

Ofqual Board

Paper 50/15

Date:

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Title:

Vocational Qualifications Update

Report by:

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Paper for discussion and decision

Open paper



Issue and summary

1. This report updates Board members on the annual statement of compliance exercise, developments on apprenticeships and in Northern Ireland, and in a number of other areas.

Recommendation

2. The Board is invited to note and discuss the work and issues set out in this report.

Regulatory strategy

3. The removal of the QCF rules at the beginning of October went smoothly. New requirements were put in place requiring awarding organisations to calculate the size and level of qualifications. We will be finalising in the next few weeks how and when the new requirements to review qualification sizes are introduced; we have sought views on this from the awarding organisations to make sure we do not impose unnecessary burden.
4. Glenys gave a speech on implementing the regulatory strategy at the Federation of Awarding Bodies' conference in late October. The speech is attached at annex A. Bryan Horne and Julie Swan from the team gave well-attended and well-received presentations at the conference on the details of the regulatory strategy and the replacement of the QCF.

Regulatory work

5. Awarding organisations are required to provide us with an annual statement of compliance (SoC). The deadline for awarding organisations to return this year's statements was the end of September, and virtually all AOs met the deadline. We have in place systematic arrangements to review and follow-up the statements.
6. Forty AOs declared some form of non-compliance. We rated each AO depending on the seriousness of its non-compliance – most were rated amber but five were rated red, which resulted in immediate follow-up.
7. Follow-up action ranges from no further action to adding the AO to a forthcoming audit to imposing special Conditions, depending on the risk of a serious adverse effect. One AO is likely to be referred to an enforcement committee.
8. It is hard to draw any general conclusions from this exercise, in part because the process was different from previous years'. The declared non-compliances were against a wide range of Conditions, and there were no Conditions where large numbers of AOs declared non-compliance. The information provided is valuable in building up our understanding of the AOs we regulate, and it provides a good baseline for similar exercises in future. Separately, the BBC's Newsnight programme recently ran an exposé on alleged assessment malpractice at two centres, leading to individuals being able to falsely claim Construction Skills Certification Scheme Cards (CSCSs), which facilitate site access for construction workers. The qualification involved, 'L1 Award in Health and Safety in a Construction Environment', is offered by CSkills Awards and 12 other AOs. We are monitoring all AOs' investigative activities and will audit the AOs' risk management and centre controls.
9. We have been developing proposals for reporting on our regulatory work, quantifying what we are doing and what is happening as a result. We plan to table at the Board meeting a proposed reporting format for comment.

Functional skills

10. The Education and Training Foundation announced last month¹ that it will be leading the work to reform functional skills qualifications at the request of the Government. The Board agreed in July that Ofqual should commit to a functional skills reform programme, subject to discussions about resources and to satisfactory scope and management arrangements; we will update on the position at the next

¹ <http://www.et-foundation.co.uk/news/foundation-welcomes-plans-to-reform-english-and-maths-functional-skills/>

meeting, when we should have a clearer picture of the resources available.

11. We have already started detailed planning work, in discussion with the ETF, and have established VQ a Technical Design Authority, chaired by the Standards Chair, to advise on the significant assessment and standards issues (such as whether assessments should be compensatory or mastery). In parallel, we are setting in hand an audit and other evaluation work of current functional skills qualifications, to follow up the work on which we published a report in January.
12. Nick Boles wrote in the summer to the ETF setting out his priorities for the reform programme. This letter is attached at annex B. We are expecting a letter from Mr Boles which we will table if it is received before the Board meeting.

Policy and Government

Apprenticeships

13. Ofsted published a report² last month into how well apprenticeships meet the needs of young people, their employers and the economy. It concluded that too many apprenticeships did not meet these needs, and that the drive to create more apprenticeships has diluted their quality. It said that the surge in apprenticeship numbers has been mainly in sectors such as customer service, retail, administration and care, not on priorities that benefit employers or the economy. The report included no specific recommendations or findings around qualifications or assessments.
14. Attached at annex C is a summary of the data recently published by BIS about apprenticeships, which shows some of the challenges the Government faces in meeting its ambitions for apprenticeships: the Government wants to raise the number of apprenticeship starts to 3 million over this Parliament, while reforming the system for defining and reviewing apprenticeship standards (using employer-led trailblazers), and changing the funding including the introduction of the new levy on large employers, while raising quality and increasing the numbers of higher-level apprenticeships.
15. As discussed at the audit and risk committee last month, we continue to advise Government on the assessment and qualification implications of the reforms. As the delivery arrangements for the reformed apprenticeships become clearer, which will be after the spending review, we will get ready to regulate any end-point assessments for which the trailblazers have nominated Ofqual as the regulatory body

² <https://www.gov.uk/government/publications/apprenticeships-developing-skills-for-future-prosperity>

(the process for this happening is not yet clear). We are also reviewing the possible implications of the reforms for the qualifications market.

Northern Ireland

16. For months the power-sharing executive at Stormont has been deadlocked over budgetary matters and, more recently, paramilitary activity. Although the First Minister and Ministers from the DUP have now returned to the executive, no agreement on these issues has yet been reached and intense talks are happening
17. Earlier in the year the First Minister announced changes to the current 12 government departments, reducing them to nine. The Department for Employment and Learning (DEL), which has policy responsibility for vocational qualifications, will be part of the new Department for the Economy. The Department of Education will continue with its existing functions. We have no indication from DEL that the change in departments will lead to any change to Ofqual's functions in Northern Ireland; we understand that the review of regulation, which was reinstated earlier this year, has not so far been progressed.
18. The DEL Minister, Dr Stephen Farry, is pushing ahead with a number of skills and training strategies he wishes to see in place before the election next year. These include a new strategy for further education to place employers at the centre of curriculum design and qualification development. Already in train are the Minister's previous strategies for apprenticeships, which creates new higher level apprenticeships and new level 3 apprenticeships, and on Youth Training provision which proposes a baccalaureate style award at level 2.

Other policy issues

19. Earlier this month, the Government announced an independent expert panel chaired by Lord Sainsbury and including Alison Wolf to advise on the implementation of the proposal, announced in the summer, for up to 20 specific new professional and technical 'routes'. The aim is that these will help students understand pathways into jobs from the age of 16. We will continue to discuss with Government how these changes could be implemented most effectively, and consider any risks they create to the qualifications market.
20. I spoke at a conference in London in September ('Embracing Digital Further Education: The Next Steps in Delivering FELTAG Recommendations') about innovation and use of technology in further education³. I talked about Ofqual's role (to focus on validity, and to enable and support innovation but not to promote it) and suggesting how those wanting greater use of technology in assessment might persuade and support the awarding organisations to innovate. We have no evidence that our requirements limit innovation, but we will

³ <https://www.gov.uk/government/speeches/how-qualifications-can-reflect-the-feltag-recommendations>

encourage challenge from the AOs on this at the upcoming conference, and say more publicly about our approach early next year. Glenys also spoke recently on a similar theme. The Government retains some interest in this area: the guidance for the Government's reviews of post-16 provisions states that participants in reviews should show 'a willingness to embrace the possibilities provided by technology via blended, independent and online delivery and assessment...'

21. The think-tank 'Policy Exchange' last month published a report entitled 'Higher, Further, Faster, More'⁴. The Board will want to be aware of this because it makes proposals to bring together 'the regulatory and funding arrangements for higher and further education', though it does not make explicit proposals for Ofqual. The report focuses on changes to funding and qualification development which the authors believe will lead to "a rejuvenated FE sector delivering professional and technical education [i.e. level 4 and 5] alongside continued second chances education". The report made recommendations relating to Higher National Certificates and Diplomas, some of which are regulated qualifications, and proposed to merge the HEFCE and the SFA.

Finance and Resource

22. The work set out is funded from existing resources. We have in place governance arrangements to help us to prioritise commissions and other work to make sure we are using resources as effectively as possible.

Impact Assessments

Equality Analysis

23. No specific issues. We will be publishing our annual equalities report before Christmas.

Risk Assessment

24. There are no major new areas of risk set out in this report.

Regulatory Impact Assessment

25. The discussions with BRE about the Enterprise Bill are noted above.

Timescale

26. Timescales for each area of work are set out above.

Communications

27. The main focus of our communications has continued to be the awarding organisations; we have tried to play down the significance of the QCF changes for other stakeholders.

⁴ <http://www.policyexchange.org.uk/publications/category/item/higher-further-faster-more-improving-higher-level-professional-and-technical-education>

Internal Stakeholders

28. All other Directorates have an interest in the work set out in this report.

External Stakeholders

29. Relationships with stakeholders remain generally positive.

Paper to be published	YES
Publication date (if relevant)	Following the meeting

ANNEXES:

Annex A: Glenys Stacey's speech to the Federation of Awarding Bodies conference, 22 October

Annex B: Letter from Nick Boles to the ETF on Functional Skills

Annex C: Summary of statistics on apprenticeships

Annex A: Glenys Stacey speech to FAB conference, October 2015

Regulating vocational qualifications: implementing our regulatory strategy

Good morning.

The theme of your conference this year is 'building business'. A great aspiration. And probably a 'must' for awarding organisations in these challenging times.

But I won't be talking about how you should do this - our job at Ofqual is to make sure that we provide a clear and stable regulatory foundation so that you can confidently plan ahead, invest and grow your business.

So I want to talk to you this morning about that foundation – our approach to regulation; the work we've done, and will be doing. I'll also be talking about some of the challenges that the awarding industry faces over the coming years – that your organisations will need to respond to effectively, not only to survive, but also to thrive.

Because over the coming years the skills landscape will be changing, significantly.

In its Productivity Plan, published along with the budget in May, Government made it clear that it sees skills as critical to improving productivity levels.

Their figures show that the number of people receiving in-work training has dropped significantly over the last ten years, and also that UK productivity has recently stalled, relative to other major economies.

So a key plank of the Government's skills strategy is to encourage greater employer involvement and investment. Trailblazer apprenticeships, using employer-developed standards, are a key focus – and an ambitious target of 3 million apprenticeship starts within this Parliament.

As you will know, trailblazer apprenticeships take a new approach: employers who develop the standards are not obliged to include qualifications, and apprentice assessment organisations do not need to be awarding organisations regulated by us - although I know there are some of you already approved for this by the Skills Funding Agency.

We have made very clear to Government that whatever arrangements are in place for quality assuring assessments, and whether or not they involve Ofqual, a one-off up-front check is insufficient, and will create big risks for the apprenticeship reform programme.

Without some sort of ongoing regulation, there is a clear risk of unscrupulous assessment providers driving a race to the bottom.

And the concerns highlighted today by Sir Michael Wilshaw in Ofsted's report on apprenticeship provision only underline the need for effective and ongoing governance and oversight to secure quality apprenticeships. I know that many of you would agree with our advice on that.

But it's not only apprenticeships that are changing, is it? Government is also moving control of wider skills budgets to employers, and, to some extent to

learners too. Funding is being devolved to local areas, primarily through employer-led local bodies. And, if FE loans take off in line with ambitions, it seems likely that learners will make more of the decisions about which qualifications are taken.

In parallel with this, Government is decreasing state funding for skills. Most of you will be well aware that, outside of apprenticeships, the adult skills budget in England has fallen by 25% for this academic year. And more cuts can be expected, since unlike the schools budget, adult skills funding is not protected.

In addition, we are likely to see a significant reshaping of skills provision over the next few years.

Reviews of post-16 providers are taking place in every part of the country over the next 18 months or so, and it seems likely that in future we will see fewer, larger FE and sixth form colleges in England, operating under tighter financial controls.

As well as this, college accountability is likely to change – colleges are to be held to account at a more local level, with more data published about the outcomes achieved by their students - whether those students are finding employment or have progressed into higher levels of study – or whether they haven't.

The Government's ambition is also that, in future, funding will not be so closely linked to qualification achievement. We welcome this change: qualifications are designed to recognise the achievements of individuals, and the more they can be left to simply do what they were designed to, the more effective they are likely to be.

The Productivity Plan also set out an ambition to 'simplify and streamline' the 'thousands of qualifications' available.

Now, our position on this is that there is no magic number of vocational qualifications that is right for our economy. We do not set any form of target.

The qualifications market must be sufficiently responsive to the many, diverse and changing needs of learners and employers across our country. Different qualifications are designed to be used in different ways, and it is important that students are given good advice and that purchasers make wise choices.

However, all of us in this room must ask ourselves why there is this continuing and pervasive view that the vocational qualifications landscape is overcrowded. Is it because these qualifications are not effectively demonstrating their value? Is it because some of them do not have clear value or purpose?

Of the 22,500 vocational qualifications on our Register, only 13,000 were awarded in the past twelve months. That's less than 60% of the available qualifications. What does that tell people about the value of the remaining 9,500? I'll leave that for you to consider and reflect on. And in the meantime, remember that any of your qualifications could be selected for scrutiny by the regulator.

So – changes to apprenticeships, to skills funding and to learning providers: but what might all these changes mean for qualifications?

Well, first of all, it seems likely that fewer decisions about qualifications will be made – or influenced – by central Government. Employers, localities and learners will have more say. This could lead to greater diversity between different areas of the country.

It could also mean that market demand for qualifications drops – both the number of qualifications and the number of awards, particularly in some areas. It's not for us to have a view on that, but I'm not going to say it's necessarily a bad thing. After all, not all learning needs to be recognised by a qualification, does it? So on what basis might employers, students and learning providers make decisions about when and whether to spend their money on qualifications?

Well, colleges and other training providers will increasingly be looking for those qualifications that demonstrate the best returns, so they can support their local economies, meet accountability requirements, and get best value from increasingly limited funds.

Learners and employers – particularly where they are self-funding – will want to know what value the qualification will add to their earning potential.

And employers will want to know whether people with particular qualifications can really demonstrate the skills and activities they say they can.

So how will you influence their decisions? How will you demonstrate the value that you offer?

Well let's, for a moment, imagine two different, fictional awarding organisations.

The first is well linked into a wide range of employers and industry groups in the sectors where it offers qualifications. It references relevant labour market information and talks to recruiters and specialists to understand the latest skills needs.

It reviews its qualifications regularly to make sure they reflect the latest industrial techniques and professional practice, and knows that the majority of students taking its qualifications gain employment in the relevant industry.

Although a minority of its income is derived from public funding sources, most qualifications are purchased directly by employers and learners themselves – their qualifications are trusted and well recognised, so learners can be more certain they offer real value and a good return on their investment.

The organisation regularly reviews its regulatory compliance, and in recent audits has been able to clearly demonstrate how it meets our General Conditions in a way that works for the variety of different qualifications it offers.

It doesn't see compliance as the only target – it prioritises valid assessment and responsiveness so that it regularly goes well beyond compliance with regulatory requirements.

Now let's paint the opposite picture.

The second awarding organisation is heavily reliant on public funding, including income from a few qualifications in SASE frameworks that will shortly be superseded by trailblazers. It doesn't engage purposefully or strategically with employers in the industries within which it operates. It rarely seeks or responds to feedback on its qualifications, and it doesn't really have the expertise or contacts to maintain the relevance of the content in all the sectors it works in. There are no regular reviews to make sure its qualifications reflect the latest technology or innovations in professional practice.

Moreover, the company has a good number of qualifications on offer that are little used. It claims full compliance, but a recent Ofqual audit found several areas of concern.

The regulator is also concerned about its financial position. To be effective, an awarding organisation should be financially stable – if an awarding organisation is under pressure and cuts corners, this could damage the interests of students, and impact on confidence and standards.

So this awarding organisation is likely to be subjected to further scrutiny from the regulator – both its finances and its awards.

I would suggest that these two organisations are at opposite ends of the spectrum in their ability to navigate the coming changes.

The first is likely to see – and grasp – new opportunities. The second may see only challenges, and without some big changes, it may fall at some important hurdles.

Because why would someone pay for a qualification that was not valid - whose purpose and value was not clear?

Why would a learner spend their loan money on a qualification that wasn't going to set them up for a better career?

Why would employers put a penny towards a qualification they did not believe would effectively assess the skills their industry needs?

UK Commissioner Nigel Whitehead has, just this week, written about the importance of awarding organisations developing qualifications that have genuine support from employers and provide real progression to further study or employment.

No longer can awarding organisations rely on public funding arrangements creating a market for their qualifications.

They must engage with the real needs of the sectors they work in. And if the reputation of qualifications in those sectors is not as good as it should be, they must consider how they can begin to rebuild confidence. These are the kinds of issues I might be thinking about if I was responsible for an awarding organisation right now.

I would want to know that my organisation had good answers to these kinds of questions, to see it successfully through the next few years. And there's no reason why every awarding body shouldn't be able to prove its value and relevance, to demonstrate compliance with regulatory requirements and to help meet real skills needs.

So what, then, is Ofqual's role here?

Our role is, as I said at the start, to regulate so that our requirements of you are clear and consistently applied. To regulate fairly and transparently to secure standards and public confidence in regulated qualifications. And to make sure that our regulations enable you to develop and award good, valid qualifications.

So we've recently taken away some aspects of our regulation that may have distracted you from doing this, and which also may have blurred your accountability for your qualifications.

Lifting universal accreditation was our first step. This removed a process which was burdensome, and of limited use in assessing how good a qualification really was. It also led to widespread assumptions that our role was to provide a quality assurance service – when in fact our Conditions require you to provide your own quality assurance.

And of course at the beginning of this month we withdrew the QCF rules. Now you, yourselves, told us these sometimes got in the way of taking the most appropriate or relevant approaches to assessment and qualification design. They also allowed awarding organisations to say: this isn't the best approach to take, but we think it's what the rules require.

Well...no more. As I'm sure you've heard us say before, our focus is on the validity of qualifications. On their fitness for purpose.

Our approach to regulation, the withdrawal of the QCF rules, enables qualifications to be more valid, relevant and fit-for-purpose. It now helps you respond more effectively to the challenges set by the external environment: you will need to be flexible, adaptable, innovative. That's why we didn't replace the QCF rules with a new set of detailed design rules – there is no longer a straitjacket.

And we will be using a range of regulatory tools to drive good outcomes. Through our audit programme or qualification scrutinies, we may come and ask you why you think your qualifications are valid; why you think your approaches to assessment are suitable and relevant to your qualification's purpose.

And if the answer is 'because that's what the QCF rules said', I'm afraid that won't be good enough. When we first proposed withdrawing the QCF rules, there was some initial reluctance. I think some of you saw us planning to take away rules that you saw a bit like a picket fence round a garden: something that stopped you worrying about straying too far.

However, others of you saw that the changes liberated you from that small patch of grass. You can now go further - you can innovate, you can adopt new and different ways of designing vocational qualifications. You can decide what works best. Not decisions about how to meet rules, but decisions about how best to meet needs. As we consulted on removing the QCF rules, we have been grateful for your engagement and your contribution. We've been able to discuss with you how the new world will work – and we continue to work with you in other ways, for example, to develop our new IT portal.

We've listened carefully to what you've told us and, thanks to the considered feedback from you and others in our final QCF consultation earlier this year, we've improved our approach in many ways, including using a more straightforward way of describing qualification time than we had originally proposed.

We know there are still questions about the post-QCF world, and Julie Swan, who heads up our regulatory policy team, is running a seminar here tomorrow to help you understand the new requirements and consider how you can respond to the withdrawal of the QCF.

From our point of view, withdrawing the QCF rules brings us to a more stable regulatory position and more future-facing.

We are clear about our approach to regulation, and the tools we have at our disposal, both to gather evidence and understand risks, and to take action when we find things that are not compliant with our regulatory requirements. Of course, there's always more to do to develop regulatory approaches. But the broad shape is there.

Bryan Horne, from one of our VQ standards teams, is running seminars today to talk more about our regulatory approach, but I want to make some important aspects clear to all of you now.

We do expect you to make sure you fully understand our requirements. We've updated our General Conditions, guidance and criteria following the withdrawal of the QCF – and I shouldn't really have to say this – but you should make sure you are working to and are very familiar with the most up to date versions of our regulatory documents, which are available on our website.

Now, I spoke of a stable regulatory environment. That doesn't mean doing nothing or being quiet. Some of you are now starting to gain first-hand experience of our supervisory regime, and more of you will become familiar with it as we roll out our programme of audits and qualification scrutinies.

You will see a more targeted regulator that has made big investments in its standards, audit and enforcement teams. We are better geared up now to identify non-compliance and better prepared to take firm, proportionate action.

And let me say, we have already found evidence of non-compliance with our Conditions, which we will be taking action to deal with through our enforcement team.

We wrote our Conditions to secure validity across the lifecycle of your qualifications. And so we will be holding you to account with validity in mind - from design to awarding, and the evaluation of feedback afterwards too.

But, we won't tell you how to meet our Conditions.

It's your responsibility to decide how best to meet our requirements - that's the way regulation works – to make decisions given the sector and the context you're working in, and expert judgements about the best approach to validity, how to make sure that each of your qualifications is fit for purpose, reliable, comparable, manageable and minimises bias.

Each of your qualifications should effectively measure what needs to be measured; assessing the right skills and knowledge sufficiently well, enabling results to differentiate fairly between learners and allowing results to be clearly interpreted. This will help people to be confident that your qualifications' results can be relied upon.

And public confidence is important. Especially if you reflect on the challenges I spoke of earlier. I suspect the most successful awarding organisations have found, or will find, ways to encourage learners, training providers and employers to invest in their qualifications. If people don't have confidence in your product, they will either not invest in the first place, or will look to take their business elsewhere.

What's more, you will not enhance the confidence of Government, which still holds the public purse strings, and, of course, decides policy on how qualifications might be used. In one of our recent audits we have seen evidence that, to be candid, would probably not fill those who fund, rely on or use qualifications, with a lot of confidence. Whilst we didn't find clear non-compliance, we weren't exactly impressed.

We found a number of examples where we had limited assurance, where awarding organisations appeared to be at risk of future non-compliance, or where evidence was a bit 'thin'. Many examples were not consistent with the lifecycle focus on validity and continuous improvement that we have been speaking to you about for some time now.

And we will be transparent about our work. We will publish the outcomes of that audit, and of other audits and scrutinies as we complete them, so that all of you, not just those of you involved in each audit, can consider what you can learn from them.

We will be checking too that our regulations and processes are doing what they need to do. We will be making sure that compliance is likely to lead to good outcomes and so that we are not placing unnecessary burden on you, or getting in the way of those good outcomes.

It's not easy to set requirements that work for all types of qualifications, and which give you all the confidence to invest in quality. And we don't claim that all our requirements are precisely right at the moment.

So if our rules or systems are getting in the way of you producing a good quality regulated qualification, then tell us.

But we're not waiting or assuming we can rest on our laurels. We're continuing to work on improving our approach to regulatory burden and enabling innovation.

We've been conscious of the need to improve the IT we make you use – we know RITS has not always worked effectively in the past.

So, as we have been working to develop the new IT system that will replace RITS, we've been listening to the feedback from our transition advisory group, of which FAB and some of you are members.

We are on track to bring the new system into use by spring next year and will continue to work with you, and the other agencies that have an interest, to

make sure we implement and develop the new system efficiently and in a way that supports what you do.

Another area of focus for us in the coming months will be innovation. And we will be asking you, at our conference in December, to tell us if you think our rules get in the way of innovation and development, and to tell us about the kind of changes you see happening in the industry.

While it's not our job to promote innovation, we must make sure we don't get in its way – our regulation must allow you to respond to technological developments and changes in professional and specialist practice.

And where might we see innovation? Well, if the industry becomes more responsive, this could be in any number of ways. We've already seen the increasing use of things like on-demand and online assessment, but those aren't the only innovations in town.

All I would say, is that, whatever your approach to assessment, you should make sure it is the best way of measuring what needs to be measured. In other words, it should be a valid approach.

This responsibility, for the validity of your qualifications, sits squarely with you.

Engaging with your customers, your learners and those who rely on your qualifications, helps you determine how you best to design your assessments. It should help you understand how the outcomes of your qualifications will be used and judged, and how you can manage any risks that creates.

There are undoubtedly some daunting times ahead in the world of training and skills. Some qualifications may come under more pressure. Budgets will reduce. Old assumptions will have to change.

But this change could present a real opportunity for the awarding industry to demonstrate its relevance and its willingness to engage, especially with the end users of qualifications. It certainly incentivises that, doesn't it?

And if we see public confidence increasing, people choosing qualifications, not because they're funded, but because they trust and value them, then we will know that you have succeeded in demonstrating your value and your relevance.

It is not up to us to help you do this.

Our requirements – so long as you are meeting them – provide a firm foundation; set you in the right direction. But we will not come to the rescue. We cannot guide you.

It's up to you to demonstrate the value of your qualifications to the world out there. Will you choose to stay in that small, trampled garden, even though we've removed the fences? Or will you use your new found freedom to new ground, move forwards, do better?

More than ever, your future is in your own hands. Choose wisely and choose well.

Thank you.



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27 July 2015

Dear David,

English and maths qualifications reform

Thank you for the work the Education and Training Foundation put into the Review '*Making maths and English work for all*'. I commissioned the Review back in November 2014 because I wanted to have a clearer understanding of how young people and adults are able to achieve the literacy and numeracy skills they need and whether the current qualifications are meeting the needs of young people and employers.

We both know the importance of solid literacy and numeracy skills, not just for work and life, but for wider positive outcomes like better health and well-being. We have made good progress over the last couple of years in raising standards and expectations; it is important that we continue in that vein.

It is clear from the Review that while the GCSE is a very valuable qualification there is also a need for a separate qualification to ensure everyone in post-16 education secures the literacy and numeracy skills essential for life and work. Employers want a clear and accurate signal of those skills, and young people and adults for whom it is not yet realistic to achieve a good GCSE want to achieve something they can be proud of. I am pleased to note that 43% of all employers you surveyed were familiar with Functional Skills and, of those that were aware of them, 87% see them as useful to the world of work.

As you know, Functional Skills replaced Key Skills, in response to concerns from employers about the lack of essential skills in young recruits. They offer an opportunity for young people and adults to apply their skills in everyday life, and to

learn at a range of levels from Entry Levels 1, 2 and 3 to Levels 1 and 2. Functional Skills can be contextualised for individual study programmes, and the assessment regime is flexible. These are important differences from GCSE.

I agree with your recommendation that Functional Skills should continue to be the main alternative English and maths qualifications to GCSEs. To be well-respected and credible, it is critical that they are suited to employers' needs in today's (and tomorrow's) labour market and that they are properly taught and assessed.

I therefore invite you to set out a proposal for a programme of reform with the following aims:

- a) To reinforce the purpose of English and maths Functional Skills as qualifications which test the application of the literacy and numeracy skills and knowledge needed for life and work by adults post-16, paying particular attention to the extent to which they are applied in an IT-rich environment and their role in apprenticeships;
- b) To ensure the content of English and maths Functional Skills qualifications at all levels is modernised, updated, and still relevant to employers' needs today such that the qualifications enables the student to compete in the labour market, progress to further education and training, and contribute to the wider economy.
- c) To ensure that English and maths Functional Skills qualifications at all levels support effective teaching methods and assessment of these skills and their application in the workplace.
- d) To increase the average number of guided learning hours a student should spend studying English and maths in order to achieve a Functional Skills qualification.
- e) To advise on the need for other English and maths qualifications for adults (apart from GCSE) in the light of updated Functional Skills qualifications.
- f) To build awareness by employers, students and the public of the purpose and value of Functional Skills.

I would expect the programme to include the following elements:

- A review of the National Literacy and Numeracy Standards on which Functional Skills are based;
- Preparation of new subject content setting out the range of mathematical skills, knowledge and capabilities needed to compete in the labour market, progress to further education and training, and contribute to the wider economy;
- Preparation of new subject content setting out the range of reading, comprehension and writing skills, knowledge and capabilities needed to compete in the labour market, progress to further education and training, and contribute to the wider economy;

- A programme of communications for improving the recognition of Functional Skills;
- Work with Ofqual to facilitate the development of updated criteria and to ensure high standards and consistency of assessment;
- A review of the purpose and value of the need for the other English and maths qualifications currently part of the post-19 offer; and
- Support for the workforce to teach the updated Functional Skills qualifications.

There will be a number of important issues to be decided about the future shape of Functional Skills as a result of the review of the Standards. For example, for such competencies as reading, writing, and arithmetic, we will not be able to judge the appropriate level for teaching and assessment across the different levels from Entry Level 1 to Level 2 until we open up the Standards, and consult. I would expect you to continue to work with my officials so that questions of policy can be addressed promptly and drawing on good quality evidence. I would like you to also consider with Ofqual and others the choices to be made around assessment approaches.

Further consultation with employers will be an important part of the reform programme. I would expect you to build on the first phase of the Review and reach out to employers who may never have heard of Functional Skills but who nonetheless need a literate and numerate workforce. I would also expect you to consult subject experts who will bring a deep knowledge of pedagogy, both the relationship between teaching and assessment and between literacy and numeracy, and wider subject knowledge and academic and vocational learning.

Continuing development of the English and maths workforce is a critical success factor for Functional Skills reform. We will not succeed in raising standards without a workforce capable of doing this. I know that you are already working hard to deliver the joint BIS/DfE Workforce Strategy and I would expect to see close alignment between this and the programme of reform to Functional Skills.

I would expect this reform programme to lead to a situation where employers understand and are confident that people who have achieved a Functional Skills qualification have good basic literacy and numeracy, at the requisite level, and are able to apply these in common practical scenarios, at work. For the learner, I would expect them to benefit not only for this recognition of their achievement in the labour market but from the additional confidence and capabilities that come from studying, achieving and using these skills from day to day. Students who have gained a Functional Skills qualification should be able to progress to GCSE courses in the same subjects which will teach them the additional skills and knowledge they need to pass to meet GCSE requirements.

You are well placed to work with all parts of the post-16 sector, both schools and Further Education colleges and other providers, and I am confident that this would

contribute significantly to the success of the reform. I know that you worked very closely with Ofqual during your Review and am confident that you would continue to do so. We will ask Ofqual to put in place the regulatory part of the Functional Skills reform programme, reflecting its distinct responsibilities. I would also expect you to work closely with officials in BIS and DfE given the high level of public interest in the success of the reform and the fact that Government will retain ownership of the National Literacy and Numeracy Standards.

Should you proceed with the programme, I would expect that you would secure a range of delivery partners for this work through your usual open procurement processes and continue to secure value for money as per the terms and conditions of the grant arrangement.

I look forward to seeing your proposal for this important area of work.

I am copying this letter to Glenys Stacey at Ofqual.

Yours ever,

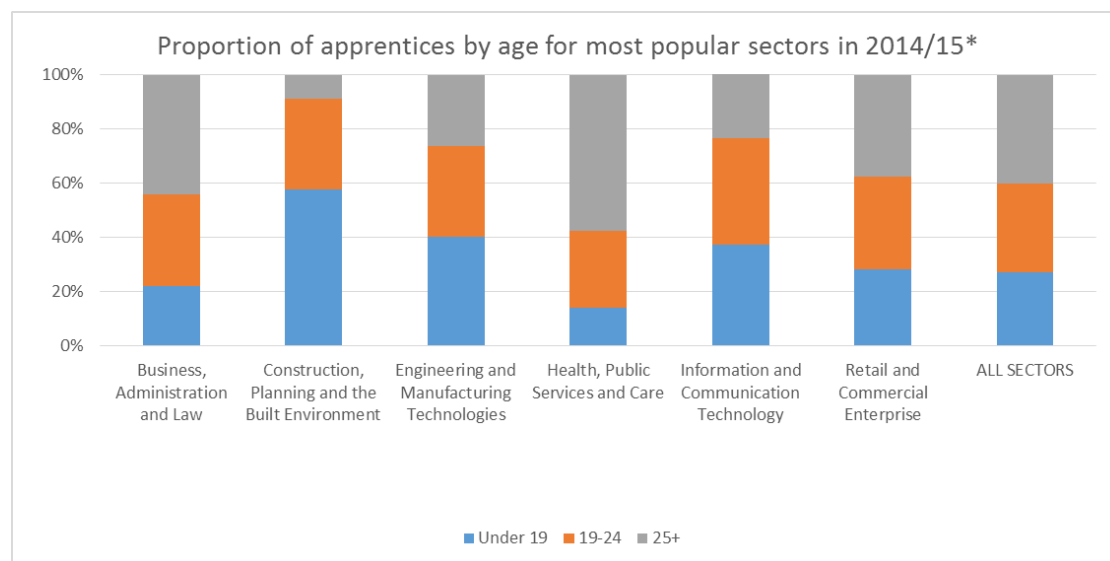
A handwritten signature in blue ink, appearing to read 'Nick Boles', is centered on the page.

NICK BOLES MP

Annex C – summary of apprenticeship statistics

Over the past four academic years (August 2011 to July 2015), apprenticeship starts averaged 500,000 each year⁵. The figure for the most recent year is just under 500,000. To reach the Government’s target of 3 million starts over this Parliament, this will need to increase by 20%, to 600,000 a year.

In 2014/15, across all sectors, 58% of apprentices are 19 or older. The three most popular sectors – Business, Health and Retail – account for 7 out of every 10 apprentices. Across those three sectors, 21% of apprentices are aged 16-18. Across the remaining sectors (including Engineering, Construction and ICT), this doubles to around 42%. The graph below shows the age mix across the six most popular sectors and the average for all sectors.



* Based on 2014/15 Statistical First Release data R10 data published in August 2015

Most (60%) of apprentice starts are on level 2 or ‘Intermediate’ Apprenticeships⁶. While the trend over the last four years is a steady increase in the volume of ‘Higher’ Apprenticeships (those at Level 4 or above), these represented just 4% of apprenticeships (19,300) in the last academic year.

Over 99.9% of apprenticeships are currently delivered to under the old-style ‘Framework’ arrangements. About 400 apprentices are on new ‘Standards’ developed by ‘Trailblazer’ groups of employers. As of 22 October, there are 59 such Standards currently approved and ready for delivery⁷.

Some 4,600 qualifications feature within an Apprenticeship Framework, which represents 13% of all vocational qualifications. In some sectors, such as Engineering, Construction, Travel & Tourism and Business, Administration & Law, over 20% of all regulated qualifications feature in a Framework⁸.

⁵ This figure is based on 2014/15 Statistical First Release with provisional full year 14/15 data, published in October 2015 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468259/SFR_commentary_October_2015_ofqual_update.pdf). Other statistics (that relate to sectors and ages) in this paragraph are based on SFR R10 published in August 2015.

⁶ Figures in this paragraph and the next are based on 2014/15 Statistical First Release with provisional full year 14/15 data, published in October 2015.

⁷ <https://www.gov.uk/government/publications/apprenticeship-standards-ready-for-delivery>

⁸ Figures in this paragraph are based on analysis of data from The Hub and Ofqual’s certification data.

The last year for which we have useable data on the use of qualifications within Apprenticeship frameworks is 2012/13⁹ (we are seeking updated data from SFA). During this year, 70 Awarding Organisations awarded a total of approximately 1 million certificates to apprentices (apprentices will typically achieve more than one qualification as part of their apprenticeship). Those qualifications awarded to apprentices were also awarded to 600,000 other learners who were not apprentices. New Standards are not required to include qualifications (though many do), which could lead to a big fall in awards for qualifications that currently feature in Frameworks.

Apprenticeship Programme Starts by Level and Age (2011/12 to 2014/15 (Provisional))

		Age	2011/12	2012/13	2013/14	2014/15
			Full Year	Full Year	Full Year	Full Year (provisional)
Intermediate Level Apprenticeship	Under 19		95,400	80,900	83,400	84,600
	19-24		101,700	99,000	97,000	92,600
	25+		131,900	112,900	106,100	117,200
	Total		329,000	292,800	286,500	294,400
Advanced Level Apprenticeship	Under 19		34,100	33,100	35,600	38,600
	19-24		58,000	63,900	59,300	61,500
	25+		95,700	110,600	49,800	78,800
	Total		187,900	207,700	144,700	179,000
Higher Apprenticeship	Under 19		300	600	700	1,100
	19-24		1,700	2,400	2,900	4,100
	25+		1,700	6,800	5,600	14,000
	Total		3,700	9,800	9,200	19,300
All Apprenticeships	Under 19		129,900	114,500	119,800	124,400
	19-24		161,400	165,400	159,100	158,200
	25+		229,300	230,300	161,600	210,100
	Total		520,600	510,200	440,400	492,700
of which Apprenticeship Standards	Under 19					100
	19-24					200
	25+					-
	Total					400

In 2013/14 there was a significant drop in the number of apprentice starts. This may be the result of the introduction of 24+ Advanced Learning Loans for apprentices, which required learners aged 24 or older to take out a loan for an Advanced or Higher apprenticeship. This requirement was removed during 2013/14, and those apprenticeships reverted to previous funding arrangements.

⁹ Figures in this paragraph are based on analysis of ILR data provided by SFA which covers 1 August 2012 to 31 July 2013.