



Department
for Education



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for Business
Innovation & Skills

Rigour and Responsiveness in Skills

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Note: This document incorporates factual corrections made following publication.

Ministerial Foreword

Since 2010 we have made progress in strengthening our skills system. The bureaucracy and target culture that was stifling colleges and providers, reducing their ability to respond to the needs of employers and learners, has been stripped away. We have taken steps to ensure that vocational programmes are as challenging and respected as academic ones. Apprenticeships starts are up, with the fastest growth coming in Advanced and Higher Apprenticeships. We have changed performance tables and funding mechanisms to address sub-standard provision at all ages.

But we need to go further if we are not to be left behind by our competitors, and to give everyone a chance to reach their potential. We need to put rigour and responsiveness at the heart of our skills system, to put employers and learners more directly in the driving seat, and to create incentives for all training providers to deliver excellent programmes. We need to ensure there is excellent vocational provision from age 14 into adulthood. We must also be quicker to intervene where performance falls below standards every learner should expect, and intolerant of poor quality provision.

'Rigour and Responsiveness in Skills' sets out how we will accelerate our reforms to the skills system, to ensure that our vocational training offer allows our citizens to compete with any in the world.

A handwritten signature in black ink, appearing to read 'Matthew Hancock', with a long, sweeping flourish extending to the right.

Matthew Hancock MP
Minister for Skills

1. Introduction

In today's global race we need a highly skilled workforce. Higher levels of skills help workers to become more effective: 20% of the growth in the output of UK workers can be attributed to the growth in their skill levels. Those who improve their skills are more likely to go on to further study or to progress higher in their chosen occupation. They are also more likely to have children who are more successful in school. So getting our vocational and technical education system right is both socially and economically vital.

The UK starts with many advantages. The best education in this country is world-class. Four of the top 10 universities in the world are British. Our best Further Education (FE) is also world-beating. It is just as competitive to secure a place on an Apprenticeship at Rolls Royce, or with BT, as to gain admittance to Oxford or Harvard. That is not surprising, as once Apprentices complete their programme with Rolls Royce they move into jobs with salaries in the range of £25,000 to £40,000. And a recent study estimates that those undertaking Higher Apprenticeships could earn around £150,000 more over their lifetime, comparable to the return for the average graduate¹.

But it is not enough for only our best training to be outstanding. In Britain there are skills shortages, for example in engineering and computing, alongside youth unemployment that, while falling, is far too high. This conundrum of unemployment and skills shortages is strong evidence that our education and skills system has failed in the past. A failing skills system undermines social mobility and holds back people who want to get on in life.

Despite the best of intentions, Britain has in the past had a confusing and often-changing skills bureaucracy. We have seen top-down control of courses from Whitehall, far too little employer engagement, an acceptance of weak provision and poor quality exams.

Meanwhile, other countries with rapidly expanding economies are investing heavily in their people at all levels. By 2020 it is projected that China and India will account for 40% of the world's university graduates. OECD data show that Shanghai now tops the international league table in maths for 15 year-olds, closely followed by Singapore and Hong Kong. India has set a target of raising the skills of 500 million people by 2022, and is investing heavily in vocational training. This transformation in education will strengthen their economic growth, because higher skill levels translate directly into higher labour productivity and enable countries to adopt new technologies. For the UK it is both an opportunity and a challenge. The government's industrial strategy is to support growth by working in partnership with businesses in strategic sectors of our economy. British businesses and their employees can benefit from increased trade and new export markets, but only if they have the skills to be globally competitive. So to succeed as a nation strong vocational education is essential.

¹ 'University education: is this the best route into employment?' – AAT and CEBR (February 2013).

Our approach

Since 2010 the government has made reform of skills provision a priority. The government inherited a system focused on a multitude of poorly conceived targets. It was top-heavy and centrally planned. Funding was wasted on training that employers would have provided without government intervention, or on courses employers didn't need. Huge numbers of qualifications were developed, but many of them were of questionable value, and as a result were hardly used by employers. There had been a significant expansion in training that was of low quality, or of limited impact. In the worst cases, 'training' amounted to merely the accreditation of existing skills, rather than the teaching of new ones. This was unacceptable. It let down the learner and wasted taxpayers' money.

This government has made progress in reforming the skills system. Targets have been removed; training providers have been liberated from central controls; and funding now follows the learner. The reform programme now needs to move to the next stage. This means driving up both rigour and responsiveness in the system. Those are the principles that underpin this government's approach.

Vocational qualifications must be **rigorous** so they qualify a worker to practise in their chosen role. If a qualification is not a passport to a job or a higher level of education it has no purpose. Training that does not take learners further than when they started a course can be worse than useless. Our best colleges and training providers have demonstrated what is possible. We need to create a system that incentivises all to attain the performance standards of the best.

This will be achieved by a system that is **responsive**. It means ensuring the flexibility for education and training providers to deliver what is really wanted by learners and employers. Responsiveness also means giving real choice to the individuals or employers who use our skills system. In some cases this may involve routing public funding for training directly through employers, and enabling co-funding by employers and individuals. In all cases it involves providing accessible information to allow people to choose the training that will help them the most.

Just as we are clear what reform requires, we are clear what reform does *not* mean. The past few decades are littered with attempts to improve skills provision through changing the bureaucratic architecture: creating, then abolishing, the Learning and Skills Council; turning National Training Organisations into Sector Skills Councils; setting-up Train to Gain Sector Compacts. Institutions have come and gone at a pace. Our focus is on putting in place a rigorous and responsive system largely through the existing architecture, with a significantly more efficient Skills Funding Agency and Education Funding Agency as the central funding bodies.

What we have done so far

Since May 2010 the government has taken major steps to achieve rigour and responsiveness in vocational training – both for young people and for adults. Professor Alison Wolf’s review of vocational education² identified that far too many young people were being encouraged to take dead-end vocational qualifications of little value. As she noted:

“In recent years, both academic and vocational education in England have been bedevilled by well-meaning attempts to pretend that everything is worth the same as everything else. Students and families all know this is nonsense. But they are not all equally well-placed to know the likely consequences of particular choices, or which institutions are of high quality. Making that information available to everyone is the government’s responsibility. Too often it, and its agencies, have failed at this task.”

She found that the system needed to be radically simplified, and young people needed to be given access to accurate information in order to be able to make informed choices. For 14 to 16 year-olds we have addressed the perverse incentives provided by performance tables. These suggested that vocational qualifications of frequently variable quality and narrow scope were equivalent in value to a GCSE. This sent misleading messages to pupils and their families about the choices they should make at age 14, and misrepresented the performance of schools. From 2014 we will only recognise in performance tables rigorous vocational qualifications which have employer confidence, and provide a broad education. The raising of the participation age and introduction of study programmes will mean that all 16 to 18 year-olds take training including at least one qualification of substantial size; and that those who have not already achieved a good GCSE in English or maths will work to do so.

In 2010 the government removed the culture of top-down bureaucracy and central planning in the adult skills system. Targets were abolished, and the multiple separate funding lines and ring-fenced budgets were also abolished and combined into a single adult skills budget. This has given colleges the freedom and flexibility to focus on the training demanded by individuals and employers. It has supported a massive expansion of the Apprenticeship programme, with the number of starts increasing by 86% since 2009/10. We have also cracked down on poor quality. We have made clear that we expect Apprenticeships to last at least a year; to include English and maths where necessary; and to involve a paid job. New, tougher funding rules have allowed the Skills Funding Agency to remove sub-standard provision.

The next stage of reform is to give more power to the learners and employers who use the skills system. The Employer Ownership Pilot (EOP) has encouraged businesses to

² ‘Review of Vocational Education – The Wolf Report’ – Professor Alison Wolf (March 2011).

compete for £340 million of public funds to support new, innovative training approaches. It has proved very popular. In the first round bidding successful employers put up £115 million, alongside around £90 million of government investment. Projects include Siemens working with BMW and others to enhance skills in the supply chain, and an initiative led by PwC to address the talent crunch constraining small and medium-sized enterprises' growth potential. This has shown that when employers are given flexibility, and training is genuinely responsive to them, they are willing to put forward substantial amounts of their own money.

A low-cost loan facility has been introduced for learners aged 24 and over who want to undertake learning at an advanced level. This gives people a low-risk way of investing in their own skills, which they pay back only when in a well-paid job. It also puts purchasing power directly in the hands of the learner, so they can exercise real choice. Where training providers and colleges have to convince individuals and employers to invest, they will respond to their choices more proactively than they do when they simply receive their funding from the government.

New technology will play an indispensable role in transforming vocational training. Technology is both directly improving the user experience and raising standards, as users make better choices with easy access to information. In the United States, Ivy League universities offer online degrees that have engaged millions of users worldwide. Our colleges and providers must take advantage of such opportunities. They will help make the most exceptional training programmes available more widely in this country; and enable the best of the British vocational sector to market the outstanding programmes they offer internationally.

Rigour and responsiveness

The changes we have introduced so far have laid the groundwork for rigorous and responsive training. However, there is still some way to go to create a system that through its very structure creates rigour, and ensures that provision responds to the individual and the employer. This paper sets out 6 important areas where we will make changes that achieve this objective:

- i. **Raising standards:** high quality teaching and learning is at the core of a successful training system. There will be 3 broad approaches to raising standards. First, lecturers and teachers in colleges deserve recognition. So the professionalism of the FE sector will be raised by the new FE Guild and by the introduction of 'Chartered Status', which will become the internationally recognised mark of quality for learners and employers. Second, where performance is inadequate, there will be a faster, more robust intervention regime that protects learners while firmly tackling poor provision, by providing a clear administration process for failing colleges. Third, by giving individuals and employers better

information on the quality of provision and greater power to choose training, we will sharpen the incentives for colleges and providers to achieve higher standards – and we will reward those that do.

- ii. **Reforming Apprenticeships:** the Apprenticeship programme is already a success. The number of Apprenticeship starts has grown substantially since 2009/10, and the National Audit Office has found that the programme delivers good value for the taxpayer. However, quality is not consistent across the programme. Doug Richard’s report on Apprenticeships³ has set out a compelling vision for the future of the programme, one which we fully endorse. His central insight is that the heart of an Apprenticeship is the relationship between the individual and the employer. The standard for completing an Apprenticeship should be set by an employer, and an Apprentice’s competence tested at the end of training. Employers should have much greater flexibility in deciding what training individuals need to get to that standard. Richard recommends that the government should support employers in exercising these choices by giving them real purchasing power. Our consultation document ‘The Future of Apprenticeships in England: Next Steps from the Richard Review’⁴, published on 14 March 2013, sets out how this will be taken forward.
- iii. **Creating Traineeships:** the transition into the workplace is important to young people. Evidence shows that a young person who spends more than 12 months out of work in their late teens and early 20s is significantly more likely to experience greater unemployment at a later age. Contact with employers while still in education is also important, and research also demonstrates that it can substantially cut the risk of being ‘not in education, employment or training’ (NEET)⁵. The introduction of the Traineeship programme will provide a combination of a focused period of work preparation, a high quality work placement and training in English and maths. Employers will have a clear line of sight over the design and delivery of the programme, ensuring that it provides the right skills for the workplace.
- iv. **Meaningful qualifications:** to be effective, qualifications need to be relevant, rigorous and recognised. We have already implemented reforms that have removed perverse incentives for schools to push 14 to 16 year-olds to take vocational qualifications of little value. We are consulting on the qualifications taken between the ages of 16 and 19. For adults, the existing swathe of qualifications will be simplified. Following a short consultation we will be removing

³ ‘The Richard Review of Apprenticeships’ – Doug Richard (November 2012).

⁴ This can be found at <https://www.gov.uk/government/consultations/future-of-apprenticeships-in-england-richard-review-next-steps>.

⁵ ‘Employer engagement in British secondary education: wage earning outcomes experienced by young adults’ – Dr Anthony Mann and Christian Percy, Journal of Education and Work (February 2013).

up to 2,500 qualifications with little or no uptake from the funding system, and more are likely to follow. In order to remain eligible for government funding those that remain will need to be rigorous and demonstrate strong employer input.

- v. **Funding improving responsiveness:** the government's funding choices are one of the strongest tools for incentivising quality improvements and ensuring responsiveness. This government will not pay for poor or irrelevant provision. In the current economic climate limited government funding must be focused on where it can add most value. New approaches such as loans for those aged 24 or over, and direct employer funding through the EOP, provide much sharper incentives for colleges and training providers to respond to what students want to study.
- vi. **Better information and data:** giving the individual or employer the power to make effective choices is not just about money. Good information and data are just as important. In a world of apps and mobile devices the government is unlikely to be the best provider of user interfaces for these data. Our priority should be to make data available to developers to create their own applications which ease access; and through better use of information to make the system more accountable.

Conclusion

Our country is in a global race, and as in any competition, the dedication, resilience and skills of the participants are fundamental to success. In this race the role of the government is to put in place the infrastructure that allows the ambitions and talents of our people – especially our young people – to flourish. The way to do this is not to set arbitrary targets, or to prioritise one form of learning or pathway over another. Those are soft choices. They effectively consign one group of learners to a second class offer, and write off their chances in the global race. Instead, the government has to succeed at the harder job of securing a high quality, rigorous and diverse range of provision that responds to the needs of every individual. Through rigour and responsiveness, 'parity of esteem' between different options can become a reality for all our learners.

2. Standards

Introduction

The skills system can only be as good as the institutions and individuals who actually train and educate learners. So it is vital that the system improves standards, to ensure it prepares learners for new jobs, and is stretching, innovative and responsive to the needs of employers. To achieve all this strong leadership is vital.

The FE sector has many examples of excellent provision. The best is inspiring and impressive, and strives to improve further. However, where provision is mediocre or poor we fail to serve the needs of learners, employers and the nation as a whole.

Colleges and training providers must be supported in their desire to improve, while weak performance needs to be identified quickly and corrected robustly. This means we must refine the measures we use to identify poor performance. We must take rapid and decisive action where inadequate performance is found, or where progress on improvement is not being made quickly enough. In order to satisfy the needs of learners and employers, and to compete locally and internationally as the global race intensifies, we must and will tackle performance that in the past might have been considered 'satisfactory'.

This chapter sets out how we are applying the core principles of rigour and responsiveness to create a world-class network of skills providers.

The current situation

Much of the provision in the FE sector is of high quality. Some is exceptional, and the best truly world-class. The 2011/12 education and training success rate (the proportion achieving a qualification at the end of their course) for adults aged 19 and over was 83.9%; and Apprenticeships have shown a particular increase in success rates (those completing all the stages of the framework), improving from 48.6% in 2005/06 to 73.8% in 2011/12.

Ofsted judges two-thirds of colleges to be 'good' or 'outstanding'⁶, and learner and employer satisfaction is also high. The CBI 2012 Education and Skills Survey⁷ showed that overall employer satisfaction with FE college provision is rising, and the Skills Funding Agency satisfaction survey results for 2010/11⁸ show high satisfaction levels – for learners, the average score is 8.4 out of 10; for employers, 8.1 out of 10.

⁶ Source: Ofsted data.

⁷ 'Learning to grow: what employers need from education and skills' – CBI and Pearson (June 2012).

⁸ Available from the Skills Funding Agency.

But one third are not performing to acceptable standards, and some of the colleges rated 'satisfactory' have been performing at this level for over a decade. This is completely unacceptable, and has led to too many learners being failed in the past. These colleges' performance has to improve if we are to improve our position in the global race, and better serve the needs of learners, employers and local communities. The success of the best institutions shows that this can be done.

We set out in 'New Challenges, New Chances'⁹ (NCNC) how we would take forward reform to ensure we have high quality provision throughout the skills system. High quality is best achieved by strong, accountable leadership working in partnership with learners, employers and their communities. Providers are accountable to the government, as guardian of taxpayers' money, to Ofsted for the purposes of inspection, and to their customers – employers and individuals. So alongside more freedoms for providers we are ensuring greater transparency, through publication of wider and more granular performance data and learner and employer views. This will ensure that learners, parents and employers can hold providers to account with better information; allow them to make informed choices about where and what to study; and will thereby encourage providers to improve standards.

NCNC also outlines how we monitor the performance of providers, and the action taken where performance falls below minimum acceptable standards. Where providers fail one of these three measures we will intervene:

- an 'inadequate' Ofsted inspection
- failure to meet minimum standards of performance (based on learner success rates)
- failing financial health or control.

In line with our policy of making regulation less intrusive but more focused and effective, we have simplified and improved the system:

- Both Ofsted and the Skills Funding Agency now adopt a more proportionate and risk-based approach to monitoring, which allows them more quickly to identify and target underperforming providers. Those judged 'outstanding' are exempted unless performance drops. Ofsted has introduced a new Inspection Framework which focuses more clearly on teaching and learning; and has changed the 'satisfactory' grade to 'requires improvement' as a clear signal that just being 'satisfactory' is no longer good enough.
- We have also simplified the standards against which we measure qualification success rates, and are currently finalising a new approach to setting standards in

⁹ 'New Challenges, New Chances' – Department for Business, Innovation and Skills (December 2011).

future. This will use a much simpler methodology, and take a more holistic view of provider performance.

- New, interim minimum standards have been introduced that will provide greater consistency and fairer comparisons when judging the performance of schools and colleges delivering academic and vocational qualifications at level 3 to 16 to 18 year-olds. These minimum standards will be used to identify where schools and colleges are underperforming. In future years these interim measures may be developed further, to include progress measures and provision below level 3. The same triggers for intervention will apply across schools and colleges.

There is also stronger partnership between Ofsted, the Skills Funding Agency and the Education Funding Agency to ensure that weaknesses are addressed; and that solutions best meet the needs of both 16 to 18 and 19+ learners in a local area.

Our approach to reform

The reforms introduced in NCNC are a positive step. But that does not mean the journey is over. There is too much teaching and learning that is still not good, not enough strong governance, and the reputation of the whole sector suffers as a result. The recent Ofsted annual report on Further Education noted that around 1.5 million learners are being supported by providers who are not yet 'good'. That is wholly unacceptable, and must not be allowed to continue any longer. Put simply, the best way to improve the sector's reputation and capacity is to ensure that all providers at least meet Ofsted's new benchmark of 'good'.

The strategic principles of rigour and responsiveness will drive our approach. Providers have been freed to deliver, but learners, employers and local communities should also have the ability to articulate what they need. In the Autumn Statement the government set out that local communities, through their Local Enterprise Partnerships (LEPs), will have a stronger voice in FE. The government will also provide funding to help LEPs and cities secure high quality information to inform that voice. We will deal quickly and decisively with those providers who fall below the high standards we expect. Responsibility for the professionalism of the sector will pass to a new FE Guild, giving the profession itself the power to raise teaching quality.

Responding to local need

For individual colleges the ultimate responsibility for raising standards and challenging poor performance rests with the governors. Governors are accountable for the quality of what is delivered. Effective governance and leadership are essential ingredients of a strong institution, and weak governance and leadership is almost always at the root of poor performance. So over the coming months the government will work with the sector to review the strength of FE governance, and to determine how we can better support

and demand improved standards. The government has also set out how we expect colleges to take forward any major change to their delivery model, through a 'College Structure and Prospects Appraisal', to ensure that the impact of different options on learners, employers and broader communities are systematically considered.

Colleges will be supported to improve the capability of the sector. A new 'Chartered Status' scheme will be established, which will help FE institutions to celebrate their success, build their reputation and gain recognition for what they have achieved. It will provide an 'at a glance' indicator of quality for students and others. Institutions will have to meet a broad range of rigorous criteria, indicating a high degree of achievement and responsiveness to customers and community; and they will lose the status if they do not keep to these standards. As a mark of excellence all providers will want to strive for and achieve the new status, and the first awards will be made this year.

The work by Lord Lingfield in his review of professionalism in FE¹⁰ clearly identified that the current structure of professional support and initial teacher training is flawed. The creation of a Guild to improve standards, particularly in respect of teaching and learning, leadership and management, will be a major catalyst for improvement.

Quality, rigour and relevance are also the cornerstones of the Commission on Adult Vocational Teaching and Learning's recent report 'It's about work...'¹¹. It recognises that the sector already demonstrates genuinely world-class provision in a whole range of adult and vocational settings, and that the best is based on collaborative working. But the report shows that greater effort is needed to ensure a clear line of sight between work and all vocational programmes. It also focuses on the need to develop the dual professionalism of teachers and trainers; and to ensure we use industry standard facilities and resources to support adult vocational teaching and learning. And the report highlights the need for clear escalators to higher vocational learning, which develop and combine deep knowledge and skills. The government will set out its response to the Commission's report in the spring.

A powerful and informed community voice

We announced in the Autumn Statement that LEPs will have a new strategic role in skills policy, following the recommendations made by Lord Heseltine in his report 'No Stone Unturned'¹².

LEPs will have an important role in setting skills strategies for their areas, as a central element of their remit to achieve growth and development for their communities. They will, for example, be able to identify areas where there is a need to develop specific skills

¹⁰ 'Independent Review of Professionalism in Further Education' – Lord Lingfield (October 2012).

¹¹ 'It's about work...Excellent adult vocational teaching and learning' – CAVTL (March 2013). This can be found at www.excellencegateway.org.uk/cavtl.

¹² 'No Stone Unturned' – Lord Heseltine (October 2012).

to support growth businesses. LEPs have also been able to apply for funding from the Employer Ownership Pilot, working with local employers and, where appropriate, with national sectoral partnerships. In our response to Lord Heseltine's report we have agreed to include an element of skills funding within the Single Local Growth Fund, allowing LEPs to influence provision going forward.

We will also introduce a number of measures to ensure that all colleges take account of local priorities. The government will encourage LEPs to have significant representation on FE colleges' governing bodies, with colleges represented on LEP boards. And we will ensure that from July 2013 LEP priorities will be reflected through the National Careers Service.

Rapid and decisive intervention

These activities will continue to encourage and support providers to improve – helping the unsatisfactory towards good, and the good towards excellent. However, where performance is poor there must be no doubt that rigorous action will be taken to secure necessary improvements with immediate effect.

Where colleges are judged 'inadequate' by Ofsted, or fail on minimum standards or financial management requirements, we will use a suite of potential interventions. Independent training providers can expect to see their contracts terminated, subject to protecting the interests of learners. Protecting learners' interests is the primary purpose of intervention. That means safeguarding existing learners' education, and putting in place better local provision for the future.

Where a college's performance falls below minimum standards, the Skills Funding Agency will write to the college to confirm the position and refer the case to an FE Commissioner, who will be the single point of contact acting on behalf of the government and reporting to ministers. The FE Commissioner will consult with and act on behalf of the Department for Business, Innovation and Skills, the Department for Education, the Skills Funding Agency and the Education Funding Agency, and will report direct to ministers throughout the intervention process.

The FE Commissioner will review the position of the college (within a target two week timeframe), holding discussions with the college governors, the principal, local stakeholders and the agencies. They will advise and recommend to ministers from across the following suite of potential interventions:

- a new 'Administered College' status, in which colleges will lose freedoms and flexibilities while they are turned around, including restructuring or competition for new providers following a Structure and Prospects Appraisal; and/or
- the replacement of some or all of the governing body; and/or
- college dissolution.

'Administered College' status or dissolution is likely to require the Skills Funding Agency to amend its funding agreement with the college, to place restrictions on actions such as staff changes, expenditure or transfer of assets and liabilities that can be taken without referral to the FE Commissioner. Where there has been financial mismanagement, more frequent financial reporting will be required. Where dissolution is taken forward, the Secretary of State will issue a direction to the college to this effect. It may be combined with a direction covering how assets and liabilities should be allocated, or may instigate 'Administered College' status for an interim period if there is a need for any continuing provision to be commissioned.

The FE Commissioner will be able to draw together proposals for future provision, both from the Education Funding Agency (for example free schools, university technical colleges, sixth-form colleges etc) and the Skills Funding Agency. They will be expected to look creatively to identify sustainable, high quality solutions.

When a sixth-form college meets these same criteria for intervention, the same suite of potential interventions will be considered as for FE colleges. Intervention in individual cases will be managed by the Education Funding Agency, reporting to the minister.

Continuing to allow a college time to improve without government intervention would only happen where there is exceptional reason to believe the existing governance and management can deliver the required improvement. In this situation, the government will require agreement between itself and the college on a proposed improvement plan, which we will expect to be delivered in 12 months. Progress will be reviewed in 6 months, taking account of any new evidence, including Ofsted monitoring visits and re-inspection. Where progress is not sufficient or quick enough, the college's position will be reviewed by the Commissioner, who will advise ministers on whether alternative intervention measures should be brought forward.

All the above interventions would aim to deliver significant change to learners, and quality restored well above the intervention performance thresholds, as soon as possible - and at the latest within 12 months. The table at Annex A sets out in more detail action we expect colleges or providers to take themselves; the interventions government will take; and the sources of different action and support.

Conclusion

We have skills providers which at their best stand equal with any in the world. It is right that we celebrate this. But it is also right that where performance falls below the standards we and learners expect, the government should intervene quickly and decisively. The increasing demands of the global race mean that we have to be increasingly demanding of all our skills providers, and what might have passed as acceptable in the past will no longer do so. We need all providers to meet the standards of rigour and responsiveness.

We know that institutions across the sector are ready for this challenge. The route to a uniformly world-class system is to unlock the potential that exists across the sector, by freeing and equipping providers to work effectively with well-informed and committed communities, and to provide an outstanding service to learners and employers. We will not hesitate to intervene where we need to do so.

3. Apprenticeships

Introduction

Apprenticeships work. They have worked for over 600 years and today the programme is larger than ever. Over half a million apprenticeships were started in the last academic year. Over 200,000 workplaces participated. However, as the global race means our economy has to become more competitive, so our Apprenticeships must evolve to be more rigorous and more responsive to the needs of employers.

The best Apprenticeship programmes deliver outstanding results and are as over-subscribed as the most competitive university degree programmes. Apprentices on these programmes can expect good career progression and high earnings. However, there are other Apprenticeships that are not as rigorous; or that do not provide the breadth of high quality training and outcomes to lay the foundation for a successful career.

Apprenticeships should become the norm for those going into work by a vocational route. It is for this reason that we asked Doug Richard to review the future role of Apprenticeships. His review, together with advice provided by Jason Holt in examining how Apprenticeships can be made more accessible for small businesses¹³, and Alison Wolf's in-depth examination of vocational training for young people, provide the groundwork for a compelling vision for the future of the programme.

The current situation

The Apprenticeship programme is a success. The number of Apprenticeship starts has increased by 86% since 2009/10. Within this, the growth of Advanced Apprenticeships (ie at level 3) has been prioritised, and they have grown by 114% since 2009/10. Overall, as the National Audit Office has found¹⁴, the programme delivers strong value, to the tune of £18 for every pound of public spending invested – benefiting employers, Apprentices and society as a whole.

However, the government is not complacent. There is evidence that within the programme there is variation in quality and value. For example, the amount of off-the-job training differs widely, with 56% of engineering Apprentices experiencing off-the-job training compared with only 24% in retail. Construction Apprentices earn 32% more than their counterparts, while in other sectors having an Apprenticeship appears to have no impact on earnings. The government will not let the best Apprenticeships carry or justify those that do not deliver the same impact.

¹³ 'Making Apprenticeships More Accessible to Small and Medium-Sized Enterprises' – Jason Holt (May 2012).

¹⁴ 'Adult Apprenticeships' – National Audit Office (January 2012).

The government has already taken strong initial steps to raise standards and crack down on poor quality. All Apprentices must now be employed in real jobs. Minimum durations have been introduced and enforced. New quality expectations have been introduced, and training providers which do not meet minimum standards have had their contracts cancelled. Increased expectations for English and maths within Apprenticeships have been introduced, with a requirement that from 2014/15 all intermediate Apprentices should work towards achieving a level 2 in English and maths. However, in the context of the global race, Apprenticeships have the potential to play an even bigger role in equipping people to lead successful and rewarding working lives. Every Apprenticeship must offer a high quality career path. To achieve this, we need a system which by its very structure and character is responsive to the employer; creates and perpetuates rigour; and prioritises investment where it will create the greatest value. Doug Richard's proposals set out how these objectives can be achieved.

Our response – what we will do to achieve the Richard vision

Doug Richard's central insight is that at the heart of an Apprenticeship is the relationship between the individual and the employer. In an Apprenticeship, an employer trains an employee to perform a new job role and gain significant new knowledge and skills. Through practice and guidance in a real workplace the employee becomes fully competent in that role. The government's contribution to this relationship is to support the employer in helping the individual to achieve the standard required, where that standard is sufficiently stretching and provides transferable skills. This is the traditional meaning of an Apprenticeship, but it is one that has sometimes been lost in recent years.

This means that employers need to take charge of Apprenticeships. Employers know what it is to be competent in a job, and they should lead in setting the Apprenticeship standards. These standards should focus on the outcome – what Apprentices can do at the end of their Apprenticeship – and not on prescribing the journey by which they get there. Too often within the current Apprenticeship programme an employee has to work through a list of component qualifications by evidencing competency in often narrow, discrete tasks. Rather, passing an Apprenticeship standard should involve an overall assessment, taken mainly at the end, which in a very practical way demonstrates competency in that occupation.

This test needs to be rigorous, and assessment has to be demonstrably independent and trusted by employers. It is important to avoid a tick-box culture. For the achievement of an Apprenticeship to have value, the standard must be credible and meaningful. Employers should have full confidence that assessment is consistent and robust; and they should be involved in designing and implementing a system which assures this. Once the standard has been passed, employees should be fully competent and confident in the job role for which they have trained, with the transferable skills and a recognised qualification to signal their achievement to other employers within their sector.

In sectors where professional registration exists and is well-recognised, Apprenticeships should provide the training, experience and other requirements needed to achieve this. This is already the case for the status of engineering technician, maintained by the Engineering Council, where an Apprenticeship provides a route to registration.

Apprenticeships should be designed for those at the start of a new job role or occupation, and to support people to train for jobs at a higher skilled level. If an employee is already competently performing a role, then it will not be the appropriate route. An Apprenticeship will not be the right choice for every individual or job role. An Apprenticeship job will by its nature require substantial training over an extended period to master the skills involved.

We should also expect all Apprentices to have a grounding in core skills, which enable them to progress further. English and maths are essential in this respect. All Apprentices who have not already achieved the standard of a GCSE at grade C or above in these subjects should be supported to attain this.

Fundamentally, the approach to quality and rigour should in future be underpinned by enabling employers to be effective purchasers and owners of training. This is for two reasons. Firstly, training provision must be responsive to the employer; and that means that providers should see employers, rather than a public funding agency, as their primary customer. Equally important, if employers have a stake in purchasing training, and are well-informed, then colleges and providers will need to demonstrate high quality and good value to them. This will create a system which enables the right outcomes through its core principles – rather than needing external interventions to crack down on poor quality.

These principles are already being tested through the Employer Ownership Pilot (EOP). This is giving employers direct control of public funding for Apprenticeships; and allowing them to make their own purchasing decisions, so they can determine what training works for them and their Apprentices. The pilots will help us to learn more about the issues, benefits and challenges that arise. Looking further ahead, we will explore options for addressing the core principles that the Richard Review has articulated. This will include assessing how well different approaches could support the goals of our reforms, as well as the practical and cost implications for individuals, employers and the government.

Giving employers and individuals effective choice is not just about money. We also need to make sure that they have the right information and data to make their decisions. It is now more possible than ever to give the individual or the small employer simple access to information. The government is not historically the best provider of usable online tools, but if the data are made available others will step in to produce more effective tools. Prompted by the challenge Doug Richard has set us, we are looking at how we can maximise access to data, with a focus on FE datasets.

Following the consultation on the Richard Review, we aim to confirm our implementation plan and future timetable in autumn 2013. Given the scale of the proposed reforms; the necessary lead-in times to introducing changes to qualifications, funding or delivery; and the need to ensure stability for those currently undertaking or delivering Apprenticeships, we will carefully stage full implementation over the coming years. Subject to the consultation, we hope that the first teaching of some of the new Apprenticeships standards and qualifications in those sectors which move fastest will be possible in 2014/15, with other sectors following in 2015/16.

But we will not delay making progress where we can now, continuing to take forward efforts to improve quality, rigour, and employer responsiveness in advance of full implementation of these reforms. Through the EOP we will continue to test how employers can directly set standards and exercise real leadership. We will continue to push demand for Advanced and Higher Level Apprenticeships, and to identify and remove poor quality provision. We will take new measures to raise attainment in English and maths within Apprenticeships; and we will act early on Doug Richard's recommendations on ways to improve awareness and boost demand, including through increased access to public data. We will seek an early opportunity to ensure that the legislative framework for Apprenticeships can facilitate the reforms we are proposing.

Conclusion

Apprenticeship is the gold standard of vocational training. It has survived the test of time, and today provides substantial economic and social returns. However, it remains an under-exploited option for hundreds of thousands of people and employers. A top-down, government-led approach will not allow Apprenticeship to achieve its potential as a high quality path to a rewarding career. This is because in the global race the rapid pace of change means that public institutions will always be behind the constantly evolving knowledge base. As a result, only a more employer-centred approach can make Apprenticeship an attractive and credible option for the vast majority of businesses; and thereby provide the opportunities for the many young people who want to start their career as Apprentices.

The government therefore welcomes Doug Richard's report and agrees with his assessment of the challenges and opportunities ahead for the Apprenticeship programme. We fully endorse his vision for the future of Apprenticeships and the key steps we will need to take to get there. Our response, 'The Future of Apprenticeships in England: Next Steps from the Richard Review', sets out for consultation¹⁵ the principles we believe to be important, our priorities for reform, and our proposed approach. This is to both confirm the direction we wish to take, and to inform and stimulate a wide public consultation on implementation.

¹⁵ The consultation is open until 22 May 2013.

4. Traineeships and pathways into work

Introduction

Skills are essential for getting a job and progressing in work. If people are not able to achieve basic levels of English or maths, then they will struggle to find work of any kind in today's demanding labour market. Moreover, in an increasingly competitive global market, the skills needed by workers are increasing, placing greater emphasis on the ability to learn skills and adapt. Individuals are substantially less likely to be employed if they have not achieved five GCSEs above grade C. They are likely to endure more periods of unemployment. The achievement of basic skills is fundamental to help people make the most of their lives and to secure social mobility. In short, we must support everyone to reach their potential.

That means we need to place rigour and responsiveness at the heart of our support to unemployed people. We need to offer high quality training in the skills people need entering employment, and to provide a platform for acquiring new skills throughout their working lives. In addition, the offer for unemployed people needs to be genuinely responsive, giving them the mix of education and training that fits their needs and supports them into work, rather than what is convenient for the provider. This must include developing the essential 'soft skills', such as team working, collaboration and punctuality, which are needed for the workplace. This will only happen where providers are truly responsive to the needs of employers, engaging them fully to ensure that the education and training provided will genuinely equip the trainee for the workplace.

The mixture of skills and experience which are needed to support this group must be provided through a programme which consistently combines rigorous tuition in basic skills with high quality work experience. The Traineeships programme has been designed to do all these things.

The current situation

This government recognises the central importance of skills provision for unemployed people. We prioritised this group in the Spending Review, despite a difficult public spending environment. Typically, over the course of a quarter, one third of learners starting an FE course are benefit claimants¹⁶. That was around 300,000 learners in the period August 2011 to January 2012¹⁷. Many have improved their skills, found work and increased their life chances. However, there are still too many who have not made this transition.

¹⁶ Including Job Seekers Allowance; Training Allowance; Employment and Support Allowance; Incapacity Benefit; Income Support; Severe Disability Allowance; and Pension Credit.

¹⁷ Data available at http://www.thedataservice.org.uk/NR/rdonlyres/C317280B-DE61-4BE0-AC9F-ACC6B7F08284/0/October2012_Unemployed_Learners.xls.

The structural changes in all developed economies have been particularly challenging for young people. In 2007, on the eve of the recession, youth unemployment in the UK was already 14%. Despite 13 years of economic growth, young people were finding it increasingly tough to find sustained, purposeful employment. There are many reasons for this, but the clear implication is that the skills system was not working effectively to match training supply to skills needs. The recession clearly made this worse, but the cyclical difficulties overlay a long-term structural weakness in the youth labour market, such as the decline in the traditional entry-level job. The solution to that structural challenge is to ensure that young people are given a rigorous offer that will enable them to engage with confidence in today's labour market.

In many parts of the system, that rigorous offer is in place. However, this is not the norm. For example, the recent Ofsted 'Skills for Employment'¹⁸ report has found that existing pre-employment training can provide too few opportunities for meaningful work experience, and that the focus on progression to employment can be unclear.

Our approach to reform – a responsive system

Helping unemployed people become more employable is an economic and social imperative. It is an area which the government has set as a priority, and in the 2011/12 academic year an estimated £234 million was spent by colleges and providers on learners in receipt of Jobseeker's Allowance and Employment Support Allowance (in the Work Related Activity Group).

However, the system at present is not as effective as it could be. The twin approaches of injecting greater rigour and responsiveness into the system are therefore essential in order to achieve the twin goals of economic growth and social mobility.

The government already provides substantial support to unemployed learners. Qualifications and units in vocational skills, employability, English, maths and ICT are fully funded for the unemployed. Colleges and providers already provide training designed to address the skills needs of people who are unemployed. However, it is not enough simply to make these courses available. As noted above, the system is not always effective and sometimes acts as a barrier to people getting the education and training they need. And provision has not always been as responsive as it should be. For too long the system rewarded the achievement of qualifications regardless of the employment outcomes delivered by these qualifications.

To address this, the government has been developing a framework for skills and unemployed learners, aimed at improving the overall effectiveness and responsiveness of the system. This framework brings together a number of immediate actions alongside

¹⁸ 'Skills for employment: the impact of skills programmes for adults on achieving sustained employment' – Ofsted (July 2012)

longer term work both to assess and improve the functioning of the skills system and its interaction with the benefits system. The framework consists of six core elements:

1. **Skills screening and assessment:** we will design and put in place an approach to skills screening and assessment, jointly provided by DWP and BIS through Jobcentre Plus, National Careers Service and colleges, that will identify claimants' training needs at the earliest opportunity and ensure they are directed towards the training they need.
2. **Interaction between the benefits regime and skills:** we want to ensure a smooth interaction between the benefits and skills regimes. While full-time training for people on benefits should generally last no longer than 8 weeks, we recognise that longer training may be appropriate for provision such as English for Speakers of Other Languages (ESOL), English, maths and ICT, as long as the Jobcentre adviser believes that they are the main barriers to someone getting and keeping a job, and progressing in work.
3. **Capability and partnership working:** this will enable better joining up between colleges, Jobcentre Plus and Work Programme providers.
4. **Incentives for training providers:** we will support the rigour and work focus of training for the unemployed, by strengthening quality incentives for training providers to achieve employment outcomes; and by exploring how we can reward providers financially for the employment outcomes they achieve. This will encourage greater joint working between training providers and employers.
5. **Qualifications and units:** since January 2013 the government has been supporting some qualifications which are seen as requirements by industry, including forklift truck and food hygiene. Achieving these qualifications gives unemployed people a clear passport into work. We have committed to review whether there are other qualifications or licences to practise that should also be funded for unemployed learners.
6. **Communications:** we will overhaul the way we communicate to unemployed people about the opportunities that are available to them – and our expectations about how those opportunities will be taken up.

Traineeships

The framework will improve the responsiveness of the system. However, there is a lack of genuinely rigorous and purposeful pre-employment training for young people with no experience of work and poor basic skills. Apprenticeships have offered excellent opportunities for young people to gain the skills they need to progress in employment; combining work experience with mentoring, support and training in basic skills. They are a highly effective model. But, as Doug Richard argues in his report, an Apprenticeship

should be a long-term, substantial programme aimed at a skilled job. Programmes aimed at preparing young people for the world of work are valuable, but they are not themselves Apprenticeships.

The government accepts Doug Richard's assessment. It also notes that while there are individual examples of rigorous pre-employment programmes, they are not the norm. The government also recognises the power of Alison Wolf's recommendation that young people:

“...be given opportunities to spend substantial periods in the workplace, undertaking genuine workplace activities, in order to develop the general skills which the labour market demonstrably values”.

As a result, the government will introduce a new Traineeship programme for young people aged 16 to 24 who have little or no experience of seeking or being in work.

In January 2013 the government published a discussion paper setting out and seeking views on the aspirations for Traineeships¹⁹. The document proposed that they should contain three core elements:

1. A focused period of work preparation training. This will centre on areas such as CV writing, interview preparation, job search, self-discipline and inter-personal skills.
2. A substantial, high quality work placement to give the young person meaningful work experience, and a chance to develop workplace skills and prove themselves to an employer.
3. English and maths for young people who have not achieved a GCSE grade C or equivalent (level 2).

Employers need to work with us to design and develop the programme: ultimately, its purpose is to provide the skills that they demand. A number of high profile national employers have already taken part in the discussion. We will be working with them to ensure Traineeships are challenging and ambitious; and that young people emerge with valuable skills and good prospects for securing an Apprenticeship or other good job. In particular, we will be working with these employers to design substantial and challenging work placements that can act as a quality benchmark for employers around the country.

Conclusion

The government is committed to providing a high quality, responsive offer to help unemployed people, especially young unemployed people, into work. Where this works, it transforms people's lives. However, too often unemployed people are not able to access

¹⁹ 'Traineeships: supporting young people to develop the skills for Apprenticeships and other sustained jobs' – Departments for Education and Business, Innovation and Skills (January 2013).

the training that could make the difference to them and their families. We intend to end this by putting in place a system that is more responsive to their current and future needs, and by determining more rigorous learning programmes.

5. Qualifications

Introduction

Rigorous qualifications underpin the quality of our training system. They show employers that the learner is able to operate in a role, and they can provide evidence that the individual is ready to progress to a further level of education and training.

It is essential that we apply the underlying principles of rigour and responsiveness to vocational qualifications (VQs). If we are to compete in the global race, we need VQs that necessitate genuinely stretching learning, so that learners and their employers know that they have achieved something of lasting value.

Technology is changing how we work and the skills required to succeed. As a result, the content of training programmes will need to change more quickly. For example, the increasing use of technology within the automotive sector means that motor mechanics need to have strong IT skills, as well as traditional automotive knowledge. Similarly, as we seek to make our houses more energy-efficient, plumbers are increasingly needing electrical knowledge in order to implement the latest energy-saving technologies. As the knowledge within such occupations changes, the relevant qualifications need to respond.

This is especially important where the state provides funding. Public funding typically uses qualifications as the main proxy for the outcome of training. As a result, qualifications have been used to value courses, and judge the success of institutions. However, where qualifications are not valued by employers or include outmoded knowledge, then they could be driving a wedge between what learners need and what the system provides. If public funding continues to be linked to the achievement of qualifications, then maintaining a responsive qualifications framework is necessary to ensure that public funds are spent in the most effective way.

The current situation

Our current system has many strengths. It provides a great diversity and variety of qualifications. For example, as well as significant standard qualifications in engineering, the system provides a number of niche qualifications that help support the formation of craft skills. Many of our qualifications have become global brands, with City and Guilds, for example, operating in over 80 countries. This creates a platform for UK FE providers to export their capabilities. However, the pressures of globalisation and technological change necessitate a focus on the rigour and responsiveness of our current system. Even without those general pressures, Professor Alison Wolf has identified three reasons why our VQs system needs further reform:

- VQs have tended to provide an unduly narrow curriculum based around specialised requirements for a specific job. This is particularly inappropriate for

younger learners, who need a broader mix of learning to give them the foundations for employability over their lifetime. As a result, some learners on our vocational routes have made poor progress in literacy and maths, in contrast to vocational learners in the more broadly-based programmes seen in most northern European countries.

- The way in which employers contribute to the design and validation of qualifications has been too restricted. There was a requirement that Sector Skills Councils (SSCs) should 'sign off' all VQs, which gave a preferential position to one kind of intermediate body. SSC approval should be one way of showing employer support for a VQ, but not the only way. Doug Richard has echoed this in his report on Apprenticeships, where he has recommended a competition between employers to set standards.
- The design of qualifications had become too inflexible and process-driven. The SSCs created detailed national occupational standards (NOS), which were moulded into qualifications by awarding bodies. These qualifications then formed the basis for a curriculum that would be exactly the same wherever it was delivered. There has been little scope for employers to influence the content, or for colleges to consider how best to meet local needs.

The results of this system are clear. Of the nearly 11,000 qualifications available for public funding on the Qualifications and Credit Framework (QCF), the Skills Funding Agency has found that 2,500 have not been awarded at all in the last 2 years, or have been awarded to fewer than 100 people. As a result of this complexity, business is looking elsewhere. The UKCES Employer Skills Survey 2011²⁰ shows that a two-tier training market has developed. In effect we have a publicly funded system driven by qualifications; and a private system that employers believe better meets the rapidly evolving skills needs for their sectors. Only a quarter of businesses train their staff to achieve formal qualifications, down from a third in 2009. Employers express concern about the content and quality of many qualifications. For example, the CBI's Education and Skills Survey 2011²¹ found that 69% of employers say they are not satisfied with school-leavers' employability skills, and 44% say the same of graduates.

Our approach to reform

The government accepts the critiques of both Alison Wolf and Doug Richard. We have begun a substantial programme to inject greater rigour and responsiveness into our VQs across all age groups. In keeping with our wider reform programme, this requires greater employer ownership of the system and a relentless focus to improve standards and quality.

²⁰ 'Employer Skills Survey 2011' – UK Commission for Employment and Skills (May 2012).

²¹ 'Building for growth: business priorities for education and skills – education and skills survey 2011' – CBI (February 2011).

14 to 16 year-olds

For 14 to 16 year-olds we have addressed the perverse incentives caused by performance tables, which suggested that VQs of frequently variable quality and narrow scope were equivalent in value to a GCSE. This sent misleading messages to pupils and their families about the choices they should make at age 14, and misrepresented the performance of schools. From September 2012 only VQs that have employer confidence, and that provide a broad education to the learner, will be recognised in performance tables. These qualifications must provide a recognised pathway to further study at age 16, including entry to an Apprenticeship programme.

16 to 19 year-olds

For 16 to 19 year-olds we published a consultation document on 7 March 2013²² which set out principles for reform. Our vision is that there should be two types of level 3 vocational qualification available for learners in this age group:

- **Occupational Qualifications (OQs):** those specialist qualifications which equip a young person for a skilled trade or profession. We will require that OQs should show clear evidence of ‘end to end’ employer involvement. Employers will be central to their design and development; and the assessment and awarding processes used for vocational awards should involve local employers on a regular basis.
- **Applied General Qualifications (AGQs):** more general vocational qualifications which provide progression to Further or Higher Education. These qualifications will include a significant level of external testing, synoptic assessment and grading. We will only recognise qualifications that are accepted by a significant number of Higher Education Institutions.

We will require that both types of qualification are ‘substantial’, addressing the problem of some vocational learners being offered small chunks of learning. For both types we will require that there should be at least 150 hours of guided learning.

We will also shortly announce details of the Technical Baccalaureate Standard, which will recognise 16 to 19 year-olds who have achieved the highest levels of technical training. The Technical Baccalaureate and Apprenticeships will provide the most able and committed students with two prestigious occupational programmes endorsed by employers.

²² ‘Government proposals to reform vocational qualifications for 16 to 19 year-olds’ – Department for Education (March 2013).

Adults

Adult learners will often have a greater base of skills, experience and prior qualifications on which to build. As a result a more flexible approach is appropriate. Between 2007 and 2010 a new framework was introduced for creating and accrediting VQs in England, Wales and Northern Ireland – the QCF. QCF qualifications comprise individual units of learning, which can be put together in different combinations to form qualifications. This ‘unitisation’ provided by the QCF gives students the flexibility to move between different qualifications, to study at their own pace and to omit units from their study programmes where these are not relevant.

For younger learners QCF qualifications are not generally appropriate, because they need a broad-based education to provide a solid base of learning. However, QCF qualifications are relevant to two contrasting types of adult learner. Many adult learners seek training that is tailored to a specific work challenge. For example, plumbers may seek electrical knowledge to install solar panels to power a domestic boiler. They will often be educated to, or beyond, the level at which the relevant training is pitched. The individual and/or the employer typically fund training of this kind. The QCF creates the opportunity for such learners to access specialised VQs in a way that is flexible and personalised.

At the other end of the spectrum, for the hardest-to-reach learners such as offenders with little previous attainment, the ability to offer learning in accessible, bite-sized units can be an effective way of kindling their interest in acquiring skills. Similarly, for unemployed people, providing small units of learning rather than a full qualification can be a cost-effective way of helping them back into a job. Evaluation of trials by the Skills Funding Agency has shown that making funding available for QCF units, rather than a full qualification, can be effective, and we have said that we will extend this approach.

The QCF therefore has a role to play. However, it has become complex and ‘overgrown’. There are currently around 40,000 units on the QCF, which can be combined into more than 13,000 qualifications. This has led to uncertainty and confusion, and the benefits anticipated from the QCF are not being fully realised. The government welcomes the independent regulator, Ofqual, asking awarding bodies to withdraw unused or outdated qualifications. We also welcome Ofqual’s work to bear down on qualifications that are no longer fit for purpose; and the further work it proposes to get awarding bodies producing qualifications of the right quality.

For publicly funded adult learners, we need to ensure that the qualifications we support have a suitably broad content and level of rigour, and are responsive to employer needs. We are taking a number of steps to achieve this:

- The Skills Funding Agency is in the process of removing from the scope of public funding all VQs with low levels of usage, except where these meet legitimate niche

needs. We expect that from 1 August 2013 we will no longer fund over 20% of the qualifications on the current list. The Agency will then do more work on the rules for the approval of qualifications for funding, which will result in more being taken out of scope from 1 January 2014. This will simplify provision and give greater certainty to learners.

- Through the Innovation Code initiative we have removed the inflexible requirement that the Skills Funding Agency will only fund a qualification if it is on the QCF. Given the time it takes for a qualification to be created, this restriction meant that when opportunities arose that required a rapid response, public funding could not be provided. This is a particular problem in areas undergoing substantial structural change where new industries, such as offshore wind, do not have the qualifications available that allow providers to offer state-funded re-skilling programmes. The Code allows providers to offer new and responsive learning, for a limited time. The government is keen to ensure that providers make full use of this as part of the wider freedoms and flexibilities that have been given to the FE sector.
- The consultation on VQs for 16 to 19 year-olds invites views on whether these new qualifications should be covered by the adult entitlement to funding. We believe there is a good case for aligning the qualifications that are funded for 16 to 19 year-olds and adults, in the interest both of securing rigour and of providing clarity for employers, learners and providers.
- In order to inform the Spending Review, BIS and the UKCES will identify how vocational education and training outside Apprenticeships can secure greater employer ownership, become more purposeful and ensure that public funding is focused on those qualifications that can make the biggest difference. We will consider the implications of this for programme design and for VQs.

Conclusion

The qualifications regime is the lynchpin of our training system. It must give employers the reliable signals of ability and achievement they need when they recruit. It must give learners not just the knowledge and skills they require, but also a qualification that employers value. It also provides the basis on which public funding is set.

If we are to raise our competitiveness and so generate growth and rising prosperity, we will need a world-class qualifications regime that results in higher quality and standards throughout our training system. While there is positive practice, good intentions and a genuine desire to secure employer involvement, the complexity in the current system has delivered the confusion of 12,000 adult qualifications and caused business to look elsewhere. The challenge is to bridge the diverging private and public systems and give employers greater ownership. To achieve that, the publicly funded system must demonstrate the rigour that our businesses need and our learners deserve. It also needs

to be responsive so that our learners are preparing themselves for tomorrow's labour market.

The reforms set out above – removing barriers to innovation, cutting superfluous qualifications, injecting real employer ownership into qualifications and standard-setting – will bring the rigour and responsiveness we need into the system.

6. Funding and responsiveness

Introduction

The way that funding, both public and private, flows around the skills system underpins the outcomes that are achieved. So our approach to funding must support our principles of rigour and responsiveness, to provide high quality programmes locally that achieve value for the taxpayer's contribution where it is needed most.

At one level, this may mean that where the government provides direct funding, we do so on the basis of real benefits to the economy. An example of this is our move to funding more based on outcomes achieved in the labour market, rather than simply the completion of programmes. But increasingly it means pursuing a more radical approach. Putting direct purchasing power into the hands of users will often be the most powerful way of ensuring that skills provision is tailored to those users' needs. Organisations directly funded by a public body are more likely to respond to that funding body's requirements than those of the end user.

On another level, where the government is paying towards the costs of training, it must act as a demanding and discriminating purchaser. Every pound must be made to work hard. The government should fund only provision that is rigorous and responsive, and should eliminate all funding for provision that does not meet these tests. Furthermore, the government should also concentrate funding in areas where there is no private investment. Often there are direct benefits to employers and learners which mean that they are willing to invest for themselves. Employer investment in skills was £40.5 billion in 2011, and the ratio of private to public investment is likely to increase over the next decade²³. But too often in the past the balance between private and public funding has been arbitrary. In paying costs which could be met by private funders, the government has not got good value for money. The central role for government-supported provision is to fill the gaps where individuals and employers under-invest. And we should use the leverage between public and private funding contributions to maximise impact.

In an age of fiscal constraint across all the developed economies, it becomes ever more important that government should pay only in return for high quality outputs, and only where individuals or private funders cannot realistically be expected to pay. In simple terms, the government should only fund where it can add value, maximising the impact of that spend. Increasingly its role should be to support employers and individuals as purchasers of skills, rather than to be a direct funder itself.

²³ 'Employer Skills Survey 2011' – UK Commission for Employment and Skills (May 2012).

The current situation

Before 2010 the funding system for skills was complex, bureaucratic and inefficient. The skills system was centrally planned, with colleges and private sector training providers responding to government-dictated targets. As Alison Wolf noted in her review:

“English vocational education is extraordinarily complex and opaque by European standards...we have had over 20 years of micro-management and mounting bureaucratic costs...”.

There was too little responsiveness to the real needs of employers and learners – and too much responsiveness to a centrally-planned ambition to increase the volumes of qualifications without enough concern for rigour and quality. There was insufficient joining-up between public and private funding. As a result, in spite of successive increases in public funding, the performance of the skills system was disappointing. Youth unemployment was increasing at the same time as skills shortages in key areas of the economy.

The issue was not a lack of public funding. Estimated government funding for adult FE and skills teaching and learning increased from £2.8 billion in 2002-03 financial year to £3.5 billion in 2009-10 financial year (2010-11 prices). But too much funding was tied simply to whether providers could fill places, rather than to adding value; employers and individuals had almost no control over where funding went; and there was no bringing together of public and private funding to achieve shared success.

Overall funding in the 2013-14 financial year for adult FE and skills will be £4.1 billion, with £3.6 billion being routed through the Skills Funding Agency (see the table at Annex B). This funding has the capacity to support more than 3 million learners. We currently estimate that £764 million will be available to support 19+ Apprenticeships; and that approximately 674,000 adult Apprenticeships could be supported in the 2013/14 academic year. We will continue to focus funding for workplace training on small and medium-sized enterprises (SMEs) with fewer than 250 employees. We will also continue to support community learning for the most disadvantaged people with funding of £210 million per year. We recognise the essential role that employers have in identifying and supporting the skills which we need for growth. So we are making available up to £340 million over 4 years through the Employer Ownership Pilot (EOP), offering employers the opportunity to shape training provision for themselves. In the 2013-14 financial year £129 million will be available to support the introduction of 24+ Advanced Learning Loans, for learners wishing to study programmes at levels 3 and 4.

Our approach to reform

There are four things we are doing to tackle the difficulties outlined above.

Funding strategy

First, we are implementing the proposals we published in *New Challenges, New Chances*. The new streamlined funding system for adult skills will be implemented in the 2013/14 academic year. All aspects of the current system – funding rates, funding formula and earnings methodology – have been reviewed and simplified. With funding directly following the learner this not only creates significant efficiencies, using a national funding formula, but also ensures more money is provided to support front line delivery. It encourages learners and employers to become informed consumers, with providers having the funding flexibility to meet their needs.

Within this funding system we are promoting innovation and enterprise by supporting colleges and providers in drawing down funding for programmes that meet emerging employer skills needs, through the use of the Innovation Code. This encourages providers to develop programmes where no qualification currently exists.

We have removed central planning, enabling providers to be more responsive to their communities and allowing the most effective local delivery partnerships to be designed and put in place. This is creating greater value for money and enabling a wide range of different training organisations to access and operate in the FE market; including colleges, local authorities, and private and third sector providers.

Focused funding on young people and those lacking basic English and maths skills

Second, we have focused public funding in the areas where economic returns are greatest and where individuals and employers are likely to under-invest. To a large extent this has meant concentrating our funding on young adults and those with low level skills. There are recognised economic and wider public benefits where individuals improve their English and maths skills, or attain a first qualification at level 2. But individuals with low skills will generally lack both the access to ready finance and the information they need to acquire these skills. Many employers also lack the motivation to invest, because they regard this as the responsibility of the education system.

So we have maintained entitlements to fully funded English and maths provision that will support progression to the standard of a good GCSE for all adult learners. And to improve the effectiveness of this provision we are piloting how providers can be funded on the basis of individuals' skills gains. We have also maintained entitlements to a first full level 2 or first full level 3 qualification for those aged 19 up to 24. For learners aged 16 to 19 we have overhauled a funding system that provided perverse incentives to push learners through one low-grade programme after another. We now fund a rigorous programme of study that supports real achievement and progression, including the attainment of a basic level of maths and English.

Partnership with the individual

Third, we are helping adult learners get the skills they need to succeed. From September 2013 we will make available 24+ Advanced Learning Loans for individuals aged 24 or over to study programmes at level 3 and 4. Loans are a funding partnership between the government and the individual. The individual repays, but the government bears the risk of the individual not reaching a high enough salary level or for some other reason being unable to pay back the loan in full. The government also contributes through a subsidised interest rate. As well as being a fair and effective sharing of the funding burden, loans make the individual the purchaser of the training, motivated and encouraged to demand rigorous, high quality programmes directly related to workplace needs. Colleges and providers will have clear incentives to attract learners by offering good quality qualifications that produce the skills needed in the labour market.

Partnership with the employer

Fourth, there is a role for the government to provide funding where there is a legitimate need to invest in skills in order for jobs and business growth to become possible. So we have already committed £183 million on a contested basis through the first round of the EOP and through UKCES co-investment, to support skills development in different areas of the economy. We have also supported the 8 core cities through the first Wave of City Deals, which enable the skills needs of local businesses to be addressed. We expect to extend support further in the next Wave, covering 20 localities. Support for strategic skills, available to industry and local economic partners including LEPs and City Deals, should be a continuing feature of the national skills funding system.

In our response to Lord Heseltine's report 'No Stone Unturned' we agreed that including an element of skills funding within the Single Local Growth Fund is important in order to give LEPs the ability to influence provision, particularly for SMEs. However, we believe that it is important to continue the focus on transferring control to employers and maintaining a nationally funded Apprenticeship system.

We have already introduced funding that goes directly to the employer, and which explicitly brings together public and private funding to deliver the best results. Working closely with the UKCES we launched the second round of the EOP in November 2012, with a prospectus that offered employers the opportunity to shape training provision for themselves on the basis of a co-investment model with the government. In the first round we have approved in principle 37 projects to a value of around £90 million of public funding, backed by £115 million of private investment. They include, for example, large cross-sector and supply chain collaborations to tackle emerging skills needs in industrial strategy sectors; and innovative new approaches to addressing SME needs in localities.

The first round has demonstrated that employers are willing to step up and shape training provision in order to invest in their current and future workforces. It has also

demonstrated that colleges and providers can and will respond effectively to employer needs where this demand is clearly articulated. Indeed, it has confirmed that the best institutions will form partnerships with employers to help them develop strategies to raise their skills and get the best from their people. The second round of the EOP offers up to £240 million of government funding for co-investment with employers. The second round will have a focus on collaborative projects, including promoting industrial partnerships, which will be new employer-led groupings that will take end-to-end ownership of the skills agenda in their sectors. We are particularly keen to see these partnerships forming in sectors which are priorities for the industrial strategy²⁴. They will provide the leadership to ensure greater employer ownership of vocational training, and will be important partners for us across all employer-facing skills developments.

Conclusion

The lesson of the past 2 years is that it is possible to do things differently. Funding that meets employers' objectives and brings together private and public investment to achieve shared goals has been shown to succeed. There is a role for the government to fund differentially in parts of the economy, whether by sector or place, as part of an industrial strategy. Where the government is funding provision, we have been able to do more to tie that to success rather than the filling of places, both for young people and for adults.

So we will not return to the funding system that we inherited in 2010, which for all of its good intentions had lost the connection between money being spent and the objectives to be achieved. There is clearly a case for further reforms. In our consultation on next steps for implementing the Richard Review we set out our response to Doug Richard's recommendations for Apprenticeship funding. We have accepted the principles for a funding system that he set out:

The employer should be the customer. Training providers should receive their funding from employers and not a public agency. Positioning employers as the customer increases providers' incentives to respond to their needs.

The employer should co-invest. By making a direct financial contribution towards the cost of training, employers have a greater incentive to demand relevant, high quality training and good value.

The government should not set the price of training. The price of training should be freed from public control and set by the market (ie in negotiation between employers and providers), and the government should pay a proportion

²⁴ These sectors are: automotive; aerospace; life science (health / agri-tech); offshore wind; oil and gas; nuclear; construction; education; professional business services; and information economy.

of this (rather than a flat payment). This will help to prioritise learning that delivers greatest value.

Government funding should be linked to achievement. Payment should be partly linked to the achievement of the Apprenticeship, to provide incentives to support individuals to succeed. We recognise that paying the whole price of training upfront is likely to be a barrier, particularly for smaller employers, so it is right that the government pays part of its total contribution prior to completion.

We will explain how these principles will be implemented in the Spending Review for 2015-16, to be announced on 26 June 2013. A fundamental aim is to ensure the funding system makes providers more directly responsive to individual employers, to help stimulate increased innovation and dynamism in the training market.

7. Good information and data

Introduction

Good data are essential to a rigorous and responsive skills system. When learners know the likely impact of a training programme on their future earnings, and when they understand the quality of training provided by a college, they will make good decisions. This has two effects. First, it means that the individual learner or employer will be able to identify the training which has the greatest impact, and is the best value for them. Second, it will raise standards across the sector, with providers that deliver the highest quality training succeeding and expanding. Those that are sub-standard will need to improve their offer, or they will lose business.

The current situation

Today there is no excuse for not making data easily available. In a world where there are over a million apps available on the Apple App Store or Google Play, the government is unlikely to be the best provider of usable interfaces. Its role should be to make data easily available so that independent developers can provide their own applications, with the best succeeding and becoming widely used. Star ratings on the app store allow users to easily identify which tools are effective. Colleges such as Westminster Kingsway and Hartlepool have already launched their own apps, with information on the courses they provide, alongside interactive support and news.

Experience has shown that when information is made available, individuals and firms develop creative ways of using and presenting it that no-one had considered – least of all the government. We need to provide that freedom. We will make all our information available through data.gov.uk, which provides a single portal to all government databases. This should mean that application developers will be able to access not just information on courses and qualifications, but also data on labour market outcomes, likely salaries and on the performance of colleges and training providers.

We have already taken the first steps. The UKCES is developing a new open access labour market tool which from May 2013 will allow anyone to explore the characteristics of the labour market. In the Autumn Statement the government committed to publishing by the end of 2013 new data on earnings and destinations for those who have benefited from Further Education.

New information tools will be underpinned by the National Careers Service. Since April 2012 over 740,000 adults and 76,000 young people have received advice through the Service, and there have been almost 6 million visits to its website. Over 660,000 people have opened a Lifelong Learning Account, a personal online space hosted by the National Careers Service, allowing people to keep a record of their learning, create a CV and plan their career goals.

Our approach to reform

While these initiatives represent a good start, we need to go much further. From September 2013 we will make more FE and skills data available in open access formats, such as Comma Separated Variables (CSV), and make it easier to find existing data through data.gov.uk. Building on this we will mainstream open access to the full range of FE and skills data, so that during 2014 it becomes the default.

It is essential to make sure that information is available in real time, so individuals and employers have confidence that the data they are given are both accurate and current. We will trial a new monthly real time scorecard on the National Careers Service website, summarising local information, including labour market trends, job opportunities and courses available for each LEP area and city region. This information will be drawn from integrating local intelligence with data from Jobcentre Plus. We will also work with sector bodies to improve the authority and presentation of National Careers Service information on opportunities in specific sectors.

There should also be stronger joint working amongst organisations at a local level to push information and data to those who need it. An important aspect of our approach will be for the National Careers Service to play a proactive role in connecting employers, education institutions and local partners. All of these bodies must work together to make opportunities and information available to young people. The service will identify and promote opportunities for young people through direct work with employers, schools and colleges, including encouraging business leaders to visit schools and colleges. The service will also work with the National Apprenticeship Service and local authorities to contact unsuccessful Apprenticeship applicants, or individuals who are NEET, to provide help and support with next steps. Alongside this, strong joint working between the National Careers Service and Jobcentre Plus should continue, reflecting the principles of the framework for skills and unemployed learners, so that adults get the support they need.

Schools must take the lead in ensuring that their pupils have access to the information they need. This is not something the government can plan centrally. We have created a new statutory duty for all schools to ensure that independent careers advice and data is provided. We will use funding levers to ensure that colleges make similar information and guidance available to their students.

Conclusion

Good information and data should be a fundamental part of a rigorous and responsive skills system. By releasing data in open access formats, and providing real time information about local opportunities, we can help individuals and employers identify training with the greatest impact, and raise standards across the sector. The National

Careers Service will underpin this approach with advice and support, and play an important role in strengthening information about opportunities at a local level.

Annex A: Improvement and intervention support

College Performance Category	Source of Support and / or Intervention	Type of Activity	Status of Support
<p>Ofsted 'good' or 'outstanding'</p> <p>Above performance standards.</p>	The Guild and / or other providers sourced by college.	Good practice, continuing professional development (CPD), new technology, delivery methods, financial advice, planning etc.	Voluntary and tailored to any weaknesses or support identified by college.
<p>Ofsted 'requires improvement'</p> <p>Above or around average performance.</p>	<p>Ofsted.</p> <p>The Guild and / or other providers sourced by college.</p>	<p>Ofsted offers 3 days per college to work on the development plan and identifies relevant seminars / peer support.</p> <p>eg good practice, CPD, benchmarking, use of new technology, delivery methods, financial advice.</p>	<p>Led by Ofsted.</p> <p>Voluntary and tailored to any weaknesses identified or new priorities for college.</p>
<p>Ofsted 'satisfactory'</p> <p>from before Sept 2012 (this is a temporary category which will not exist in due course).</p>	<p>Ofsted.</p> <p>The Guild and / or other providers sourced by college.</p>	<p>Ofsted will extend the support and challenge which they currently offer to 'requires improvement' providers to those judged 'satisfactory' prior to Sept 2012.</p> <p>eg good practice, CPD, benchmarking, use of new technology, delivery methods, financial advice.</p>	<p>Led by Ofsted.</p> <p>Voluntary and tailored to any weaknesses identified by college.</p>
<p>Ofsted 'inadequate'</p> <p>and / or failing one of the intervention triggers.</p>	FE Commissioner on behalf of government sources whatever is required to provide good quality post-16 education and training for the area.	<p>Suite of interventions:</p> <ol style="list-style-type: none"> 1. Appraisal of problem 2. Freedoms removed, college put into 'administered' status 3. New governors 4. Open competition for new providers and college 5. Dissolution of college. 	FE Commissioner will lead action on behalf of government.

Annex B: Skills funding table

The finance table shows the funding available through to 2014-15 FY.

Notes		Baseline 2012-13 £000s	Funding 2013-14 £000s	Indicative funding 2014-15 £000s
1	Adult Skills Budget	2,711,252	2,467,875	2,218,311
2	Employer Ownership	7,300	46,000	73,400
3	24+ Advanced Learning Loans	0	129,000	398,000
4	Offender Learning and Skills Service	131,800	130,400	128,900
5	Community Learning	210,747	210,747	210,747
6	European Social Fund	175,000	171,000	173,000
	TOTAL: Teaching and Learning	3,236,099	3,155,022	3,202,358
	of which minimum expectation for Apprenticeships	714,800	763,600	770,303
7	Learner Support	163,730	176,800	205,507
8	National Careers Service	85,838	87,868	90,878
	TOTAL: Student /Learner Support	249,568	264,668	296,385
9	Skills Infrastructure	71,446	55,161	58,900
10	Funding to Support FE and Skills Sector	159,007	156,706	155,004
11	Capital Grants	272,658	467,871	356,857
12	GRAND TOTAL	3,988,778	4,099,429	4,069,504

Budgets in lines 1, 4, 5, 7, 8, 9 and 11 are granted to the Skills Funding Agency for delivery by BIS. Budget line 6 is granted to the Skills Funding Agency by DWP.

Notes to support the finance table above	
1	The single Adult Skills Budget supports over 3 million students. The funding delivers entitlements and includes an amount to be transferred to the Education Funding Agency for 19-25 Learners with Learning Difficulties Assessments. Within this funding, the sector should focus at least £100m on workplace learning in Small and Medium Enterprises.
2	The Employer Ownership Pilot is a competitive fund of £340m available over 4 years. It is open to employers to invest in their current and future workforce. Employers can develop proposals to create jobs, raise skills, and drive enterprise and economic growth in England, and look for co-investment from Government to meet the costs.
3	24+ Advanced Learner Loans will be available for learners aged 24 and over studying at level 3 and above from the 2013/14 academic year.
4	This provides vocational and employability skills programmes for offenders in custody, and includes £14m to meet the costs of delivering the National Careers Service in custody. We will continue to fund education for adult prisoners in England through the OLASS arrangements, with careers advice provided by the National Careers Service. We are working with the Ministry of Justice and others to improve the effectiveness of the expenditure.
5	More than 680,000 adults currently access a national programme of occupational courses enabled through local colleges, local authorities, the voluntary sector and a range of other training organisations.
6	The European Social Fund (ESF) is designed to improve the skills of the workforce and to help people who have difficulties finding work. The Skills Funding Agency uses ESF to provide additional investment to support and enhance its mainstream activity, to enable disadvantaged people to access and benefit from employment and skills opportunities.
	Funding relates to Apprenticeships delivered through the Adult Skills Budget, Employer Ownership and 24+ Advanced Learner Loans.
7	In support of the simplification agenda, there continues to be no ring-fencing for the individual elements of this budget, giving providers the discretion to distribute the available funding to best meet the needs of their learners. In 2013/14 additional support is being offered for disadvantaged learners taking out a 24+ Advanced Learner Loan through a Bursary Fund. For the 2013/14 AY we will continue to provide Dance and Drama Awards.
8	This funds the National Careers Service which offers independent, impartial information and advice on learning and work and access to a wide range of information about careers and the job market. In addition to the above, DfE have provided BIS with funding of £4,695,000 for the young person's helpline in 2013-14 and 2014-15.
9	This funding includes the Apprenticeship vacancy system and the promotion and development of the Apprenticeship Programme, including Higher Apprenticeships.
10	This includes funding for a range of programmes not routed through the Skills Funding Agency including the UK Commission for Employment and Skills.
11	This investment will provide funding to improve the college estate, particularly colleges with poor building conditions and inefficient estates.



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