac 2012*. This identifies two kinds of voluntary organisation with a main activity that falls into the learning and skills sector:

- Education (7,775 organisations)
- Employment and Training (1,824 organisations)

Together these sub-sectors make up around 9,599 organisations or approximately 6% of the total number of UK voluntary organisations. In addition to this, the data shows that the employment and training sub-sector currently derives 75% of its income from statutory sources, whilst the education sub-sector derives 41% of its income from statutory sources (NCVO 2012:25).

It is not currently possible from these figures to ascertain the proportion made up from contracts as opposed to grants. However, available data does show that 82% of the income of the employment and training sub-sector and 71% of the income of the education sub-sector is earned from the sale of goods and services, including payments for contracted services (NCVO, 2012: 35). A certain proportion of this income is likely to come from individual payments for services provided, such as through course fees, however it does indicate considerable involvement of such organisations in the delivery of publicly-funded learning and skills provision.

There are several disadvantages to both the available data and the specifics of ICNPO for the purposes of the present research. Firstly, it does not allow for the quantification of those organisations which are involved in delivering learning and skills as a secondary activity or only as a part of their broader charitable purpose. In addition to those organisations included in the two sub-sectors referred to above there are many more whose main function is not learning but who do contribute considerably to the learning that is offered across the sector. This was referenced in *the Final Report of the Forward Communities Project 2012* which explored the relationship between further education and the voluntary and community sector:

'A distinctive aspect of delivery of learning and skills by third sector organisations is that the majority have a wider remit and purpose than just the delivery of learning and skills' (2012: 9)

Such organisations may also have funding relationships with other Government departments and be subject to the quality assurance processes and regulation present in other industries (e.g. the justice sector or health and social care).

To date no literature has been identified which would quantify the extent of additional learning activity in the Third Sector at a national level. This area of work has the potential to greatly enhance our understanding of the extent of learning and skills provision across the Third Sector, especially among small organisations that are less likely to hold direct contracts with Government. Further research into the extent to which learning takes place in small community-based organisations and informal networks, termed by John Mohan of the Third Sector Research Centre (2010) as ‘below the radar’ groups, would greatly enhance our understanding of learning provision across civil society, especially in terms of informal learning.

A second disadvantage of the ICNPO classification is that it does not enable the disaggregation of training provision in particular from other aspects of employment services. It is likely that Third Sector organisations involved in the employment and training sub-sector deliver a range of services to their users, some of which may relate to the management of health conditions or support during job searches, whilst others will directly involve vocational training and basic skills provision. Further primary research would be necessary to ascertain the extent to which such organisations are directly involved in learning and skills provision.

Thirdly, although the main ICNPO system contains several sub-categories of education (i.e. ‘Primary and Secondary Education’, ‘Higher Education’, ‘Other Education’, and ‘Research’), the *UK Civil Society Almanac* does not disaggregate the types of provision included under ‘Education’. Further quantitative analysis of this data would establish the number of Voluntary Organisations involved in delivering ‘Other Education’, revealing the number of organisations whose main activity is vocational training and/or adult continuing education. Such an analysis would also enable other reliable data to be gathered from the accounts of these organisations, such as annual income, reserve levels, and staff costs.

Following the review of definitional aspects above, we can identify seven distinct types of provider involved in publicly-funded learning and skills provision. Each of these organisational types differs to some extent in legal form, governance structure, and accountability arrangement. For the purpose of the present investigation these types are identified as:

- Charity
- Community Interest Company (CIC)
- College
- Local Authority
- Public Limited Company
- University
- Other⁶

⁶ The predominant organisation in this category is likely to be private training companies, though it may also include employer-owned organisations and/or co-operatives.

In accordance with the review of definitional aspects, learning providers who are also registered charities would fit in with the “core voluntary sector” definition. Learning providers with CIC status might be considered for inclusion in a broadened definition of the Third Sector due to their explicit community purpose and non-redistribution of profits. Though public limited companies have limited liability, they should be excluded from the “core voluntary sector” definition on account of the absence of a significant aspect of voluntarism in their governing structures or a mechanism by which to maintain assets and profits for a defined community purpose or public benefit. Similarly, Local authority services are excluded due to their local government role and accountability to directly elected members. The provision of learning and skills also represents a small and non-statutory area of local authorities’ broader service provision.

Colleges and Universities both present certain difficulties in terms of classification. Universities are classified as ‘exempt charities’ for the purposes of the Charity Commission, instead owing their accountability and regulation to several bodies (most notably the Higher Education Funding Council for England). They are, however, autonomous institutions with well-developed fundraising operations and governance via a voluntary board of trustees. On balance, though Universities would align to a broader definition of civil society, they should be excluded from the Third Sector due to issues of size. Data from the *UK Civil Society Almanac 2012* shows that Universities hold considerable income, with a total of £26.7 billion income shared between just 165 institutions. This compares with the £36.7 billion shared between over 160,000 general charities (NCVO, 2012: 4) and would suggest that such institutions would not face comparable issues in terms of their role in learning and skills provision.

The exact classification of colleges has been affected by the recent decision of the Office for National Statistics (ONS) to reclassify general further education colleges as part of central government for the purposes of national accounts. Following the consideration of evidence this decision was repealed and from April 2012 (under the provisions of the Education Act 2011) such bodies will be considered as part of the private or independent sector. This was described by BIS as ‘putting them on a similar footing to charities operating within the independent/private sector’.⁷ Both further education corporations and six form colleges were considered to be incorporated bodies following the Further and Higher Education Act of 1992, and are considered as exempt charities according to the Charity Commission. In many ways, Colleges do resemble charities, especially in their purpose and governance arrangements (via board of trustees); however the regulatory framework for such institutions principally rests with either the Education Funding Agency (EFA) within the Department for Education (DfE) for 14-19 provision or with the Skills Funding Agency (the Agency) for all adult learning provision.

To be fit for purpose, a typology of Third Sector providers of learning and skills must be broad enough to include providers of different sizes, forms and remits, but not become so expansive that it prevents conclusions regarding shared characteristics or experience in the delivery of learning and skills.

⁷ BIS, ‘Red tape cut to allow colleges freedom to manage affairs as independent bodies’ 27 Feb 2012

Both Colleges and Universities may bear similar governance structures and redistribute the majority of their profits for the public benefit, but including them in the Third Sector would be a divergence from the purposes of the current analysis.

Scale and extent of provision

Bearing in mind the caveats outlined above, the following analysis will assess the extent of learning and skills provision by the Third Sector. The International Classification of Non-Profit Organisations (ICNPO) offers basic information on the involvement of the sector in learning and skills which can be augmented by analysis of the role of Third Sector organisations in specific areas of provision.

The Learning and Skills Council's (LSC's) report *Understanding the Contribution of the Third Sector in Learning and Skills (2009)* represents the most comprehensive review of learning and skills provision by Third Sector organisations to date. The report used the following definition for the sector:

'The Third Sector comprises organisations which are non-governmental and value- rather than profit-driven, reinvesting surpluses to further their social, cultural or environmental goals. It was previously known as the voluntary and community sector.' (2009:6)

It brought together quantitative data on Third Sector learner demographics and performance (based on data from Individualised Learner Records), seeking to build on anecdotal evidence of the impacts of Third Sector provision. It concluded that Third Sector provision reaches a "distinct learner demographic", including a greater focus on those with a learning difficulty or disability, ethnic minorities, older learners, and residents of disadvantaged areas.

The LSC's analysis was based on a list of all Third Sector providers with direct and active funding relationships with the LSC between 2004/05 and 2007/08 (as supplied by their Third Sector policy team). This was used to separate Third Sector learners and aims from non-Third Sector learners and aims.

Further to this it states that Third Sector providers typically work as large or small charities, voluntary organisations, social enterprises, co-operatives, community interest groups and 'mutuals'. The report covers three distinct areas of provision - Further Education (FE), Work Based Learning (WBL) and provision under the European Social Fund (ESF). The main findings of the report are summarised below.

Further Education

In 2007/08, third sector provision of FE was concentrated among only 34 providers, with the Workers' Educational Association accounting for more than half (54%) of all FE learners in the sector. The volume of learners based in Third Sector FE providers in 2007/08 was 127,000, representing 4% of all FE learners.

In terms of learner demographics, FE learners in the third sector were generally older, with only 2% of learners aged 16-18 as compared to 30% among non-third sector FE learners. Third Sector FE learners were also significantly more likely to be female (72% compared with 55% for non-sector provision) and were marginally more likely to be ethnically diverse and to have a learning difficulty and/or disability than among non-Third Sector providers of FE. Overall, Third Sector FE learners were more likely than their non-Third Sector

counterparts to hold a higher qualification prior to starting their course, with over two-fifths (44%) holding a Level 3 or above qualification compared with only 13% of non-Third Sector learners. Third sector FE courses also tended to be part time, with the majority of courses requiring fewer than 450 Guided Learning Hours. Learners were also much less likely to have their fees waived (48%) than non-Third Sector learners (83%), though they were most likely to have fees waived due to receipt of income-based state benefits, Job Seekers Allowance (JSA) or Working Tax Credits.

Finally, achievement rates for Third Sector FE learning aims (88%) were significantly higher than those for non-Third Sector learning aims (75%). This latter finding was consistent across all learner types and demographics.

Work-Based Learning

In 2007/08, Third Sector provision of WBL was distributed across 136 providers, representing 9% of the total number of active providers of WBL. The volume of learners in Third Sector WBL provision was approximately 41,500, accounting for around 4% of all WBL learners. There was a concentration of learners among two providers, Rathbone Training and the National Association for the Care and Resettlement of Offenders (NACRO), who between them accounted for one-third of all Third Sector work-based learners.

In terms of learner demographics, the age profile of work-based learners in the Third Sector tended to be younger than in non-Third Sector provision, with 63% of learners in the 16-18 age group compared to just 26% in non-Third Sector provision. Third Sector WBL learners were more likely to come from ethnic minority groups (23%) than among non-Third Sector WBL learners (16%). Over one quarter (26%) of Third Sector WBL learners also considered themselves to have a learning difficulty and/or disability compared with just one in ten (10%), non-third sector learners. Overall, third sector WBL learners were more likely to have a Level 1 or Entry Level qualification or no qualification prior to starting their course. They were also significantly more likely to be unemployed before the course (67% compared with 12% for non-Third Sector provision). Short courses geared at improving basic skills, numeracy and literacy (often taken in conjunction with an Entry 2 Employment course) accounted for the majority of Third Sector WBL. There was a lower number of apprenticeships than in non-Third Sector WBL provision (41% compared with 70%).

Finally, achievement rates for third sector WBL learning aims were slightly lower than for non-Third Sector WBL provision (62% compared with 67%). The report states that this is likely to be 'at least in part, a result of the Third Sector tending to work with individuals who are more likely to have multiple disadvantages and additional learning or social needs' (2009:7).

European Social Fund

In 2007/08, Third Sector provision of ESF funded learning was characterised by many small groups of learners across a wide range of providers. There were 78,000 learners distributed across 348 providers, representing 18% of all learners in ESF-funded provision.

In terms of learner demographics, ESF provision in the Third Sector featured more female learners than outside the sector (58% compared with 49%). Such learners were also more likely to be from ethnic minority backgrounds and were over twice as likely to have a learning difficulty or disability (15% in the third sector compared with 7% in non-Third Sector provision). Although the data is slightly unreliable, ESF learners in the Third Sector tended to be less likely to have no prior qualifications before starting their course (13% in Third Sector provision compared with 25% in non-Third Sector provision) and were more likely to continue in learning and training than non-third sector learners.

Finally, achievement rates were slightly lower in third sector ESF provision (75%) than for non-Third Sector ESF provision (83%). Again, the report states that this is likely to be due to the greater proportion of learners with multiple disadvantages.

Understanding the Contribution of the Third Sector in Learning and Skills allows us to gain an initial insight into the extent and characteristics of learning provision undertaken by the Third Sector over the period 2004/05 to 2007/08. Clearly the date of the report is problematic since it was published prior to significant reforms to both the funding and institutional context of adult learning and skills. Since this report, the funding streams for adult learning have undergone several changes, with the latest arrangements amalgamating WBL and FE into a single adult skills budget. The LSC report also predates the transition to the Agency for post-19 provision and the Young People's Learning Agency (YPLA)/ EFA for 16-19 provision.

Despite these significant caveats, the LSC report helps to confirm anecdotal evidence about the nature of Third Sector provision. In addition to the commonly held view that Third Sector provision significantly engages disadvantaged learners, it also suggests that such provision is of comparably high quality and that, in the case of FE, is able to attract significant (paid) contributions from older and more highly-educated learners. Nevertheless, the LSC study does not enable us to ascertain the extent to which the sector is involved in learning and skills provision as a subcontractor, or the effects of such arrangements on provider performance. The analysis will now turn to assess the possible types of contractual relationships held by Third Sector providers of learning and skills.

The Work Programme

A further area of provision in which the sector is likely to be involved in aspects of learning and skills is via the Work Programme which is being managed by the Department for Work and Pensions (DWP). The Work Programme was launched in June 2011 to replace several previously existing back to work support schemes (including the New Deals, Employment Zones and Flexible New Deal). A brief analysis of the Work Programme may allow us to ascertain the likely extent of organisations which fall into the "Employment and Training" sub-sector classification identified earlier in the report. The total value of contracts delivered under the Work Programme is estimated to be in the region of £3 billion to £5 billion between 2011 and 2016 and it is expected to reach between 1 million and 1.5 million claimants.

The design of the Work Programme has come under close scrutiny, most notably in a National Audit Office report published in January 2012, *The Introduction of the Work Programme*. This report warned that demanding performance targets combined with price discounts might put disproportionate pressure on subcontractors in dealing with 'harder to

reach' clients. It also noted that: "Early indications show that subcontractors are dissatisfied with the approach taken by some prime contractors." (NAO, 2012:11)

In April 2011, DWP published a list of organisations which were to share the 40 prime contracts available. The DWP received a total of 177 bids to deliver prime contracts, with 18 organisations eventually selected as prime providers. The successful providers included the award of two contracts to the Newcastle College Group (described as a public sector organisation), one contract for the Careers Development Group (described as a voluntary organisation), and two contracts to Rehab JobFit (also described as a voluntary organisation). It is not entirely certain whether this would fit the typology identified for learning and skills providers outlined earlier in the report. For instance, the Newcastle College Group would for our purposes be classified as an FE college and Rehab JobFit does not appear to be a registered charity in England.

During the same announcement, DWP also declared that there would be 298 subcontractors from the Third Sector taking part in the Work Programme. More detailed information on the extent of subcontracting within the Work Programme was not published until January 2012. Before this, the Association for the Chief Executives of Voluntary Organisations (ACEVO) conducted a survey of all the subcontractors involved in the Work Programme in autumn 2011. This identified those organisations which were possible to verify as being part of the 'third sector' or 'Voluntary and Community Sector' according to the information provided by prime contractors in their publicly-available contracts. In total this equated to 372 organisations or just over one third of all Work Programme subcontractors.

The DWP's subcontractor figures included the number and type of organisations in the supply chain as of August 2011 and as of January 2012, in addition to the region in which they provide services and their lead provider. As of August 2011, there were a total of 848 organisations in the supply chain, of which 295 were classified as 'Private' (34.8%), 133 were classified as 'Public' (15.7%), and 420 were classified as 'Voluntary and Community Sector' (49.5%). As of January 2012, there were a total of 855 organisations in the supply chain, of which 306 were classified as 'Private' (35.8%), 137 were classified as 'Public' (16.0%), and 412 were classified as 'Voluntary and Community Sector' (48.2%). These figures were accompanied by the cautionary note that 'supply chains will be dynamic, with scope to flex and evolve to reflect change within the labour market and participant needs.'

The ACEVO figure on the number of subcontractors from the third sector is slightly lower than the DWP figure of sub-contractors later identified as being part of the 'Voluntary and Community Sector' in the Work Programme Supply Chain as reported in January 2012. Part of this discrepancy could be accounted for by movement in the supply chain but it perhaps also reflects the difficulties in determining the status of some organisations, as the ACEVO survey notes, 'prime providers used a range of classifications to categorise their subcontractors, some of which could be third sector or private sector (e.g. "various", "wide range of organisations")' (ACEVO 2011:1).

On 21 February 2012, the DWP published the first set of official figures on the number of individuals that had either been referred to the Work Programme or been attached to undertake activity with one of the prime providers. These figures cover the first five months of the Work Programme from 1 June 2011 to the end of October 2011. The referral and attachment statistics are also available on a more refined level by contract, contract

package area, payment group, age, gender, disability indicator, ethnicity, primary health condition (for Employment Support Allowance and Incapacity Benefit claimants) and lone parent status (for Job Seekers' Allowance and Income Support claimants). Lower level geography information is also available by local authority, parliamentary constituency and Jobcentre District. Further statistical releases on attachments and referrals are expected to be published by the DWP on a quarterly basis, with official statistics on job outcomes and sustainment payments expected to be available from autumn 2012.

The DWP Work Programme first release showed that there had been a total of 370,000 referrals and a total of 332,000 attachments over this time period. Although the figures only cover those organisations with prime contracts, we can see that of the two 'Voluntary Sector' organisations, the Careers Development Group received 10,370 referrals, and Rehab JobFit received 13,690 referrals across both of its contracts. This accounts for 24,060 referrals in total, or around 6.5% of the overall referrals. Similarly, the Careers Development Group received 8,330 attachments, and Rehab Jobfit received 11,730 attachments across both their contracts. This accounts for 20,060 attachments in total, or around 6% of the attachments overall. It is of interest to note that for the Work Programme as a whole 96% of referrals resulted in attachments, whereas between the two 'Voluntary Sector' providers this was just 84%.

Further analysis of subcontracted provision as part of the Work Programme would be useful to provide greater insight into the size and income profile of Third Sector organisations involved in the Work Programme as well as the models of subcontracting in which they are engaged. It would also prove beneficial to have access to the number of referrals within supply chains, helping to ascertain the extent to which the voluntary sector has been actively involved in the Work Programme provision, as well as access to data on job outcomes and sustained payments for subcontracted provision.

Typical contractual relationships

Understanding the extent to which Third Sector providers are involved in various modes of delivery is challenging. There is an apparent lack of research which draws together the various strands of delivery arrangements, both in terms of the number of providers and the number of learners engaged. However, there is useful material on the delivery modes via which the Third Sector is involved in learning and skills provision.

In the research report, *Exploring the Leadership and Governance Implications of Self-Regulation for Local Authority and Third Sector Providers of Adult Learning and Skills* (2009), NIACE identified four principal means by which the Third Sector may be involved in learning and skills provision. This includes the following:

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

This typology provides a useful starting point for understanding the range of modes of delivery. However, there is an apparent lack of existing data by which to establish their relative predominance. This seems to be a longstanding concern, as the LSC's 2009 study suggested: 'any subcontracted or franchised-out provision was excluded, since this type of activity could not be identified either by the LSC's provider list or by the data stored on the ILR' (LSC, 2009: 12)

The Agency has recently released data on organisations involved in learning and skills provision both as prime contractors and as subcontractors. On 14 September 2011, it published two spreadsheets with data from the Register of Training Organisations (formerly ACTOR) which is the register of colleges and training organisations eligible to be considered for Agency funding to deliver education and vocational training.

The first spreadsheet comprises those organisations which had successfully completed an invitation to tender for provision under the Single Adult Skills Budget up to 15 July 2011. The Single Adult Skills Budget covers general workplace and classroom-based provision and incorporates provision which is made up of elements of pre-existing programmes (i.e. Adult Learner Responsive, Skills for Life, Apprenticeships, Train to Gain, and Programmes for the Unemployed). It has also been used to procure ESF-funded learning and skills provision.

The typological distribution of the Single Adult Skills Budget is displayed in the table below.

Single Adult Skills Budget

Organisational Type	Number Registered	Percentage of Total
Charity	205	11.5%
CIC	8	0.4%
College	371	20.9%
Council	86	4.8%
Public Limited Company	23	1.3%
University	37	1.7%
Other	1,056	59.4%
Total	1,778	100%

The second spreadsheet comprises those organisations which had successfully completed an invitation to tender for provision of ACL up until 15 July 2011. ACL covers four previous strands of delivery - Neighbourhood Learning in Deprived Communities; Personal and Community Development Learning; Wider Family Learning; and Family Literacy, Language and Numeracy.

The typological distribution of organisations on the Register for ACL is displayed in the table below.

Adult and Community Learning

Organisational Type	Number Registered	Percentage of Total
Charity	121	13.9%
CIC	6	0.7%
College	253	29.0%
Council	97	11.1%

Organisational Type	Number Registered	Percentage of Total
Public Limited Company	0	0.0%
University	8	0.9%
Other	388	44.4%
Total	874	100%

Merging the two lists provides an overall picture of directly-contracted learning and skills provision by Third Sector organisations. The typological distribution of all organisations on the Register for both the Single Adult Skills Budget and for ACL is as follows:

Single Adult Skills Budget and Adult and Community Learning

Organisational Type	Number Registered	Percentage of Total
Charity	325	12.5%
CIC	14	0.5%
College	624	23.5%
Council	183	6.9%
Public Limited Company	23	0.9%
University	38	1.4%
Other	1,444	54.5%
Total	2,651	100%

The public availability of the Register is helpful to the present analysis. On 30 June 2011 the Agency also published two lists of providers on the Register which had received contracts to deliver Skills Support for Redundancy Provision and Skills Support for the Unemployed provision. This provision is covered under the Single Adult Skills Budget but is also co-financed by the ESF. Further analysis of these lists would help to determine the extent of Third Sector involvement in ESF funded provision.

However, there are several caveats to the data from the Register. First, it does not provide details of the total value of provision subsequently delivered by those charities and CICs which are registered. Second, it lacks data on provision for learners with learning difficulties and/or disabilities (LDD). Current responsibility for this area of provision is divided between the EFA and the Agency⁸. Further information about contracted provision in this area would be useful, particularly given the conclusions of the LSC's report (2009) about the Third Sector's ability to engage with LDD learners.

The Agency's published list (22 February 2012) of sub-contractors that had been declared as of January 2012, comprised all 949 organisations with sub-contracted provision worth an aggregate value of £100,000 or more as well as the prime contractors with whom they hold funding relationships. Although this indicates the breadth and diversity of the Agency's supply chain on a national basis, the format of the subcontractor list is not directly amenable to further analysis (i.e. it is not publicly available in Excel format).

The Subcontractor Register also includes the aggregate value of subcontracted provision for each organisation. A cursory analysis of this register reveals the following examples of charities which deliver significant levels of sub-contracted provision:

- BTCV which holds subcontracts with an aggregate value of £1,866,225 from five separate FE colleges;
- CSV which holds subcontracts with an aggregate value of £712,078 from a private training company, two FE colleges, a charity, and two local authorities;
- Kirklees Youth Training which holds a subcontract with an aggregate value of £1,290,978 from Kirklees College;
- The Prince's Trust which holds subcontracts with an aggregate value of £1,581,808 from four local authorities, six FE colleges, and a public limited company;
- Nottingham Training and Enterprises which holds a subcontract with an aggregate value of £1,043,000 from New College Nottingham;
- Groundwork West Midlands which holds subcontracts with an aggregate value of £1,121,107 from a charity, two local authorities and two public limited companies; and
- Start in Salford which holds a subcontract with an aggregate value of £837,172 with Salford City College.

Further analysis of the Subcontractor Register would be of great value in ascertaining the extent and type of learning provision from the Third Sector. This would also support further investigation of the extent of sub-contracting between Voluntary Organisations and other types of provider (i.e. College, Council, Private Limited Company), as well as the extent to which charities are involved in learning and skills provision through consortia models. However, a significant disadvantage of the source is that it only includes subcontracted provision worth £100,000 or more.

In January 2012 the Register of Training Organisations replaced the Approved College and Training Organisation Register (ACTOR). The Agency has now fully established the Register and all providers who currently receive funding from the Chief Executive of Skills

⁸ The Education Funding Agency holds responsibility for LLD learners up to the age of 25, the Skills Funding Agency for LDD learners aged 25+.

Funding and wish to be considered for future invitations for tender must have successfully completed the Agency's Due Diligence process and entered on the Register. The Register is fully operational and it is a single register of training organisations that have passed a Due Diligence Assurance Gateway process. All subcontractors with an aggregated contract value in excess of £100,000 are required to have passed the Due Diligence Assurance Gateway and it is a contractual requirement of all prime contractors to ensure that all subcontractors are successfully entered on the Register. All lead Providers and subcontractors must register on the UK Register of Learning Providers (UKRLP) in order to be eligible to receive funding, either directly or through a subcontracting arrangement.

It is a contractual requirement for lead Providers to complete their Subcontractor Declaration Form. From 2012/13 it is a contractual requirement for Providers to update the Agency in August and April of every year. Failure to return the form will result in the immediate suspension of payments. Lead Providers who do not subcontract are required to make a nil return. The Chief Executive in line with the commitment for transparency and openness will publish a list of all providers who are entered on the Register of Training Organisations together with a list of subcontractor relationships on a regular basis.

At the time of writing, there is a lack of comprehensive data at regional level which is partly attributable to the removal of Regional Development Agencies and related regional structures and the absence of replacement mechanisms. Some information is available through regional Third Sector learning consortia and umbrella organisations such as the South West Forum and One East Midlands. However, although this data is of interest, its comparability is undermined by the lack of a consistent approach across the regions.

Although the Agency data is useful, it is insufficient to gain a holistic picture of the learning which takes place within the Third Sector. There will continue to be those organisations which do not access statutory learning and skills funding. Furthermore anecdotal evidence suggests a significant amount of learning takes place in Third Sector organisations which do not identify themselves as learning providers. This includes housing associations where learning may be offered on a range of topics to tenants or other organisations where learning is an adjunct of their key activities (e.g. organisations supporting sustainable development, promoting the use of local and seasonal produce or helping people develop a healthier lifestyle).

Other learning offered through housing associations can provide practical skills as well as information, advice and guidance. In the small case below, learning has contributed to tenants securing paid employment, demonstrating the diverse nature of the provision and highlighting the methodological challenges in identifying the full extent of learning offered by Third Sector organisations.

DAVENTRY AND DISTRICT HOUSING AND GROUNDWORK NORTHAMPTONSHIRE

Sessions included home maintenance and DIY, household budgeting and first aid, as well as cooking, CV writing and advice on looking for jobs.

Since attending the course, two out of the five students have secured jobs.

Sarah Sims, community development officer at Daventry & District Housing, said: “This course was about helping people to develop the skills needed to run a home and live independently. The sessions have helped to improve self-confidence and strengthen the relationship we have with our tenants. The CV writing and job hunting sessions proved particularly useful, and we’re using this feedback to plan the next course.”

<http://www.futureshq.co.uk/ddh/news/archive/august2011/Residentslandjobsthankstoskillsboost>

There is potentially considerable value in researching the extent of such informal and often ad hoc learning in order to understand the extent to which organisations across the Third Sector contribute to learning.

Main funding streams

The analysis will now consider the principal funding streams which cover Third Sector provision of learning and skills. According to the *UK Civil Society Almanac 2012*, Voluntary Sector income from statutory sources in 2009/10 accounted for 38% of the sector's total income (£13.9 billion). As detailed in the Typology of Providers section above, organisations in the Education sub-sector derive 41% of their income from statutory sources (approximately £590 million), whilst those in the Employment and Training sub-sector derive three-quarters of their total income from statutory sources (approximately £865 million).

The prevalent trend in statutory funding for the Third Sector in recent years has been a shift away from grants towards contracts for the delivery of services. Since 2004/5 grant income from the statutory sector to the Voluntary Sector as a whole has fallen from £4.2 billion to £3 billion in 2009/10, whilst contact income has increased from £7.9 billion to £10.9 billion (NCVO, 2012).

The extent to which this shift has impacted upon organisations in either the Education or Employment and Training sub-sectors is unclear. However, both these sub-sectors derive the majority of their income from earned sources, with those in the Education sub-sector generating 71% (approximately £1.02 billion) and those in the Employment and Training sub-sector generating 82% (approximately £946 million) from earned sources. Since this includes money generated through contracts for services delivered, it is probable that such organisations are significantly involved in the delivery of publicly-funded learning and skills programmes.

Key funding sources for learning and skills by Third Sector providers are the Agency or the EFA. Additionally, organisations may also draw upon funding from a range of other government departments, local authorities, the NHS and non-departmental public bodies.

Tracing and quantifying such diverse funding streams is problematic, as D. Clifford et al (2010) note: 'Individual government departments do not always record spending information in a manner that easily permits tracking of flows of funds to individual organisations' (2010:3) Though the UK Government does use a business database, the Inter-Departmental Business Register through which, in principle, we can track payments, identification of non-profit organisations is thought to be inconsistent.

Data collection was also addressed in NCVO's analysis of the likely effects of public spending reductions on the Voluntary Sector in *Counting the Cuts (2011)*. This noted that many Government departments do not collect comprehensive data on their levels of funding for the sector, especially in terms of procurement activity. The alternative means of quantifying the extent of public spending on the sector, via charity accounts, also suffers from a significant time lag due to the late submission of individual accounts and amount of time expended in converting the data into a standard digital format.

The NCVO report notes that of the estimated £730 million reduction in central government spending on the sector between 2011-2016 (based on data from the Cabinet Office and HM Treasury), BIS was likely to account for a reduction of £73.3 million and the Department for Education was likely to account for a reduction of £45.5 million (NCVO

2011:20). Although this analysis is useful, it does not reveal the relative impact on various funding streams. The present study will now explore the main funding streams for learning and skills.

Adult Further Education and Skills Funding

Responsibility for the funding of further education and skills for adults aged 19 and over rests with the Agency. The future funding and policy direction of FE and skills was outlined in *Skills for Sustainable Growth* and *Investing in Skills for Sustainable Growth*, both published by BIS in November 2010. The overall FE and skills resource budget will be reduced by 25% over the spending review period, with plans for a significant simplification of the funding and bureaucracy process of FE and skills. From 2011/12, the Adult Learner Responsive and Employer Learner Responsive budgets were pooled into a single budget (including Adult Safeguarded Learning, Offender Learning, and ESF funded provision). From 2011/12 all colleges and training organisations were required to be on the Register in order to receive public funding. Finally, a minimum contract level threshold was set at £500,000, with all providers falling below the minimum contract level receiving a notional allocation for the 2011/12 academic year to take forward into the new arrangements.

The *Skills for Sustainable Growth* strategy also significantly reformed funding entitlements. Fully-funded learning provision has been refocused on those receiving “active” unemployment benefits (i.e. JSA or ESA Work-related Activity Group) and to cover first qualifications among those aged 19-24 as well as basic literacy and numeracy provision for those aged 25+. The strategy set out the expectation that learning and skills providers would work with Jobcentre Plus to identify the most appropriate training, with the introduction of Job Outcome Payments worth approximately £80 million to reward those colleges and training organisations that work effectively with unemployed people.⁹ The budget for ACL was protected and funding for adult apprenticeships was to increase as a proportion of the total teaching and learning budget.

In December 2011, BIS published the *Skills for Investment Statement: Investing in a World Class Skills System*. This detailed the confirmed amount of public spending on FE and skills for 2012-13 as well as the indicative amount for 2013-14.

The *confirmed* level of public spending on FE and skills over 2012-13 will be as follows:

FE and Skills Budget 2012-13 (£000s)

Budget	Amount
Single Adult Skills Budget	£2,699,009
<i>Of which is Apprenticeships</i>	£698,000

⁹ These payments, which are set to be trialled over 2012-13 and integrated in to the funding system in 2013-14, will account for 2.5% of the Single Adult Skills Budget.

Budget	Amount
Offender Learning and Skills Service	£131,800
Adult and Community Learning	£210,747,000
Total Agency Budget	£3,639,867
Total FE and Skills Budget	£3,795,804

The *indicative* level of public spending on FE and skills over 2013-14 will be as follows:

Indicative FE and Skills Budget 2013-14 (£000s)

Budget	Amount
Single Adult Skills Budget	£2,497,346
<i>Of which is Apprenticeships</i>	£726,000
Offender Learning and Skills Service	£130,400
Adult and Community Learning	£210,747
Total Agency Budget	£3,381,794
Total FE and Skills Budget	£3,665,176 ¹⁰

The Agency also forecasts that the ESF will fund £475 million worth of learning and skills provision over the period 2011-2015. The Agency manages ESF funded provision for both the 16-19 age group and the 19+ age group. For adults, ESF will be focused on programmes for the unemployed or economically inactive, particularly providing support for those affected by the economic downturn, such as [Response to Redundancy](#). ESF will also contribute additional and enhanced provision to mainstream programmes such as [Apprenticeships](#).

ESF will also support young people in jobs without training who are at risk of becoming 'not in education, employment or training' (NEET). Similarly, the Government expects to

¹⁰ This includes £129,000 for the new programme of FE loans.

contribute £21.5 million to the Union Learn Fund over both 2011-12 and 2012-13. This covers the learning and skills provision of the Trades Union Congress.

Young people's Further Education funding

Responsibility for the funding of young people's (16-19) learning and skills rests with the EFA (this also covers all adults with a learning difficulty and/or disability up to the age of 25). Funding for these learners is redirected from the Agency Single Adult Skills Budget.

The present Government's priorities for 16-19 funding of learning and skills were first outlined in the White Paper, *The Importance of Teaching*, and subsequently summarised in the 16-19 funding statements published by the YPLA in December 2010 and December 2011. These priorities are to support the drive to full participation for 16 and 17 year olds by 2015; to rebalance funding towards disadvantaged learners and those needing additional support; to protect funding for learners with learning difficulties and/or disabilities; and to make funding fairer between providers.

The *planned* level of public spending on young people's learning over 2012-13 is as follows:

Young People's Learning and Skills Budget 2012-13 (£000s)

Type	Amount
Colleges and other providers	£4,009,000
School Sixth Forms (including Academies and Special Schools)	£2,372,000
Apprenticeships	£833,000
Specialist provision for learners with LDD	£261,000

Type	Amount
FE provision for learners with LDD	£53,000
Total Teaching and learning Budget	£7,528,000

According to the latest 16 to 19 funding statement, the ESF budget for young people's learning over the period from January 2011 to December 2013 under the relevant priorities is £164 million. It also notes that the budget for young people in youth custody education and training over 2012-13 will be circa £13 million.

It is also worth noting that a full consultation on the 16-19 funding formula was launched by the DfE in October 2011. This consulted on reforms for implementation in 2013-14, including funding for disadvantaged learners, simplification of participation funding, and streamlining the additional delivery costs of certain types of provision. For this reason it is unclear what the indicative budget for young people's learning provision will be in 2013-14. Both the Agency and EFA figures enable us to assess the likely levels of teaching and learning resource in the coming years but not to disaggregate this by sector. Cross-comparison with the analysis of the Register database earlier in the report may allow us to estimate but robust analysis would require centrally published data, granulated to the level of organisational type.

Non-Statutory funded provision

The Third Sector also relies upon other important funding streams. These can be categorised as follows:

- National Lottery funds (approximately £0.5 billion annually);
- individual giving, including legacies, fundraising, and fees for services provided (approximately £14.3 billion annually);
- earned money and donations from the private sector (approximately £1.6 billion annually);
- investments (approximately £2.4 billion annually); and
- income generated from within the sector itself, such as grants made by voluntary organisations (approximately £0.4 billion annually).
(NCVO, 2012:38-39)

Current data does not allow us to analyse these funding streams by main area of activity. Given that over 50% of the income for Third Sector organisations involved in education, and approximately 25% of the income for employment and training related activities, comes from non-statutory sources there is scope for a combined analysis of these funding types and their impact on learning and skills provision in order to gain a greater understanding of the extent and value of learning in the sector.

Numbers of learners and types of provision

Official data on the number of learners and types of provision in post-16 education and skills in England is available on a quarterly basis via BIS and the Government Data Service. The data used to produce this is taken from the Individualised Learner Records that are returned by colleges and other FE providers. Information for the quarterly release is compiled using data taken from post-16 learning based within FE organisations, sixth form colleges, Local Authorities, and independent training organisations. However, this is not broken down by provider type.

The latest quarterly release was published on 29 March 2012. This provided final data for the 2010/11 academic year and provisional data for the first six months of the 2011/12 academic year.

For the 2010/11 academic year the total number of learners participating in government-funded further education (excluding schools) was 4,264,900. This number included

665,900 Apprenticeship starts, 761,400 Workplace Learning starts, and 737,500 learners who participated in a Community Learning (formerly ACL) course.

Provisional data shows that in the first six months of the 2011/12 academic year (August 2011 to January 2012) there were 2,954,100 learners participating in government-funded further education. This number includes 123,000 learners engaged in support for the unemployed; 256,500 Apprenticeship starts; 118,500 Workplace Learning starts in the first six months of the 2011/12 academic year; and 372,100 learners participated on a Community Learning course.

Illustrative numbers on future participation in education and skills are also available via EFA and the Agency. The latter forecasts a total of 2,927,000 learners in post-19 learning and skills provision over 2012-13. Of this total, 19% are expected to be Apprenticeships and 20% is expected to be within ACL provision. The Agency also forecasts a total of 2,818,000 learners in post-19 learning and skills provision over 2013/14. Of this total, 19% are expected to be Apprenticeships and 20% is expected to be ACL provision.

Similarly illustrative numbers are available for learners in 16 to 19 learning and skills provision via the EFA which forecasts 1,577,000 learners in 16-19 learning and skills provision for 2012-13. The expected distribution is – Colleges and other providers (865,000); School Sixth Forms, including Academies & Special Schools (465,000); Apprenticeships (240,000); specialist provision for 16-24 learners with learning difficulties and/or disabilities (4,000); and FE provision for 19-24 learners with learning difficulties and/or disabilities (4,000).

Such data could be compared with the proportion of providers on the Register according to organisational type to provide a rudimentary estimate of the relative number of learners but this would not take into account respective organisational differences in terms of capacity and scale of provision. Further work could be done by the Government Data Service to collate figures on the levels of participation according to post-16 learning institution and to monitor this over time.

Conclusions and recommendations

Conclusions

A wide range of qualitative and quantitative sources was analysed during the desk research on the current literature relevant to an understanding of Third Sector participation and engagement in learning and skills. These were drawn from academic research, government departments and agencies, and from within the sector itself. Collectively, they offer valuable baseline information about the Third Sector's involvement in learning and skills. However, it is also apparent that the available data applies to a relatively narrow range of Third Sector organisations that are potentially in scope, and even in relation to these, the sources offer partial and often insufficiently robust data. This has enabled the present study to identify and recommend further areas for research and analysis.

The first section of the report summarises some of the major debates on how the Third Sector can be defined, and for what purposes, outlining the funding, policy and cultural drivers behind changes in terminology from 'Voluntary and Community Sector' to 'Third Sector' and, more recently, 'Civil Society'. These are set in the context for the development of a typology of Third Sector learning and skills providers.

Analysis of the scale and extent of provision, typical contractual relationships, funding streams, and the number of learners and types of provision is problematic due to the inconsistent availability and quality of data in each of these areas. Both DWP and the Agency have recently published information on directly-funded provision and subcontracted provision which is useful; However, the Agency's data does not differentiate by organisational type or sector. Equally, although current and projected figures on learner numbers and types of provision are widely available, they are not disaggregated by provider type. These gaps may reflect long-standing and wider difficulties in quantifying statutory funding for the Third Sector.

Within the constraints of the evidence, it is hoped the present analysis is a productive first step towards refreshing our understanding of the Third Sector's engagement in, and contribution towards, learning and skills, and a stimulus to improving the data sources that would support such a development. Recommendations for further research are offered below.

Recommendations

1. Explore the feasibility of a generic definition of Third Sector learning and skills providers, building on the work of the Learning and Skills Council (2009) to support a clearer understanding of what is included in the sector.
2. Research additional data sources both within and outside the Third Sector (for example, organisational annual reports, local and national government data), and how existing sources might be modified (within reason) to improve their contribution to more comprehensive and robust analysis of Third Sector engagement and participation in the learning and skills sector.

3. Identify the scale and nature of the role of learning in Third Sector organisations whose key function is neither education nor training, including the reciprocity between this and their other work and services, and reviewing the increasing secondary literature on ‘under the radar’ activity in the Third Sector, identifying the role of learning and skills.
4. Research the learner profile of Third Sector learning and skills providers, building on the findings of the LSC Report (2009)., and identifying in particular the Third Sector’s contribution to addressing inequalities – both in relation to access to learning, and more widely.
5. Research the impact of structural and funding changes in the FE system on Third Sector providers, including shifts in strategic, funding and planning arrangements.
6. Research the impact of changing contractual arrangements (e.g. Payment by Results) on Third Sector providers, identifying any accessible models for tracking payments to providers.
7. Review the changing nature and pace of Third Sector learning and skills consortia development and how these are responding to the external policy and funding environment.
8. Compare the effectiveness of different social return on investment (SROI) methodologies and identify the costs and benefits of their role in strengthening our understanding of the Third Sector contribution to learning and skills.
9. Scope capacity and capability issues among Third Sector providers and the impact of such factors on sustainability, quality and growth of Third Sector provision, for example, the providers’ ability to tender, engage in bidding partnerships and strategic arrangements, assure and improve the quality of delivery, and scale up their provision.
10. Research the extent to which Third Sector organisations within the employment and training classification are involved in learning and related activities, including information, advice and guidance.

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