

A simplified Further Education and Skills Funding System and Methodology – consultation response

Introduction

The Association of Learning Providers (ALP) represents the interests of a range of organisations delivering state-funded vocational learning. The majority of our 550+ member organisations are independent providers (from both the private and the third sector) holding contracts with the Skills Funding Agency, with many also delivering Department of Work and Pensions (DWP) provision. In addition to these we have a number of colleges in membership, as well as non-delivery organisations such as SSCs and awarding bodies as Associate Members, which means that ALP offers a well rounded and comprehensive perspective and insight on matters relating to its remit.

Overview

ALP welcomes the opportunity to contribute to the debate on the Further Education and Skills funding system and methodology for England. We believe that the current financial climate, despite the inevitable reductions in funding expected in the forthcoming Spending Review, offers a real opportunity to completely re-examine the current further education system and design a system better suited to the needs of a modern economy, competing in an increasingly competitive world market. At the same time it will be vital to ensure that the funding system and methodology properly supports the skills strategy and allows it to deliver the benefits that everyone wishes to see over the next few years. This response should be read in conjunction with the ALP response to the consultation 'Skills for Sustainable Growth' on the future direction of skills policy.

Principles for a funding system and methodology

Over recent years ALP has produced a range of policy papers setting out its position on Further Education and Skills funding. These have clearly identified a number of key factors its members believe should guide any funding methodology. They are:

- The **biggest single issue** that must be addressed is to finalise the **open market** of Government funded skills provision. All Government skills funding must be accessible by any approved provider, regardless of type, able to meet the required specification for delivery. The recently announced flexibilities for providers must be made available immediately for all approved providers across the public, private and third sectors. Restricting these new flexibilities to public sector providers only will limit the ability of the Government to identify and

utilise the most cost effective providers and severely constrain those appropriate competitive pressures that have been so effective in driving up quality across the FE system in recent years. We are concerned that some of the early proposals from the new Government seemed to be moving away from this important principle, making it impossible for independent providers to respond in the comprehensive way both demanded and necessary. Additionally, our employers continue to demand a system whereby a business can have a single conversation with the provider about their skills and training needs, with the provider then able to put together a responsive training package – pulling together any public funding where this is available.

- There should be a **single, professional funding (procurement) agency** ultimately incorporating the Skills Funding Agency, YPLA remits and DWP procurement (and possibly that of other Government Departments) over the longer term. This remains our long term vision, but there is a **real opportunity now to start this by bringing together the two existing funding bodies – the YPLA and the Skills Funding Agency** – a move that would both simplify the systems and reduce costs.
- Contracts should fund a range of programmes, allowing providers to ‘mix and match’ their delivery, within rigid maximum contract values, in **response to real time customer demand**, rather than constraining them to pre-determined numbers against a variety of different programmes – a principle outlined originally in the paper, ‘Moving to a real-time ‘Demand led system’, published in June 2006.¹
- Inspection and payment should focus on the **outcomes** achieved rather than the process. In the case of qualifications this would be assessed by Awarding organisations alone. Additionally the broader impact of skills training should be assessed via systematic sampling designed to identify the impact on productivity and profitability, in respect of employers, and employability enhancements, progression and wage increases in respect of individuals.

These, and other relevant points, are covered in more detail in the ALP paper, ‘ALP’s main points for driving up quality whilst reducing unnecessary costs in FE’²

We support the desire to **reduce operating costs**, and believe that there are many changes that could be made that will not only help the funding bodies, but also the providers, ensuring **more of the available funds go to the front line**.

We note that paragraph 10, the bullet point on ‘Allocations, procurement and contracts’ the document suggests ‘a single budget for all post-19 provision’. We welcome the proposal to introduce a single budget comprising what has previously been the Adult Learner Responsive (ALR) and Employer

¹ [‘Moving to a real-time ‘Demand led system’ published in June 2006](#)

² [ALP’s main points for driving up quality whilst reducing unnecessary costs in FE – published by ALP in June 2010.](#)

Responsive (ER) for all providers and are extremely pleased and relieved that this applies, as it should, to all providers and not only those in the public sector. We are still concerned however, that in reality only public sector providers may benefit fully from this, and independent providers might be left only able to access the so-called Employer Responsive (effectively Apprenticeship) element of funding. This would be wrong. Opening up the full range of funds available to all providers would lead to more Apprenticeships as it would allow providers to work out better routes into Apprenticeships, eg using ALR type funding to meet demand.

One specific concern, raised by ALP members, is the issue of 16-18 Apprentices, starting as level 2 Apprentices and then converting seamlessly to level 3 Apprentices, when they are over 19. Currently, this results in a reduction in funding, to 19+ levels for the level 3 apprenticeship period. If 19+ funding reductions were removed for conversions, where there was no break in employment and training, this would encourage more level 3 Apprenticeships in some sectors, especially those where it is impossible to identify level 3 apprentices as 16-18 starts.

1. The Wider Further Education and Skills Landscape

ALP supports the core principles set out in the document, especially the need to put **more trust in providers**, to **simplify the system** and to **reduce bureaucracy**, with **minimum intervention** from Government. A focus on (appropriate) **outcomes**, together with current work on 'course labelling', would also help ensure that the system better delivers what society and the economy need. Providers should be judged on their outcomes – learners want to achieve and if a provider does not enable them to do so they will not be employed for long.

We also agree with the description of how the system based on the core principles should operate, ie offering **maximum flexibility to respond to customer needs**, the need to **minimise costly processes** and to reward the delivery of clear and appropriate outcomes. We are concerned, however, by the fifth bullet point under paragraph 13, which suggests that only constraints which limit the ability of colleges to innovate should be removed, as we believe there should be an open market with all providers treated the same.

We have for some time argued the need to **reduce the overly complex and costly inspection/performance management systems** imposed on providers, believing that there are far too many different quality and kite marks that providers seem to be expected to achieve, and so we particularly welcome the suggestion in the sixth bullet point in paragraph 13, that the system is ready for a 'radical overhaul'. This is an area where 'market forces' really can be (and actually are) the most important factor in driving providers' performance. If a learner does not think that they have had a good experience they will say so and the provider will lose their employers.

There is a real opportunity now to get rid of the plethora of hoops that providers have to jump through that actually add no value at all to learners or

employers. When providers are dealing with adults in the workplace it must be remembered that the responsibility for the learner lies ultimately with the employer. In this situation providers have no influence on working conditions and involvement in areas such as safeguarding and even equal opportunities are not appropriate, although of course they would encourage their employers to follow best practices.

Funding policy

2. Single budget

Whilst we support the move to a single budget as described in paragraph 14 of the document, we are still concerned that in reality this is will remain only available for colleges, leaving independent providers largely unable to access the ALR budget, and only having access to the more limited ER element of the budget. We believe there must be a level playing field and all providers should have access to all funding lines – something that will be critically important when learning accounts are introduced if the learner is to have a proper choice of provider when using their account – and hope that this is the real intention behind the proposal.

It will be important that the flexibilities within the single budget do not lead to funding being switched from high priority employer responsive provision to other less economically important activities. This will require strong contract management.

Giving a ‘funding envelope’ covering the whole Spending Review period would be helpful as it would help with continuity as well as encouraging further private investment into the sector.

3. Improvement support

We welcome the suggestion that funding for improvement support may continue. Levels of funding might be top-sliced, releasing additional funds to support the front line, rather than using scarce resources to prop up poor provision instead of passing the responsibility for delivery to another quality deliverer. Monies for improvement support should be focused on capacity building providers (of all types) to enable them to respond to the changing requirements of Government as they introduce new programmes and policies. ALP’s preference would be for any funding for improvement support to be directed to providers via their representative bodies. These are by nature ‘sector owned and directed’ and accountable to their members for any support they deliver, and all have a clear interest in ensuring the high standards of their members are both maintained and strengthened.

We recognise, however, that the Government is unlikely to agree to fund via this route. If this is the case the next best alternative would be a truly sector owned, sector led organisation actively directed by providers, which must make full use of representative bodies’ expertise and their credible access into the provider networks. LSIS is currently seeking to position itself in exactly this way, with the elected Council of providers increasingly determining what support monies should be targeted at, and maximising the

involvement of the representative groups to facilitate the efficient and effective transfer of support funds to the appropriate front line. This strategy must be fully implemented quickly in order to maximise provider support.

4. Ensuring Colleges and Training Organisations Meet the Needs of Customers

As stated earlier we support the creation of a single adult budget as long as this is accessible by both independent providers and public sector colleges.

In paragraph 21 a number of ways of incentivising providers are set out. Whilst there can be a place for modifying rates to incentivise delivery we are concerned that there is a danger of over complicating the system. The best way to incentivise providers is to use strong contract management – rather than funding rates – to ensure delivery is driven by learner needs.

5. Public subsidy – A Simplified Fee Structure

Everyone supports the desire to simplify how learners are funded. We agree there must be a clearer articulation of what Government supports and what contribution will be required from employers and individuals. ALP has long argued that past messages to employers and individuals have encouraged them to expect Government will pay. We suggest that instead the cost of any training should be clearly stated, with a confirmation of what the Government is prepared to contribute towards that cost, ie a complete reversal of the current approach.

- Whilst it is quite clear that **employers are prepared to pay for the training they want/need**, they do not feel they should cover the cost of additional elements they do not require but Government expects to be delivered, especially if they believe that many of these should have been acquired in school.
- ALP members are extremely worried about the viability of simply introducing mandatory **cash** contributions from employers for work based learning. ALP believes it vital that any movement in this direction should be actively supported by employer bodies such as the CBI and British Chambers of Commerce and Industry.
- Proposals will need to take fully into account **the ‘in kind’ contributions to WBL and Apprenticeships in particular, which are already often considerable and usually totally underestimated not just by Government, but sometimes even by providers themselves.** These in kind contributions include the ‘mentoring’ element within Apprenticeships which represents a considerable contribution by the employer. There is a very real danger that if mandatory cash contributions are introduced many employers will either walk away from WBL or, if they are persuaded to continue, they will no longer be prepared to continue making these ‘in kind’ contributions. It will also be harder to persuade those employers that have ‘over trained; for the benefit of their sector to continue this practice if they are expected to make unrealistic cash contributions as well.

- If, however, as seems likely, a decision is taken to set fee assumptions there will need to be a **review of the costs of delivery before any initial minimum cash contribution levels are set**. These must apply to all providers, **based on the full cost of delivery** (which is less for 19+ than for 16-18 year olds) and offer some form of sectoral differentiation on the appropriate level of the contribution. It will also be **essential that all providers have full access to the entire single adult budget**, ie both the ALR and ER elements. It is unclear how cash contributions would work with those employers who hold a direct contract to deliver Government funded work based learning.
- Levels of **contributions could be linked to administration costs** (such as those associated with **registration and certification** with Awarding Organisations). The whole process would need to be carefully reviewed after a suitable period, to assess the impact before taking any decisions on making changes going forward. An option might be to stage increases to 'match' the cuts that will inevitably be made in the Spending Review, so that providers retain sufficient levels of funding to maintain the standards now being achieved in work based learning. There have been suggestions that employer contributions should be as high as 50% of the cost of training, in which case we believe that this must include the in kind contributions made.
- We believe that a requirement for cash contributions, in addition to 'in-kind' contributions, will **lead to a considerable increase in bureaucracy** for all concerned – a very real concern to many providers. This seems at odds with the current policy of reducing bureaucracy by focusing on outcomes rather than inputs. To reduce this considerable additional bureaucracy any **measurement of co-investment secured should be at the institutional level** as otherwise providers of all types would not be able to cope with the additional workload such a system would demand.

6. Public Investment to Follow Private Investment

See above.

7. A Coherent Approach to Learner Subsidy and Learning Support

ALP is interested in the way that ALS is allocated under the current Foundation Learning funding model through the YPLA. In this, the average GCSE attainment levels of the previous years' cohort are averaged, and a discrete ALS allocation is made on this basis. Its dispersal is not measurable against individual learners, meaning that the provider has the freedom to spend what is necessary without recourse to resource-intensive bureaucracy in order to claim or reclaim expenditure. However, the fact that ALS monies are awarded based on the **actual profile** of ALS requirements across a year's cohort means that were a provider to begin delivering to a harder-to-help cohort, they would be assured that ALS monies will automatically be generated to cover the extra costs involved. We believe that there is scope within this for a variation of this model to be used under Skills Funding Agency funding models Funding Methodology.

8. Simplified rate setting

In setting rates, the Government needs to be clear as to what it is buying – training, skills or qualifications. This is particularly important in the case of Apprenticeships, the true value of which is far more than the simple sum of their constituent parts, offering structured work integration and progression within sustainable employment.

We do not believe that rates should be set on the basis of inputs (particularly not guided learning hours – GLH – which are completely inappropriate in a work based learning setting, and also often prevent innovation). Rates need to be **set on the basis of acceptable outcomes** (where the measurable outcomes, eg qualifications, should be measured, and quality assured and verified, by the Awarding organisations), with appropriate start payments which recognise the amount of work needed to get a learner onto any learning programme. In setting rates it must be fully recognised that the vast majority of work based learning training (including of course Apprenticeships) is undertaken on an expensive ‘one to one’ basis, each in a different physical location incorporating often costly individual journeys on the part of trainers, assessors, verifiers, etc. This cost base must be properly considered against the totally different classroom/group training sessions more commonly utilised by schools, colleges, etc.

It will be important to recognise that with training for some of the most disadvantaged groups, eg the unemployed or learners with special needs, one of the most important outcomes is for them to get a job. This must be recognised as an acceptable outcome, rather than expect them to continue in training simply to achieve a particular qualification – an outcome not as important to them as being in work (where there remains the continuing opportunity to gain qualifications).

Currently many employers are ‘tied in’ to particular qualifications as these are the ones that they can get funding for. SSCs will need to be involved in getting the design of qualifications and training programmes right so that Government can clearly be seen to be paying for those ‘transferable’ skills they wish to buy, with employers paying for the particular skills they need for their business.

9. A Move Away From Funding Inputs to Funding Outcomes

We support the proposal to move away from funding inputs to funding outcomes, but do recognise that there could be some difficulty in identifying some outcomes for short courses in the same way as for long because the nature of the learning does not allow time for this to be demonstrated. It would also be necessary to differentiate between new entrants to the workforce and older workers when setting rates. The consultation document suggests the need for a model which would allow the Government to respond to the market through pricing strategies rather than targets or planning – a move we would endorse. One thing seems clear, however, if funding rates are to be used year on year to modify delivery in line with Government expectations, it will be essential to have properly qualified procurement specialists, working ideally for the single procurement agency we argued for

earlier in this document, or at the very least a merged YPLA/Skills Funding Agency.

We do not believe that different cost bases of different providers should be a factor in determining funding rates – the quality of delivery should be the only factor that determines this.

In supporting a move away from ‘on programme’ payments to payment on outcomes rather than inputs, we must make clear the need to retain a start payment that is sufficient to cover the costs incurred by the provider up front until they are in a position to claim the final, outcome payment. Payment should reward success.

10. Maximising New Technology in Delivery

We believe that there are many ways that new technology can be introduced, which will reduce costs whilst not affecting the frontline delivery to the learner. Electronic signatures (already available to certain large employers), data storage and self certification of Apprenticeships come immediately to mind. The audit function is another area that needs updating. Skills Funding Agency auditors need to embrace the technology available eg allow the evidencing of learner progress via electronic portfolios, which would bring significant benefits to both providers and the Agency itself. There are also many ways that new technology can be used for the delivery of the learning itself, again reducing costs and often actually enhancing the learning experience.

11. Rate setting

We fully agree the need to involve the sector from the earliest stages and ALP would wish to be part of any discussions.

The current system of rate setting has created a very complex system of rate calculation with variations to almost every learner. Rates can vary by size of qualification, weighting, type of employer, type of learner and location of learner. Clearly any simplification will result in more standardised rates. All providers will have some learners for whom they receive more funding than their delivery costs and some learners where the reverse applies. This however would support the move towards funding the outcomes of learning rather than trying to pay for the inputs. We support this move towards a more standardised rate setting.

We would also support the move towards using a common and nationally moderated structure of setting the ‘size’ of learning i.e. a credit based or unit based approach. However at this stage the current credit based values are not yet robust. We would recommend a much more rigorous standardisation process for credit setting involving practitioners at every stage. We believe that the credit-based approach is more appropriate to work based learning than the GLH based approach used in Colleges. The complexity of the cost of delivery within work-based learning is such that funding can only be based on the output or outcome delivered rather than the time spent on delivery. We would suggest some further research into how the current QCF qualifications

are measured in terms of credit to establish if this could be the basis of rate setting.

In our view every qualification would have a standard rate including all of the qualifications delivered in ALR. We would also have to quantify any non-qualification based outcomes to ensure that those outcomes have a value. This could be an annual exercise. The proposal to have different rates dependent on market demand, capacity building etc should be used with great caution. Estimates of market failure are often managed too late and create their own market failures. Differential rate setting based on priorities etc should be an exception to the rule.

Hard to help learners could be managed through a premium based on standardised assessment or measurement. Control of 'cherry picking' or failure to respond to needs from the hard to help can also be managed through effective contract management. With the advent of larger and fewer contracts based on shared objectives this would ensure that the funding is spent effectively.

12. Pricing Model Options

Government needs to resolve the fundamental differences between the state funding required to tackle unemployment and that required to incentivise employers to upskill their workforce. Although both have economic benefits, the approach to training required for each is completely different.

As stated earlier, we believe that the Government could use price to incentivise take up in areas they particularly wished to support or to prevent market failure – this would naturally include delivery for those most in need. We believe that it is the nature of the learner, rather than the type of provider, that should determine funding levels.

One issue that does need careful consideration is how any decisions to stimulate the market should be taken. ALP would be against local decision making, believing there should be a national pricing structure.

We must, however, point out the dangers of changing price bands each year in an attempt to prioritise Government policy, and so threatening provision in response to short term pressures. Past experience suggests that attempts to incentivise providers by turning this tap on and off again at short notice can do more harm than good.

13. Programme weighting

We support the move to reduce the number of different programme weightings. The weightings in work-based learning can be very different from College based weightings. When the majority of learning is delivered in the workplace the cost differentials tend to be less marked and if a single set of weightings are adopted this must reflect the differentials within work based learning and not just Colleges. Any move towards combining the weightings should be reviewed to determine the impact on work based learning,

especially as the differentials of the existing systems tend to have a wider range of weightings than would be appropriate for work-based learning. Sector variances will also need to be considered when setting these.

We have already stated our belief that there needs to be more clarity on the actual costs of training and the amount that Government contributes.

14. Reviewing Rates

We agree that there should be an annual review of rates involving all of the key stakeholders in the sector including providers. This review would include the 'size' of outcomes, patterns of delivery, weightings and any uplifts etc.

15. Rate Setting for Apprenticeship Frameworks

Given the complexity of the Apprenticeship Frameworks we agree the need to retain a link with the cost of delivery rather than a straight funding of the qualifications within the framework. The nature of the apprenticeship delivery i.e. the integration of learning with working practices, the extent of the practice on the job, the development of a wide range of work skills means that we need to retain the analysis of the overall delivery. However in the short term this activity-based approach should be analysed against the credit based approach in other learning areas to ensure we can bring the two methodologies together over time.

16. Reviewing the Use and Composition of the Provider Factor

ALP supports the wish to simplify the funding methodology and especially the removal of Guided Learning Hours (GLH), which are totally inappropriate for learning delivered in the workplace.

Allocations, Procurement and Contracting

17. Allocating Funds

ALP supports moves to a single budget which would allow providers to respond to local need and demand, and as stated earlier believes that all providers should be able to access both ALR and ER budgets, not just colleges. All providers should have an allocated budget, which they can use in response to customer demand. All adult provision including the provision currently covered within the Adult Learner Responsive budgets should be covered within this 'single' budget line. Restrictions on what can be delivered should be based on quality and capacity issues not restricted by contracts.

We do not favour Option 2 as this would create differential pricing between providers bidding for the budget. We understand the benefits of some market forces within the sector but on balance we would support a common pricing structure while there are a number of factors to be embedded within the system such as employer contributions, credit based measurement and the new Apprenticeship Frameworks. We would therefore favour an allocation process that builds in success in the previous year including mid-year analysis of current year's performance. This allocation should be made against a set

of very clear and transparent criteria set well before the start of the current year so that providers are aware of the vision they are trying to achieve.

We favour a payments on actuals approach rather than a payment on profile. This ensures an accurate recording of data and allows all providers and the funding agency to have a clear picture of what is being delivered. This also allows in year changes to budgets based on clear and predictable principles. In year changes to contracts should be the exception to the rule and should only take place when substantial differences between plans and actuals are evidenced.

On the issue of profiling, we believe that providers should identify their own profiles, and then be accountable to the Skills Funding Agency for their delivery against that profile.

18. Minimum Contract Levels

ALP understands the reasons why the Skills Funding Agency is proposing minimum contract levels (MCL), but many members are not convinced this is the best way forward, eg smaller niche providers with outstanding Ofsted grades might be given exemptions. It seems inevitable, however, that MCL will be introduced, in which case the Skills Funding Agency must decide what it wants to do (Simply reduce the overall number of contracts? Weed out small providers? Get rid of low quality providers?) and then define the rules that will allow them to achieve that aim. These should then apply to all providers and the majority of provision, and be managed in a way that both protects the learners and the infrastructure. Any intention to increase minimum levels over a period of time must be made clear from the start to enable providers to properly plan for their businesses against a known direction of travel. Whilst there are obviously some threats under MCL ALP believes that it would still offer good quality small providers the opportunity the opportunity to prosper and grow. Other implications yet to be thought through and determined are covered in section 20.

19. Sub-contracting

As the consultation document recognises, if large numbers of high quality providers are to be retained within the FE system there will need to be more sub-contracting. ALP believes that points covered in the bullets in paragraph 56 seem appropriate and believes the same criteria should be applied to the Skills Funding Agencies management of its contracts, especially the ability of its staff to manage their contractors. Any policy on sub-contracting, however, would need to reflect the diversity of arrangements amongst the provider infrastructure.

We do not believe that the financial and reputational risk to colleges and training organisations from sub-contracting is as great as suggested in paragraph 57, as the lead contractors will know that their own business and reputation is dependent on successful delivery of their contracts. We believe that the level of administrative fee should be negotiated on a sensible business basis, by the contractor and sub-contractor, who should come to a

clear agreement on what is being delivered and by whom. Sub-contracting is essentially a commercial arrangement involving a buyer and a seller, and will comprise a variety of arrangements, not necessarily just fees – such information is commercially sensitive and should not be published. This sub-contracting process is clearly set out in the Provider Collaboration Toolkit developed some time ago by ALP with funding from the LSC.

It will be important to ensure that greater sub-contracting does not divert funding from delivery into additional, bureaucratic administrative activities. That said, the history of sub-contracting/franchising does not offer a lot of optimism that sensible, desirable relationships will automatically ensue. Management fees of up to 60% (money diverted away from frontline delivery, as has happened in the past) must not be allowed to reoccur and it will be important for the funders to oversee at the very minimum a code of practice designed to ensure scarce Government funding reaches the frontline in proper proportions. It would be sensible to consider utilising the DWP 'Merlin' standard, which has been developed recently for exactly this purpose, and which will already be familiar to many providers.

20. New Provider (or Employer) Process

ALP has long argued for some form of preferred supplier process, along the lines of the Approved College and Training Organisation Register (ACTOR), and agrees with the principle that new providers (and employers) should be awarded probationary contracts along the lines suggested. However, we cannot see how this can be effectively taken forward in the light of the decision to substantially increase minimum contract levels (MCL) within the Skills Funding Agency regime. Very few, if any, potentially new providers are likely to bring with them the proven capacity to be awarded a direct contract above the minimum contract level threshold. There is a real danger that 'new entrants' would enter 'via the back door' as sub-contractors outwith any quality criteria properly set by the funding bodies. We believe the impact of MCL on both sub-contracting and new provider issues has yet to be properly thought through and determined. Such discussions and decisions are urgently needed.

Performance Management, Payment, Data Collection and Audit

21. Performance Management

ALP accepts the need for a process of performance management, including Minimum Levels of Performance (MLP), but these must be subject to a sectoral approach. It is unreasonable to expect similar levels of performance in all sectors, eg sectors with high levels of turnover in their workforce (such as many of the service sectors) will not be able to achieve the same levels as some of the more traditional sectors where employees expect to remain with their employer for a number of years.

22. Accountability

Proposals for 'course labelling' should help demonstrate accountability to customers and stakeholders. Ideally this should be kept simple and use as much existing data as possible, eg for a 'course' the provider's performance could be shown against performance nationally. Simple destination data would also be helpful.

We do not accept the statement in paragraph 66 that, "It would still be necessary to retain a contractual approach with independent training organisations with a more traditional set of measures of inputs and outcomes". We do not believe training providers should be treated differently on the basis of type.

23. Volume and Frequency of Data Collection

It is important that the same burden of data reporting, and the same transparency, is applied to both colleges and independent training providers where they are providing the same type of provision – eg apprenticeships, provision for NEETs, for unemployed adults etc. Data needs to be open, clear and timely and it is not clear from the proposals in the paper, whether the data burden will be reduced or not. The proposals need sharpening, with Ofsted, Skills Funding Agency and others agreeing on data collection and measures of success. We do not believe it is appropriate to decide exactly what data is required until the new systems and processes have been decided.

24. Payment and Reconciliation

We believe that the greatest need is for consistency of approach, therefore all providers should be paid on the same basis, ie either all on profile with no in-year reconciliation, or all on actual delivery, with a six monthly review against Maximum Contract Value (MCV). Our preference would be for payment on actuals, although we do recognise that there are some advantages with payment on profile, eg it might encourage greater innovation in providers. A move to payment on profile would require a more trusting environment, with less audit. Profiles would have to be agreed in advance, and not imposed on providers, and especially not imposed very late in the day as has happened in the past.

If there is to be automated payment it might be more appropriate to have a discussion with under-performing providers before removing funds, and allow automatic payment where providers are performing above contract (as long as they remained within maximum contract levels).

One particular concern that remains, however, is the 8 month/4 month 'split' of the contract, which dictates how delivery takes place, rather than allowing it to meet actual, real time demand. The split makes life unnecessarily difficult for providers and there is no advantage in terms of contract management and fulfilment, hence some members have called for all funding to be moved in line with the Government financial year, a move that would also signal to all concerned that funding comes from central Government based upon the Comprehensive Spending Review.

25. Audit

We believe there is considerable scope to reduce the levels of audit. In particular it is essential that the confirmation of qualifications achieved, accredited by awarding organisation, is automatically accepted without further checks on the systems and processes. Additionally, we must eradicate the scope for retrospective re-interpretation of guidelines – after the event – leading to inappropriate clawback of funds. Guidelines must be clear from the outset to avoid unnecessary threats to provider organisations.

Implementation

The proposed timeframe seems reasonable, but we do not understand why GLH are not being removed as the prime determinant of rates until 2012/13. We believe this should be changed as soon as possible.

Summary

Getting the skills system working at maximum efficiency will be vital to the long term well being of the economy. The country can no longer afford the costs of an overly complex and bureaucratic further education system and the time is right for a radical overhaul to give best value for money to both taxpayers (business and individuals) and the Government that is responsible for investing their money effectively and efficiently. To achieve this, it needs a funding system and methodology that is fit for purpose, allowing providers to respond to need they find, rather than restricting them to delivering against pre-set targets, ie a single budget for all providers that allows them to deliver the training demanded in their area, up to clear maximum contract levels, with minimum bureaucracy and no unnecessary 'process' checking.

ALP would welcome the opportunity to continue its involvement as the system is developed and then implemented.

Any questions or queries about this response should be directed in the first instance to:

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