



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Business, Innovation & Skills

Further education and skills sector: implementing the Simplification Plan

Key facts

**£250m–
£300m**

our previous (2011)
estimate of the cost to
providers, to comply with
funding, qualifications and
assurance requirements

42

discrete actions in the
2012-13 Simplification Plan

£4m

estimated sector savings
from those Simplification
Plan actions whose impact
can be quantified

- 4.2 million** people learning in the further education and skills sector annually
- £7 billion** annual funding from the two main funding bodies
- 10** bodies given actions to implement in the 2012-13 Simplification Plan
- 219** general further education colleges in England
- 689** publicly funded commercial and charitable providers

Summary

1 The further education and skills sector (the sector) serves many different learners. For example, young people who want to continue academic or vocational learning outside of schools; those of all ages gaining basic skills; and others who seek extra skills or formal qualifications. It trains a growing number of apprentices, and provides some higher education courses.

2 There are over 1,100 organisations offering education and training in the sector. Of these, around 220 'providers' are general further education colleges, which provide education and training to around three-quarters of the learners. Around 700 providers are commercial or charitable bodies, which support the remaining one-quarter of learners.

3 Providers receive around £7 billion of funding each year, mainly through the Department for Business, Innovation & Skills (BIS), the Department for Education and the Department for Work & Pensions. This supports around 4.2 million learners. Funding is complex, because different bodies fund different types of learner. Broadly, the Department for Education funds 16- to 19-year-old students via the Education Funding Agency. BIS funds learners aged 19 and over through the Skills Funding Agency and higher education students through the Higher Education Funding Council for England. Additional funding is available from the European Social Fund, which is administered jointly by the Department for Work & Pensions and BIS. Also, from 2015 onwards, local enterprise partnerships will begin to take responsibility for allocating local capital budgets for adult skills and the latest programme of European monies.

4 Ofsted oversees providers by focusing on the quality of provision, and the Further Education Commissioner may intervene if a college is in difficulty. Also, providers must meet the requirements of the not-for-profit or commercial awarding bodies that they elect to use, of which there are around 170 in total.

5 Funding and oversight bodies must ensure providers use public money properly. But their assurance arrangements may impose significant administrative demands on providers. Providers need to produce data for the funding and oversight bodies, as well as for themselves, to demonstrate that funds are well managed and meet quality standards. However, to offer value for money, arrangements must be appropriate, efficient and avoid unnecessary duplication. They must also balance the assurance they provide for public money with the costs of the bureaucracy they impose.

6 In December 2011, we published a report on bureaucracy in the sector. The report estimated the cost of complying with funding, qualifications and assurance requirements could be around £250 million to £300 million. A subsequent Committee of Public Accounts report expressed concern that providers faced different funding, qualification and assurance arrangements. It found that these “create an unnecessary burden ... and divert money away from learners”, and recommended that BIS, which has lead responsibility for the sector, should streamline the demands on providers.

Scope and approach

7 This report evaluates BIS’s work to simplify funding, assurance and information requirements across the sector. It considers whether the Simplification Plan drawn up by BIS following the Committee’s recommendations was a satisfactory response to the challenge of complexity. We also look at whether BIS’s Plan achieved impact. Most actions in the Plan apply to all providers, so most of our findings are sector-wide. However, where appropriate we refer separately to ‘colleges’ or to ‘commercial and charitable providers’.

Key findings

Creating the Simplification Plan

8 In 2012, BIS developed a plan to simplify the administrative burdens on the sector. It produced the first version of its cross-government Simplification Plan in July 2012 in response to the report from the Committee of Public Accounts. The Plan contained 42 separate actions, with responsibility for completing them spread across 10 bodies. BIS used the Further Education Reform and Performance Board, which included representatives from the sector, to coordinate and oversee the Plan (paragraphs 2.2 and 3.19, and Figure 6).

9 The Plan proposed a series of changes, but was not a strategic stocktake of where simplification might have the greatest impact. BIS based the Plan on suggestions from the various funding and oversight bodies, but providers had little voice in developing it. The actions varied in scale and likely impact, and the Plan did not estimate expected net savings. Around half of the actions were ambitious (see paragraph 11), and aimed to improve arrangements for providers directly. Others were smaller, or about how the oversight bodies work together (paragraphs 2.3 to 2.5).

10 BIS does not know the overall cost to providers of complying with assurance activities, and therefore cannot say whether compliance costs are rising or falling. Our previous report in 2011 found there was little information on providers' compliance costs, making it difficult to target efforts to reduce costs. The Skills Funding Agency is the only oversight body to have tried to quantify compliance costs, although the exercise covered further education colleges only. The Agency reported difficulty distinguishing between the extra costs it imposed on colleges and the costs they would incur anyway, and that some work providers described as burdensome was hard to cost accurately. The Agency ultimately decided not to pursue the exercise any further (paragraphs 2.6 to 2.8).

Implementing the Simplification Plan

11 Providers acknowledge benefits from the implementation of the main commitments in the Plan. BIS reported that over 30 of the 42 commitments had been achieved by September 2013. The providers we visited all recognised that funding and oversight bodies had taken individual steps to streamline their processes. The actions cited positively included the following:

- The further development of the individualised learner record (an electronic record the provider completes, and funding bodies use to monitor providers' performance against funding allocations).
- The Education Funding Agency's decision to provide funding by programme of learning rather than by qualification, and to produce a toolkit that allows providers to better understand their funding allocations and the impact of operational changes they might make, for example to student numbers.
- The Skills Funding Agency's efforts to publish an earlier and clearer set of funding rules.
- The Skills Funding Agency's decision to abolish the financial management and control evaluation return – this return had required colleges to report annually on the quality of their financial management and accountability arrangements.
- Ofsted's new risk-based approach which means that 'outstanding' providers are unlikely to be inspected unless their performance declines; and its reduced framework of requirements before an inspection.
- The Joint Audit Code of Practice, which should ensure that if selected for review, a provider will only receive an audit visit from one of the funding agencies, rather than both (paragraphs 2.9 and 2.10).

12 Overall, BIS's Plan has brought cost savings of around £4 million. BIS commissioned an evaluation in 2013 to measure the outcome of the actions in the Plan considered to have had an early impact. Most providers consulted during the evaluation felt the administrative burden was either worse than or no different from that experienced before the Plan. Based on figures in the evaluation we estimate the principal changes have saved around £4 million a year across all providers. The evaluation found that providers were unlikely to see any economies in staffing costs. This finding is supported by the fact that the number of administrative and central services staff colleges employ rose by 5% between 2010-11 and 2012-13 (paragraphs 2.11 to 2.16, and Figure 8).

Further simplification

13 BIS and the Department for Education have not done enough together to streamline funding arrangements. Much of the cost associated with assurance stems from having multiple funding arrangements. There are two main funding bodies that apply different funding principles, potentially to learners on the same course. Also, providers who get funding from the European Social Fund must comply with additional assurance requirements. The providers we visited said they struggle with the mix of arrangements, despite the efforts made by the Skills Funding Agency and the Education Funding Agency to simplify their own systems. Providers were concerned about funding streams where rules change each year, resulting in time and cost implications for their own work, including the need to employ staff who understand these complexities and the additional challenges that changes can create for the financial management of the institution (paragraphs 3.4 to 3.7, and Figures 9 and 10).

14 There is scope for BIS to encourage greater harmonisation of the administrative requirements imposed by the various awarding bodies. Providers are free to choose the awarding bodies that best match their curriculum and offer value for money and an appropriate level of service and products. Some large providers, offering a very diverse range of qualifications, may deal with up to 60 awarding bodies. Providers reported challenges in meeting the awarding bodies' widely differing requirements. Providers said, for example, that awarding bodies have different rules for student registration, examination withdrawal and invoicing. They do not always use the unique learner number to identify students although BIS has evidence that it is being used much more widely than previously. The Joint Council for Qualifications, which represents the 7 largest awarding bodies, has started a project to make data exchange between the awarding bodies and providers more efficient. However, the Council is an independent body, and so this project was never intended to be part of the Simplification Plan (paragraphs 3.10 to 3.13).

15 Providers could do more to learn from each other and take opportunities to streamline their own arrangements. Some providers already collect learner destination data but, at the time of our visits to providers, some were exploring other options, sometimes costly, for getting this information. In a similar way, some providers interact with far fewer awarding bodies than others and consequently have to deal with far less variation in information requirements. There is scope for providers to learn from each other in such instances (paragraphs 3.9 to 3.11).

16 BIS has done little to estimate the compliance costs of forthcoming changes, which may make funding and accountability arrangements more complex. It is making changes to improve the responsiveness of the sector to the needs of businesses and learners. These changes include putting capital budgets for adult skills into the hands of local enterprise partnerships and piloting employer-funded learning. We found just one example where BIS had tried to estimate the extra costs of its reforms. This estimated the additional costs to businesses from introducing advanced learning loans, but it did not estimate the costs of the changes to providers (paragraphs 3.14 to 3.18 and Figure 11).

17 There is no comprehensive framework document setting out the roles, responsibilities and accountabilities of the funding and oversight bodies. Given the number of funding and oversight bodies involved in the sector, we would expect BIS to have published a statement setting out the accountabilities of the various organisations and how they are intended to fit together. Such a statement could also usefully set out the flows of data throughout the system. By contrast, the oversight bodies in the higher education sector have recently published an 'Operating Framework' which describes the organisations that handle different aspects of regulation, and shows how arrangements are changing to meet the needs of students and society (paragraphs 3.21 to 3.23 and Figure 12).

Conclusion on value for money

18 The Simplification Plan was a modest response to the issues raised by the Committee of Public Accounts in relation to over-complexity in the further education and skills sector. The Plan contains some good ideas, volunteered by the funding and oversight bodies, but implementing these ideas has not impacted significantly on the cost burden of complexity, as this report shows. A much more serious effort, led by BIS, is needed to meet the Committee's concerns and deliver better value for money in a sector that is already hard-pressed.

Recommendations

- a** **BIS should improve the quality of information on the compliance costs imposed by the sector's funding and assurance bodies.** Without this information, it will be difficult to prioritise work to simplify funding and oversight arrangements.
- b** **Working with the Department for Education, BIS should publish a document that clarifies the roles, responsibilities and accountabilities of the various oversight bodies.** There is no document that fully explains the sector's operating framework for the benefit of stakeholders, including providers and learners.
- c** **BIS should work with the Department for Education to find more radical ways to simplify the complex funding arrangements.** The funding bodies have each tried to simplify their own funding arrangements. But providers still have to navigate funding systems that work to very different principles.
- d** **BIS should ensure that forthcoming changes are implemented consistently with policy aims, but do not introduce unnecessary complexities and costs for providers.** BIS does not currently estimate potential compliance costs associated with proposed changes, to inform its implementation decisions.
- e** **BIS should work with Ofqual, the Joint Council for Qualifications and the Federation of Awarding Bodies to reduce the variation in administrative requirements placed on providers by the awarding bodies.** There is limited commonality in the administrative requirements awarding bodies place on providers, for example on issues such as using the unique learner number, student registration and examination withdrawal. These different requirements impose additional costs on providers.