

# Independent Review of Fees and Co-Funding in Further Education in England

## **Co-investment in the skills of the future**

A summary report to Ministers in  
the Department for Business,  
Innovation and Skills

Christopher N Banks CBE  
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## **FOREWORD**

### **Co-investment in the skills of the future**

I am pleased to introduce the final report and recommendations of an Independent Review of Fees and Co-funding in Further Education in England. In it you will find recommendations for a series of simple but powerful shifts in funding of education for adults in this country.

I have undertaken this Review with representatives of employers, adult learners, colleges, training providers and others with an interest in adult education. I am very grateful to all those involved for their dedication to the task and to the future of the Further Education sector. The recommendations of this Review are the product of extensive discussions and represent an agreed path to an improved future, a path guided by principles we can all share.

In certain cases, individuals and employers are supposed to be contributing alongside Government to the costs of Further Education courses, on account of the benefits they derive from them. In this report, I have called this 'co-investment'. The current system for ensuring this co-investment happens is not fit for purpose. At the very time when we need it to be operating to its greatest potential, it is failing us.

We recommend a number of changes to ensure that individuals and employers are driving the system, that co-investment from individuals and employers is optimised where it is due, that Government funding is used where it is needed most and that quality Further Education provision receives the total level of investment, from all parties, that it deserves.

In the future, we believe that Government funding for co-funded provision should follow and support the choices and contributions of learners and employers, based on a principle of matched funding. We believe the system should be fair and transparent on both price and quality, and that Government should expand and relaunch the system of Professional and Career Development Loans which can provide individual adults with the option to spread the cost of their investment in improving their skills.

This Review is not about putting up the fee level, nor increasing the number of people who have to pay fees in Further Education. This Review is about ensuring there is a system in place to make sure that where individual adults and employers are expected to co-invest in their learning and in their future, this does indeed happen.

I very much hope that Ministers will accept these recommendations for change and encourage colleges and training providers to take a lead role in developing plans for their implementation. In signalling their support, Ministers will initiate an overhaul of the system for co-investment in Further Education that will make it simpler, fairer, more transparent and more responsive to the needs of adults and employers.



**Christopher N Banks CBE**

## **RECOMMENDATIONS FOR ACTION IN THE SHORT TERM**

1. Funding from BIS and its agencies should follow and support the choices and contributions of individuals and employers. Where appropriate, BIS and its agencies should match co-investment contributions received from individuals and/or employers, up to a published Maximum Contribution.
2. All colleges and training providers in receipt of funding from BIS and its agencies should define and publicise a total price for the course on offer and a clear price of the co-investment contribution individuals and/or employers are required to make.
3. BIS and its agencies should clearly set out which courses they will fund and at what level of Maximum Contribution, and for whom.
4. The individual and employer should be at the centre of what becomes a demand-led system, co-investing in courses of value to them.
5. Individuals and employers should be able choose between courses they value and between approved colleges and training providers and accredited qualifications.
6. BIS/agency funding should be reprioritised to increase the capacity of financial support available to help individual adult learners co-invest. BIS and its agencies should redirect a proportion of its funding into a redefined and re-launched Professional and Career Development Loan programme.
7. Where employers are required to make a contribution to meet the price of a course, only contributions in cash should qualify for matched funding from BIS and its agencies.
8. BIS and its agencies should ensure colleges and training providers have maximum flexibility to respond to the needs and demands of individuals and employers.
9. BIS and its agencies should work with relevant sector organisations to ensure there are processes in place for identifying, sharing and implementing good practice and supporting staff across the Further Education sector.
10. BIS and its agencies, colleges and training providers must all prioritise co-investment, in conjunction with the quality and responsiveness of provision.
11. BIS should ensure that colleges, training providers and all relevant parts of the Government and its agencies support the changes in these recommendations by re-defining the language they use to communicate, particularly with individuals and employers.

## **RECOMMENDATIONS FOR LONGER TERM DEVELOPMENT**

1. BIS and its agencies should give priority (in terms of timescale and funding) to the development of a Learning Account system fully integrated with other online systems.
2. BIS should reconsider the criteria for full funding of learning and training for adults to ensure that Government investment is focused where it is needed most and can achieve most.
3. BIS and its agencies should closely monitor the implementation of these recommended changes and any changes it makes to policy in the area of co-investment, to ensure they are having a positive impact on co-investment and are protecting participation, particularly among vulnerable groups.

## SUMMARY REPORT

Investment in Further Education is fundamental to improving the prospects of adults<sup>1</sup>, businesses and the economy as a whole.

Individuals, employers and the Government each invest significantly, both separately and co-operatively, in improving skills, and the providers of Further Education work hard to deliver high quality teaching to meet the needs of individuals and employers.

Since many adults and employers benefit from the Further Education and skills system, the Government expects that in certain cases, currently the minority, they should share the tuition costs of their course with Government. This independent Review was commissioned by BIS to investigate and make recommendations to improve the system for securing co-investment from individual adults and employers alongside Government in these courses which improve skills and capabilities. Where policy determines that co-investment is required we must ensure there is a system in place so this co-investment does indeed happen.

The current system for ensuring individuals and employers co-invest alongside Government in this range of Further Education provision is failing. It is not securing the level of investment expected and required from those who should contribute, and action is essential to change what is widely regarded as unfair and untenable.

As the system for securing the appropriate co-investment from individual adults and employers in Further Education fails, the total level of investment is sub-optimal, the weight of investment being made is not being shared fairly, Government funding is not being used efficiently where it is needed most and the quality of Further Education provision is at risk.

Implementation of our recommendations will, we believe, lead to a system in which total investment is optimised, the distribution of responsibility is fair, Government funding is used efficiently where it is needed and can achieve most, and a system in which high quality Further Education provision is able to inspire and secure the investment it deserves. It will be fundamental to the successful implementation of any current or future policy regarding funding of Further Education.

These recommendations have been developed through collaboration between many of the key organisations involved in the Further Education and skills system in England, including the Association of Colleges, the Association of Learning Providers, the Confederation of British Industry, the National Institute of Adult Continuing Education, the Skills Funding Agency, the Trades Union Congress and the UK Commission for Employment and Skills<sup>2</sup>.

<sup>1</sup> This Review is concerned with the provision of Further Education for those aged 19 and above. It will not make recommendations regarding education for 16-18 year olds, nor for Specialist Colleges. The system described here pertains mainly to funding currently provided for Adult Learner Responsive and Employer Responsive provision, and only to areas where co-investment contributions are expected. The Review will not make recommendations regarding the national level of the co-investment contribution, nor the criteria for individuals and employers being required to make a contribution.

<sup>2</sup> A list of the members of the Review Group is attached as Annex A.

In addition, we have consulted widely across the sector and with a range of interested parties, including individual adults, employers, colleges, private training providers, Local Authorities, voluntary organisations and representatives of other interested organisations. We have held group discussion sessions both structured and less formal, and listened to people individually. We have sought and listened to a wide range of views and amassed and analysed background research. We have developed the resulting recommendations through an interactive process, seeking and securing the agreement of interested parties as we progressed.

## **What is at stake?**

For the 2010-11 financial year, a total investment of £3.5 billion is planned for participation in adult learning<sup>3</sup>. It is predicted that this funding will support 3.4 million people to gain the skills they need<sup>4</sup>.

This funding from Government is intended to be complemented by a further £1 billion of investment from individual adults and from employers who should contribute to the costs of their course, given the benefits they derive. This constitutes around 20% of the total combined investment<sup>5</sup>.

The evidence, based on historical data, suggests this total of £1 billion will not be realised, not by some considerable margin.

## **Why doesn't the current system work?**

The current system has failed to prioritise, explain and secure the co-investment contributions from those adults and employers who can and should contribute to the costs of learning.

Previous attempts to bring in sufficient investment from individuals and employers have involved reducing the amount of Government funding provided to support co-funded learners, and assuming that colleges and training providers will then go on to collect the remaining funds. Current policies surrounding this approach are complex and the foundations and monitoring of implementation are weak and ineffective. A culture has been generated in which colleges and training providers, individual learners and employers have all come to expect that training will be “free” to them, and fully funded by the Government. Equally, there is inadequate identification of and support for those who cannot afford to pay, despite widespread fee remission.

Many colleges and training providers have tried hard to operate within the current system, and some have had degrees of success, but all the broader issues mentioned above require attention in order for the future of co-investment in the development of adult skills to be secured.

<sup>3</sup> Funding Letter to Skills Funding Agency 2010-11, BIS, June 2010

<sup>4</sup> Skills Investment Strategy 2010-11, BIS, November 2009

<sup>5</sup> The contribution from BIS and its agencies to co-funded Further Education provision for 2010/11 will be over £1 billion. On the basis that BIS should contribute 50% and individuals and employers should contribute 50%, we estimate that individuals and employers should also be contributing around, though not exactly, £1 billion.

## What do we do about it?

We recommend the introduction of a new approach based on a series of simple yet powerful changes to the current system. The approach recommended in this Review has the potential not only to increase levels of co-investment in Further Education and skills, but also to engender far-reaching change in our thinking and in our national systems surrounding funding for adult education.

## What will the new system be like?

The key recommendations of this Review will lead to the replacement of the current system with one founded on the following principles:

- **Government funding supporting individual and employer choice**, with the Government contribution to the cost of training following the individual and/or employer contribution where appropriate.
- **Individuals and employers driving the system**, their participation being protected and their involvement central.
- **Transparency** on co-investment contributions and total prices, and on the quality of provision.
- **Government funding increasing the capacity of financial support**, to facilitate individuals co-investing.
- **Flexibility and a fair system** for all colleges and training providers, to promote choice and improve quality and efficiency and responsiveness to the needs of individuals and employers.

This Review proposes a system in which the learner, whether accessing learning independently or as an employee, and the employer, are at the centre. Colleges and training providers must be responsive to the needs of individuals and employers, in order to maintain volumes of training. Individual and employer investment is matched by Government investment where appropriate, ensuring public funding truly helps people to achieve what they want to achieve. Individuals, employers and the Government can make their money work harder by working together, and all parties, and society as a whole, share in the long term benefits of an increasingly skilled and educated adult population.

This Review recommends changes that Government, working with the sector, can make to improve the system. The recommendations are largely and necessarily directed towards Government and its role, but we recognise that the role of Government and its agencies should be to provide structures and support for a system which individual adults and employers are not only able to navigate, but to drive.

We understand the prime importance of access to Further Education, and recommend not only careful monitoring, using existing systems, to ensure that no-one is deterred from accessing the skills they need by a lack of ability to pay, but also an active financial empowerment of learners through prioritising funding for loans. The system we describe here has the power to increase the influence of individuals and employers and thereby enhance the quality, responsiveness and relevance of Further Education provision. Ultimately this will act to increase willingness to participate in it.

A system for supporting investment in Further Education cannot be considered in isolation from Higher Education. The boundaries between Further and Higher Education are blurred, and there is considerable overlap in addition to progression between the two. Further work will be required by BIS when taking forward the recommendations of this Review, to ensure that implementation is complementary to and combined with implementation of any changes recommended by the Independent Review of Higher Education Funding and Student Finance<sup>6</sup>.

## **Taking opportunities**

The time is right for change.

We need to make sure we have the skills we need to drive an economic upturn and thrive in an increasingly competitive global economy.

The Government must ensure that every pound it spends is focused efficiently to where it can deliver most effectively. As we move forward into a new Spending Review period, it is vital that the system for securing co-investment in Further Education is functioning properly.

The Further Education and skills sector needs, now more than ever, clarity and consistency. Change should come positively and from within, not reactively and in response to financial pressure, and must produce a long-lasting solution to support the training that will power individuals, businesses and the economy forwards.

Further Education is all about opportunities to improve.

There is an opportunity, in the present situation, to make a fundamental improvement to the system of investment in adult learning and training that can help resolve the historical issues, promote co-investment as a central feature of the future and introduce positive change and co-operation across the Further Education sector.

**A full report, which examines in further detail the issues and solutions described here, is available online at (<http://www.bis.gov.uk/co-investment>).**

<sup>6</sup> Also known as the Browne Review, due to publish in Autumn 2010.



## RECOMMENDATIONS IN DETAIL

The recommendations set out below vary in their scope, audience and in the potential timescales of their implementation. They must be considered in the context of changes in the systems in which some of them are grounded, for instance the development of a Learning Accounts system, and in the context of the coming Spending Review period.

In order to be implemented successfully, a new co-investment policy must be prioritised as a central part of a coherent Further Education funding policy.

### Recommendations for action in the short term

1. **Funding from BIS and its agencies should follow and support the choices and contributions of individuals and employers, where appropriate.**

Where policy defines a course as involving co-investment between the individual and/or employer and Government, **BIS and its agencies should match contributions received from individuals and/or employers, up to a published Maximum Contribution**, within a defined total volume of co-funded provision.

This Maximum Contribution will be based on a proportion of the national funding rate, usually 50%. When the co-investment contribution from the individual and/or employer has been secured by the college or training provider, they will be able to regard the matched-up-to-maximum BIS/agency funding for that learner as committed.

2. **All colleges and training providers in receipt of funding from BIS and its agencies should define and publicise a total price for the course on offer and a clear price of the co-investment contribution individuals or employers are required to make.**

Such information should be available publicly through college and training provider materials and the Learning Account online system integrated into Directgov.

Colleges and training providers could set their co-investment contribution price to individuals or employers at the level of the Maximum Contribution, for which they would then be matched (50-50 private-public); if they set their co-investment contribution price below the Maximum Contribution they would be matched at that level (eg 40-40 private-public); if they set their co-investment contribution price above the Maximum Contribution, they would receive the Government contribution at the maximum level (eg 60-50 private-public).



3. **BIS should clearly set out which courses it will fund and at what level of Maximum Contribution.**

The fundamentals of the system will allow for local flexibility and rapid responses to any changes in demand. Where there is market failure or where BIS and its agencies seek to incentivise delivery in particular sectors or for employees of small businesses, they may wish to moderate the level of public funding beyond the matched level (eg 30-70 private-public).

While the level of funding from BIS and its agencies may be increased, this should not violate the principle of public funding only being accessed following private funding.

We recommend that BIS and its agencies supplement transparency on funding eligibility with clear definition of areas of particular interest where proportions are changed. Such changes should be advertised as finite, but perhaps with a lifespan of around three years in order to provide stability. For larger businesses, examination of the process through which they are funded directly may be required.

4. **The individual and employer should be at the centre of what becomes a demand-led system, with their needs balanced. Courses should be of value to them, in order to encourage their co-investment.**

In order to make an informed choice for their co-investment, they need access to **Information, Advice and Guidance and assessments of the quality** of learning provision. BIS should ensure that careers guidance be integrated into the Learning Accounts system, accessed via Directgov.

5. **Individuals and employers should be able to choose between courses they value and between approved colleges and training providers, as identified by BIS and its agencies.**

BIS should ensure there is transparency in determination of which courses are eligible for funding and where they will be fully funded or involve co-investment. Eligibility for BIS/agency funding (including co-funding) must be a mark of reassurance of the quality and relevance of provision.

6. **BIS/agency funding should be reprioritised to increase the capacity of financial support available to help individual adult learners co-invest.**

BIS and its agencies should redirect funding into a redefined and re-launched Professional and Career Development Loan programme. Since Government pays the interest only, there is a multiplier effect; thus, for instance, transferring £50 million of funding to loans could be sufficient to support over 600,000 additional learners and protect and even increase participation, and could lead to an additional £800 million<sup>7</sup> of income for the sector without increasing its bureaucracy

<sup>7</sup> This is an indication rather than a projection, based on assumptions detailed in the full report.

burden. Further consideration of student support in Further Education will be required, ensuring the approach is consistent with student support in Higher Education.

**7. Where employers are required to make a contribution to meet the price of a course, only contributions in cash should qualify for matched funding from Government.**

“In kind” contributions are an important feature of the current arrangements and a sign of employer commitment and contribution that we value and would like to see continue. They should be negotiated and handled separately from and not used as a substitute for cash contributions.

**8. BIS and its agencies should ensure colleges and training providers have maximum flexibility to respond to the needs and demands of individuals and employers.**

The future system should be based on a single main budget for each college and training provider. Full flexibility should apply within funding provided by BIS and its agencies for fully-funded learners, and should apply to income colleges and training providers generate from individuals and employers. There should also be freedom to confer bursaries. Fair competition in the system and a fair deal for learners and employers should be promoted through discouraging cross-subsidising funds intended for fully-funded learners to substitute for private contributions where they are due.

**9. BIS and its agencies should work with relevant sector organisations to ensure there are processes in place for identifying, sharing and implementing good practice and supporting staff in the Further Education sector.**

The changes recommended by this Review are simple but radical and colleges and training providers in receipt of Government funding will need support as they move towards the new system.

In order to support the sector as it moves towards the improved system, changes should be signalled early, communicated clearly and implemented through a collaborative approach by BIS. Promulgating **models of good practice** is one means of encouraging change across the network of colleges and training providers. Support for staff should be provided through relevant sector bodies and within colleges and training providers.

**10. BIS and its agencies and colleges and training providers must all prioritise co-investment, in combination with the quality and responsiveness of provision.**

Government should communicate clearly to its agencies and sector organisations and to colleges and training providers that securing co-investment, in terms of both systems and satisfying demand, is central to the future of Further Education

and should ensure other policies and implementation systems are consistent with co-investment.

**11. BIS should ensure that colleges, training providers and all relevant parts of the Government and its agencies support the changes in these recommendations by re-defining the language they use to communicate with individuals and employers.**

This will facilitate co-investment through supporting an even more important change, in increasing valuing of adult education. In BIS and agency documents such as Funding Guidance, and in more locally produced materials, including prospectuses, the words “co-investment” and “contribution” should be used more, and words like “free” and “fees” should be avoided.

These linguistic changes should be supplemented by clarity regarding that the facts that people who qualify for full funding will not have to pay, that the full price of a co-funded course will not have to be paid as Government will make a contribution, and furthermore explain that there are options available for financial assistance.

## **For longer term development**

**12. BIS and its agencies should give priority to the development of a Learning Account system fully integrated with other on-line systems.**

This will be critical to making the system recommended by this Review a reality. Learning Accounts should be a source of accurate and current information, they should tell an individual or employer what they need to know about a course, including the learner or employer co-investment contribution, the total price, any eligibility for fee remission and means of accessing financial assistance. They should ultimately, however, be much more than a source of information.

They could also be the means through which the decision to engage with a college or training organisation is made, they could have functionality for employers and employees acting collectively (though funding would be linked to individual employees), and they could involve an accurate and personalised record of educational achievement and a convenient place to interact with JobCentre Plus or HM Revenue and Customs. They should be fully integrated with a careers advice service, business advice (BusinessLink) and Directgov.

They could and should involve Higher Education, to ensure adults are aware of the full range of opportunities for progression available to them, and they should be available on a voluntary basis for those undertaking Informal Adult Learning. From the point of view of the funding process, they should become the vehicle through which a private co-investment contribution triggers the college or training provider receiving the Government co-investment contribution for that learner.

**13. BIS should reconsider the criteria for full funding of learning and training for adults to ensure that Government investment is focused where it is needed most and can achieve most.**

This Review was not charged with examining the criteria for full funding, but there may be modifications to the system of entitlements which would both reduce deadweight and increase inclusion and participation. Reviewing the complexity of the current funding methodology and allocations process would also be welcome.

**14. BIS and its agencies should closely monitor the implementation of these changes and any changes it makes to policy in the area of co-investment to ensure they are having a positive impact on co-investment and are protecting participation, particularly among vulnerable groups.**

There is a risk that institution of a robust system to secure co-investment from individuals and employers could act to reduce the number of individuals and employers participating in co-funded Further Education provision. It is vital that BIS monitor progress, using existing systems, and ensure that the changes we are recommending do not lead to a marked or unintended reduction in participation in learning which is of value to individuals, employers and the country as a whole.

## **IMPLEMENTATION**

We would like to see the sector play a leading role in the development of the plan for implementation of the recommendations we have made to improve the system of co-investment in Further Education. The recommendations are the result of consultation and discussion and centre around a series of simple improvements, but their implementation will represent change for the sector and should be handled sensitively.

Detailed plans for implementation based on the fundamentals of the system described here should be incorporated into work being undertaken to simplify the current funding methodology.

The changes contained in our key recommendations for immediate implementation should be fully implemented for 2011/12.

For the start of the academic year 2010/11, however, BIS should confirm the essence of the future system and detailed plans for implementation should be developed with the sector, in order that they can begin the process of culture change required to make a success of the new system.

## **ANNEX A: THE REVIEW GROUP**

- Christopher N Banks CBE (Chair) - Independent
- Martin Doel - Association of Colleges
- Julian Gravatt - Association of Colleges
- Graham Hoyle - Association of Learning Providers
- John Cridland - Confederation of British Industry
- Richard Wainer - Confederation of British Industry
- James Fothergill - Confederation of British Industry
- Peter Lavender - National Institute of Adult Continuing Education
- Mark Ravenhall - National Institute of Adult Continuing Education
- Geoff Hall - New College Nottingham
- Marinos Paphitis - Skills Funding Agency
- Frances O'Grady - Trades Union Congress
- Tom Wilson - Trades Union Congress
- Michael Davis - UK Commission for Employment and Skills
- John Coyne - University of Derby
- Jacqui Longley - Young People's Learning Agency
- Rosemary Milton (Secretariat) - Department for Business, Innovation and Skills

