



Department  
for Education

# **Skills for jobs: implementing a new further education funding and accountability system**

**Government consultation**

**Launch date 21 July 2022**

**Respond by 12 October 2022**

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## Foreword by the Minister of State for Skills, Further and Higher Education



Further education has an absolutely critical role to play in building back better after the COVID-19 pandemic. Empowering the further education system to contribute to tackling the skills gap is central to our levelling up mission, giving people the skills they need to get high value jobs, increasing productivity and supporting growth industries.

We can all be proud of the further education system that we have in this country, and the excellent job that colleges and other training providers do in transforming the lives of people in

their communities, in particular responding to wider economic, technological, and social changes and challenges. However, we know that the current funding and accountability system does not support providers enough in the way they need to deliver the outcomes we expect.

In the [Skills for jobs white paper](#) and our [first consultation](#), we set a clear vision for providers to give people the advanced technical and higher technical skills they need to get high value jobs. The current system does not promote this as well as it could. Over time, a complex and inflexible funding system has emerged, placing undue burdens on providers that restricts them from doing what they do best: delivering the best possible outcomes for their learners and communities.

A good accountability system needs to back this up. Our current system of accountability focusses on important areas such as the quality of education and the financial health of a provider but does not consider whether the education and training results in good employment outcomes.

**We will deliver a simpler and more effective funding system**, so providers can invest in the best way possible to achieve good outcomes for their learners.

**We will deliver a fairer system** by moving towards a more equitable approach to funding areas in the next Spending Review, and in the meantime, exploring how our available resources can support those areas most in need to support levelling up and spread opportunity across England.

**Finally, we want to create and deliver a system that is focussed on outcomes.** We will use the funding system to encourage courses that lead to better outcomes for the economy and society, while holding providers accountable for delivering for their learners.

Throughout this Parliament, we have also sought to substantially increase investment in post-16 education, increasing overall funding for the sector with an extra £1.6 billion for

16-19 education in 2024-25 compared with 2021-22. This funding has come with stretching deliverables to transform our technical education offer, including T Levels, the Multiply programme and extra provision to support education recovery to enable learners to catch up from the pandemic.

However, we know that there are immediate challenges that the sector is facing - for example inflationary pressures, and staff recruitment and retention. We recognise these challenges and are keen to support the sector in order to continue to deliver on our vision for FE.

This consultation is about delivering longer term system reform, and sets out a range of proposals that, together, will form the basis of a funding and accountability system that will maximise the potential of further education. We are keen to continue the dialogue that we opened with our first consultation, and welcome views from all stakeholders as we work together to design and build a better system.



**Rt. Hon. Andrea Jenkyns MP**

**Minister of State for Skills, Further and Higher Education**

## Introduction

This consultation sets out proposals for funding and accountability reform in the further education sector, building upon the consultation which took place from 15 July 2021 to 7 October 2021; and seeks the views of respondents on a range of proposals.

## Who this is for

- General Further Education Colleges
- Sixth-Form Colleges
- Designated Institutions
- Special Post-16 Institutions
- Independent Training Providers
- Local authorities / other local government
- Mayoral Combined Authorities (Greater London Authority)
- Employers
- Learners
- Representative bodies
- Other interested parties

## Issue date

The consultation was issued on 21 July 2022.

## Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team on:

email: [FEFAC.Consultation@education.gov.uk](mailto:FEFAC.Consultation@education.gov.uk)

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: [Consultations.Coordinator@education.gov.uk](mailto:Consultations.Coordinator@education.gov.uk) or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

## Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

## The response

The results of the consultation and the department's response will be [published on GOV.UK](#) in due course.

## Respond online

To help us analyse the responses please use the online system wherever possible. Visit [e-consultations](#) to submit your response.

## Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may request and complete a word document version of the form.

### By email

- [FEFAC.Consultation@education.gov.uk](mailto:FEFAC.Consultation@education.gov.uk)

### By post

FE Funding and Accountability Consultation  
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Sheffield  
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## Deadline

The consultation closes on 12 October 2022.



## Executive Summary

1. In the Skills for Jobs White Paper<sup>1</sup> we set out our vision for a skills system that supports people to access the skills required, and to get the jobs our economy needs; increasing productivity, supporting growth industries, and giving people opportunity.
2. The Skills for Jobs reforms are crucial to build back better and level up England. We believe our skills system can do better at helping people get the skills that employers want. Our system needs to be more forward-looking to respond to the skills needed in the future.
3. In July 2021, we consulted on proposals for a reformed adult funding and accountability system to help deliver on this vision. There were 142 responses from a range of organisations and individuals. We would like to thank all those who responded to the consultation, as well as the college leaders and sector experts who have worked with us to co-design our proposals.
4. Fundamentally, our reforms are about changing the incentives in the further education (FE) system by focussing accountability on outcomes and simplifying the funding system, so providers have the flexibility that they need to deliver in the most effective way.
5. Most providers are already doing a brilliant job of transforming the lives of people in their community, but the underpinning funding system does not always help them to do so. We want to change this and to ensure that the system actively supports FE providers to work collaboratively with other local providers, local employers, and other key stakeholders. Through this, providers will be better able to consider the mix of courses on offer, the content of these courses, and the number of learners taking each course, to ensure that they are meeting the needs of their learners, employers, and the wider area; and that taxpayer investment is used to the best effect.

## What Our Reforms Aim to Deliver

6. **A simpler and more effective system**, which we will achieve by:
  - simplifying the funding system through a single Skills Fund starting in 2023/24. The new fund will include funding for Adult Education Budget (AEB) provision including Community Learning and Free Courses For Jobs (FCFJ) – Level 3

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<sup>1</sup> [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#) (Department for Education, 2021)

adult offer

- simplifying funding which supports new investment, by moving to a single funding stream for all development funding in the next Spending Review
- working with Mayoral Combined Authorities (MCAs) and any new authorities with devolved responsibilities for adult skills to develop a new strategic relationship with them, exploring how we best hold them to account for skills outcomes in their area. We will also explore with them, and providers, how a national funding model can help to ensure an effective longer-term devolved system which learners, employers and providers can effectively navigate
- introducing a multi-year approach to give both MCAs and providers more certainty
- improving data quality by investing in better collection, storing, and sharing systems, reducing the administrative burdens for providers

7. **A fairer system** that spreads opportunity across England:

- developing a fairer basis for the distribution of adult skills funding across England in the next Spending Review to ensure more equal opportunity and support levelling up
- in advance of moving towards a needs-based formula for distributing the new Skills Fund, exploring how our available resources can support those areas most in need to boost the level of adult skills in those parts of England where opportunity is lowest, and support levelling up

8. **A system focussed on delivering good outcomes** for learners, employers, and the taxpayer by:

- creating a new set of funding rates for adult skills to both simplify funding and boost funding for training in areas of greatest skills need. Subject to the outcome of this consultation, we envisage that these rates will apply for ESFA-funded provision from 2023/24, ensuring sufficient time for providers to implement these, as well as providing a more effective approach for areas with devolved responsibility to use
- in ESFA-funded areas, refocussing the purpose and objectives of non-qualification provision so that it is clearer what outcomes this is intending to achieve
- supporting providers in developing new, innovative provision by giving them more flexibility in how they use their Skills Fund allocation
- introducing a statutory duty to regularly review provision and asking providers to set out how they are meeting local skills needs in new Accountability Agreements
- developing a Performance Dashboard to help providers measure their performance and benchmark against peers

- introducing enhanced Ofsted inspections, which will consider how well providers are responding to skills needs
  - designing an accountability system that will apply to providers both in devolved and ESFA-funded areas, covering all post-16 provision, with Ofsted and with the FE Commissioner continuing to play a national role
  - resetting our relationship with colleges by providing more strategic support so that they can thrive in this new system
  - giving the FE Commissioner a leading role in supporting colleges in intervention to improve, through a Single Improvement Plan
9. Our reforms start with ensuring a better understanding of the skills needed in England. Nationally, we have already started this by setting up a Unit for Future Skills (UFS) to provide better, more granular data to help us all understand skills supply and demand. We will share this information widely and will set national skills priorities to help guide the system.<sup>2</sup> Locally, we will give local employers a bigger voice through Local Skills Improvement Plans (LSIPs), in which Employer Representative Bodies (ERBs) will articulate the skills priorities for their area, working closely with MCAs and other local leaders to articulate these.
10. The LSIPs will support a shift in the pattern of skills provision, with providers working with ERBs to develop the plans and using the information in them to reshape their skills provision to better align with the needs of the area. LSIPs will help to ensure that public funding transforms opportunities for learners, with MCAs and any new authorities with devolved responsibilities drawing on these as well as their rich understanding of the economic and social needs of the area they serve, to commission provision effectively. We are backing these changes with our Strategic Development Fund (SDF) in 2022-23, which combines a number of revenue and capital investment funding streams into a single pot.
11. We then need to support and encourage providers to review and change their mix of provision in light of these local and national priorities. We will do this by both improving how we fund adult skills; the area of FE funding which is widely acknowledged as being complex and ineffective, and ensuring a clearer focus on the delivery of outcomes in our accountability system. To help providers deliver this change it is also important to support learners to access training throughout their lives. We will continue to improve our careers system to ensure that learners are well informed about the skills training available to them.

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<sup>2</sup> Information about the [Unit for Future Skills, its publications and priorities](https://www.gov.uk/government/groups/unit-for-future-skills) (<https://www.gov.uk/government/groups/unit-for-future-skills>)

12. The Levelling Up White Paper<sup>3</sup> sets out the path to greater devolution by 2030, including expanding devolution of the AEB to new areas. It also sets out that greater devolution will need to be accompanied by sharper and clearer accountability. Delivery of adult skills provision needs to work effectively within this context, ensuring a system which can be navigated easily by learners, providers, and employers, and one where both local and national priorities can be delivered.
13. As we devolve adult skills funding to new areas, the extent to which the Department for Education (DfE) directly funds providers will reduce. Our approach reflects this changing context by both improving the distribution and use of funding in areas that are currently directly funded, as well as establishing an effective funding model that can be used by areas with devolved responsibility in the longer term. This document sets out the approach we will take, as well as seeking views on more detailed proposals. The changes we outline here will ensure a more effective system is in place for the interim period while there are still areas of England without devolution of adult skills, and as we move towards a more effective longer-term funding model.
14. This consultation is split into two chapters, one on funding and one on accountability. You can find more detail on the feedback we received to our [first consultation](#). We expand on the proposals we set out in our first consultation, provide more detail on areas we are going to take forward and invite further views to help shape the proposals as we develop them.
15. This consultation will be open until 23:59 on 12 October 2022. We shall then consider the responses received and other input to inform final decisions on implementation of the reforms, which we will communicate as soon as we are able, to support effective delivery. We welcome responses to the consultation from individual learners, providers, employers, representative bodies, local government partners, MCAs, the Greater London Authority (GLA), and others.
16. Due to the challenges that the sector is currently facing, it is even more important that we get these reforms right. We want to implement them carefully to allow time to ensure successful delivery and enable providers time to adapt their mix of provision. Therefore, subject to the responses to this consultation, we aim to introduce our funding reforms from the academic year 2023/24, with further reforms coming in the next Spending Review period and

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<sup>3</sup> [Levelling Up the United Kingdom](#), (Department for Levelling Up, Housing and Communities, 2022), p. 234

our accountability proposals from 2022/23, introducing each new element as it is ready, as shown in paragraph 211.

# Chapter 1: A Reformed Adult Funding System

## Summary

This chapter sets out how we will take forward proposals to reform adult skills funding, as we move to a system where the responsibility for adult skills is devolved across England. We want to ensure that there is an effective national approach to funding adult skills that can improve both the distribution and use of funding where the DfE funds providers directly, and acts as a model for local areas to use in their funding of providers. This will help to minimise the degree of differences across England which would be hard for learners, employers and providers to navigate, and ensure value for money for taxpayer investment.

To do this we will:

- **Create a single Skills Fund.** We will also simplify and consolidate funding to support investment in future by creating a single Development Fund.
- Create a new, simpler set of funding rates for adult skills and boost adult funding for training in areas of greatest skills need. Subject to consultation, we envisage these rates will apply for ESFA-funded provision from 2023/24 and will also provide a more effective approach for areas with devolved responsibilities to use.
- Refocus the purpose and objectives of non-qualification provision in ESFA-funded areas, so that it is clearer what outcomes this is intending to achieve.
- **Support providers in developing new, innovative provision** by giving them more flexibility in how they use their Skills Fund allocation.
- **Introduce a multi-year settlement** to give MCAs and providers more certainty.
- Develop a needs-based formula to distribute the new Skills Fund in the next Spending Review, in order to move to a fairer distribution of funding and opportunity across England.
- In advance of moving towards a needs-based formula for distributing the new Skills Fund, we will explore how our available resources can support those areas most in need to boost the level of adult skills in parts of England where opportunity is lowest, and support levelling up.

- **Move to giving providers guaranteed allocations**, and end reconciliation once our new funding rates are established.
- Consult on simplifying the funding for learners who need additional support, to reduce administrative burdens.
- **Work with MCAs and any new authorities with devolved responsibilities to develop a new strategic relationship**, exploring how we best hold them to account for skills outcomes in their area. We will also explore with them and providers how a national funding model can help to ensure an effective longer-term devolved system which learners, employers and providers can effectively navigate.

## Introduction

17. In the Skills for Jobs White Paper we set out a vision of an FE system focussed on equipping adults with skills that would lead to meaningful and sustained employment, delivered by high-quality providers working within an autonomous, self-improving system. The Levelling Up White Paper also emphasised the need for skills training with the mission to increase the number of people successfully completing high quality skills training in every area of the UK. An effective, clear, outcome-focused funding system is key to achieving these aims.
18. Funding for further education is delivered through a number of routes, reflecting the different nature of provision. Funding for 16-19 year-olds follows a single national formula, reflecting its universal nature. For adults there is a mixture of routes: apprenticeships are funded through employers via the Apprenticeship Levy, reflecting the employer as the commissioner of provision; individuals can fund learning direct through Advanced Learner Loans (ALLs); and government funds providers direct for adult skills provision primarily through the Adult Education Budget (AEB) and National Skills Fund (NSF).
19. The proposed reforms in our July 2021 consultation focused on adult skills, an area acknowledged in the Skills for Jobs White Paper as being complex and insufficiently focused on value. Key issues highlighted were:
  - there are several separate policy areas, with separate rules and funding systems, which combine to produce a complex system which can be hard to understand and navigate for providers; and creates administrative pressures, reducing the

funding available for front-line teaching<sup>4</sup>

- authorities with devolved responsibilities are responsible for setting their own priorities and distributing funding in their area. This means that some providers are funded by multiple commissioners, risking additional administrative pressure
- funding rates do not reflect the value of the provision, and the underlying hourly funding rates for individual courses vary erratically<sup>5</sup> - these do not incentivise providers to offer provision that delivers the most value to the learner and the economy
- single year funding settlements make it harder for providers to plan their provision and invest in new areas or enter multi-year arrangements with employers<sup>6</sup>
- the pressure to fill courses early to minimise the risk of funding clawback further limits the opportunity for longer-term planning, or to provide flexible, tailored training at short notice due to capacity<sup>7</sup>
- the provision on offer is not sufficiently influenced by the needs of local employers and as such often fails to meet the skills need<sup>8</sup>

20. Our proposals sought to address these issues through simplifying funding and focusing funding on provision which would deliver the greatest benefits to individuals, employers, the economy, and society more widely, as well as improving its effectiveness.

21. The Levelling Up White Paper sets out the path to greater devolution by 2030. Ten authorities, representing around 60% of provision funded by the current AEB, are already responsible for the delivery of adult education in their area<sup>9</sup> and the Levelling Up White Paper sets out an ambition for this to be extended to all areas of England.

22. As we move to a devolved system across all of England, responsibility for funding providers for core adult skills provision will transfer from DfE to local areas with devolved responsibility, and so the impact of any reforms to direct funding of providers by DfE will reduce. At the same time, Employer Representative Bodies (ERBs) and local stakeholders will be given greater input through Local Skills Improvement Plans (LSIPs), where they will set out

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<sup>4</sup> [Independent panel report to the Review of Post-18 Education and Funding](#) (2019), pg.125

<sup>5</sup> Funding rates are set out in the [ESFA funded adult education budget funding rates and formula 2021 to 2022](#) (Education and Skills Funding Agency, 2021), pg.11

<sup>6</sup> [Independent review of college financial oversight](#) (Dame Mary Ney, 2019), pg.11-12

<sup>7</sup> [Independent panel report to the Review of Post-18 Education and Funding](#) (2019), pg.126

<sup>8</sup> [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#) (Department for Education, 2021), pg.49

<sup>9</sup> This [began](#) with six mayoral combined authorities and the Greater London Authority in 2019 and has since expanded.



how local provision needs to change to meet current and future skills needs. These considerations, alongside the responses to the first consultation, have shaped our response and the approach we propose to take forward. We want to make changes that will be long lasting and support local areas in skills provision, whilst also ensuring improvements in the short-term. We are conscious that some of the changes originally proposed would be less relevant in a fully devolved system, where decisions on provision and distribution are made by local accountable bodies.

23. We have therefore refocused our proposals on delivering those reforms that will both improve the distribution of funding between providers now, and be part of an ongoing national model that local areas can draw on. This will ensure a more effective system is in place for the interim period while there are still areas of England without devolution of adult skills. Longer term, it will support moves to developing an effective national model which can act as a starting point for local areas to use in their funding of providers, and help to minimise the degree of differences across England that would be hard for providers in particular to navigate.

## **The New Skills Fund**

24. In our July 2021 consultation we set out plans to create a new Skills Fund which would merge the skills funding that is directly provided by the DfE to colleges into a single Skills Fund, incorporating the AEB, including Community Learning and elements of the NSF.
25. The largest proportion of respondents agreed with this proposal, noting this ensured the effective and efficient use of funding. They also felt that a single Skills Fund would reduce complexity in the system. Where respondents did not agree or were unsure, concerns were predominantly raised about the impact on funding available for community learning.
26. Having considered the feedback, we intend to create the Skills Fund from the start of the 2023/24 academic year to provide a single fund underpinning our proposed reforms, to enable adults to gain skills that employers want and that our economy needs. This will comprise the AEB, including Community Learning and Free Courses for Jobs (FCFJ).
27. FCFJ provides funding for the new Level 3 adult offer which provides targeted, high value Level 3 qualifications to support the development of new skills for eligible adults, which will improve their prospects in the labour market and help them access new job opportunities. From 2023/24, to ensure delivery in the short term, it will continue to operate as now, being routed

through authorities with devolved responsibilities and direct to providers in ESFA-funded areas. To simplify, in the next Spending Review period we will consider whether FCFJ should become part of mainstream adult education provision.

28. The Skills Bootcamps programme is also a national priority which is in an early phase of developing a new delivery model to provide short training courses at levels 3-5 in sectors with persistent skills shortages, aiming to support people into jobs. They last up to 16 weeks, and lead to a guaranteed job interview with a local employer for course completers. This will remain funded through the DfE either by direct grant to local areas, or through national procurement.
29. 19-24 Traineeships provide residents aged 19-24 in England with the skills and work experience needed to progress into apprenticeships, employment, and further learning. We wish to undertake further work to ensure that this is done in the most effective way possible and will return with an update later in the year.
30. Until a devolution deal for adult education is reached in all areas of England, the Skills Fund will continue to be distributed through two routes, as now. Funding for provision in areas with devolved responsibilities will be distributed to the devolved authority and they will be able to prioritise use of their funding whilst continuing to meet the statutory entitlements and nationality and residency requirements. Funding for provision in ESFA-funded areas will be distributed direct to providers by the Education and Skills Funding Agency (ESFA). Each of these routes is discussed in turn later in this chapter.
31. Alongside the Skills Fund, the UK Shared Prosperity Fund (UKSPF) will also have a focus on People and Skills and be devolved to local areas for them to develop Investment Plans which will complement other skills investment. UKSPF priorities on People and Skills will be to:
  - fund Multiply, a 3-year numeracy programme
  - support people furthest from the labour market by providing cohesive, locally tailored support including access to life skills and basic skills
  - support local areas to fund gaps in local skills provision and to supplement local adult skills provision, for example through delivering additional volumes, or delivering through a wider range of routes

## Purpose and Uses of the Skills Fund

32. The purpose of the Skills Fund is to support adult learners across England to gain skills which will lead them to meaningful, sustained, and relevant employment, or enable them to progress to further learning which will deliver that outcome. The Skills Fund will also be used to support the most vulnerable, including those with special educational needs and disabilities, who rely on further education to support their personal development and access to independent living, as the funding does now. Education and training provided through the Skills Fund will support delivery of our levelling up mission of 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas by 2030.
33. These skills can be gained both through formal regulated qualifications and non-qualification (often referred to as non-regulated) provision. Our post-16 qualifications reviews at level 3 and below will ensure that every qualification approved for public funding has a distinct purpose, is high quality, is necessary, is aligned to employer-led standards where relevant, and supports progression to positive outcomes for learners. In line with this, we want there to be more consistency for providers and individual learners in which qualifications are available for funding.
34. Under the current system, awarding organisations often have to apply multiple times to have the same qualification approved for funding across various adult offers. Currently, there are unhelpful inconsistencies between courses that are available, depending on your age and funding route. As an example, a Level 2 Certificate for Driving Goods can be funded for those aged 24 plus, but not 19- to 23 year-olds, as their first qualification. Going forwards, we will remove these inconsistencies by creating a single gateway for the approval of all qualifications for public funding. This should help providers plan provision; as well as making it easier for the public to understand what funded courses are available to them.
35. Non-qualification provision, by its nature, does not have the same degree of national consistency or approval but is important in providing responsive support and training to enable learners to succeed and progress and to meet emerging employer needs. Our accountability proposals will provide greater focus on this provision to ensure public funding is being used to best effect. In addition, for learners in ESFA-funded areas, we are seeking views in this consultation on how we might refocus the purpose and objectives of non-qualification provision, so that it is clearer what outcomes this provision is intending to achieve. This is explored further in paragraphs 59 - 61.

36. We believe there is a strong rationale to ensure that certain groups of learners are prioritised for access to free provision under the Skills Fund. Across England the statutory entitlements to free provision will continue<sup>10</sup>, and we will explore how, with further devolution, we can balance consistency of offer for learners with flex to respond to local need. We are also reviewing the eligibility rules in relation to residency and nationality which are applicable across England, and will publish a technical consultation if changes to residency and nationality rules are required.

## **Supporting Local Delivery through a Single Development Fund**

37. Providers across England will be responsible for determining their mix of Skills Fund-supported provision, such as the balance across qualification levels, subject areas, and non-qualification provision, subject to any commissioning requirements from authorities with devolved responsibilities. We expect this mix will change in response to the priorities identified by LSIPs, as colleges ensure their provision is focused on ensuring good employment skills, and meeting local skills need.
38. In our July 2021 consultation we sought views on how we could best support local areas to improve and expand their offer to better meet current and future skills needs. Many respondents felt that clarity and consistency over what was required was an essential part of this. Respondents also noted that close collaboration with established local institutions would be critical, ensuring that those with detailed knowledge of local needs would be central to decision making. Others felt that better data on local needs would be helpful, as would a framework to support planning and resourcing.
39. We agree that collaboration at local level is vital. We are already taking action to encourage this, backed with investment. We are investing £290 million to establish a comprehensive network of 21 Institutes of Technology (IoTs) across England. IoTs will act as leaders in the provision of high-quality Higher Technical Education (HTE) in Science, Technology, Engineering, and Mathematics (STEM) subjects, providing industry standard facilities and equipment for learners. We are making £92 million of funding available through the Strategic Development Fund in the 2022-23 financial year for activities that support local skills priorities and enable local areas to make the transformational changes needed to respond to the priorities in the LSIPs, once rolled out. This incorporates a number of quality improvement and workforce development programmes, including the College Collaboration

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<sup>10</sup> Broadly these are obtaining Maths and English up to and including at level 2, and Essential Digital up to and including at level 1 for those aged 19+. For those aged 19-23, a first full level 2 and a first full level 3.

Fund (CCF), Workforce Industry Exchange (WIE) and FE Professional Development Grant (FEPDG). We are also supporting providers to grow high-quality HTE through a new £18 million Higher Technical Education Provider Growth fund with further upfront investment up to 2025, to support the rollout of Higher Technical Qualifications.

40. We recognise that multiple funds can add administrative burdens onto providers and risk a piecemeal approach. Moving forward, we will simplify and consolidate all such funding streams which support development, improvement and reconfiguration of provision, into a single Development Fund. We will also consider whether any further capital funding streams, such as those relating to funding for condition improvement, capacity and roll-out of T Levels could be included in future.

## **Distribution of Funding to Areas with Devolved Responsibilities**

41. Currently, around 60% of the AEB is distributed direct to combined authorities who have devolved responsibility for adult education. They are responsible for funding learners within their area, the funding approach taken, and for the outcomes achieved with this funding.
42. Our July 2021 consultation proposed no changes to this approach, with these authorities remaining responsible for how they use their devolved funding to meet the needs for their areas. We did propose a change to the distribution of this funding, moving away from historically-based shares to needs-based shares.
43. The majority of respondents to our first consultation agreed or were unsure around our proposal to move to a needs-based assessment of funding for authorities with devolved responsibilities. There was some confusion around the nature of the proposals, as some respondents addressed the question based on the assumption that this was about the allocation of funding within an area, which is not the case; the proposal aimed to improve the distribution of funding between areas.
44. Many respondents noted that funding for Community Learning already goes to more deprived learners, but agreed that the approach of an allocation that reflected the level of need in each area was correct in principle. There was broad agreement that maintaining the current approach, based on historical splits, was not sustainable. Many respondents noted that the precise nature of the formula would be critical, reflecting the specific challenges in each

area. Many respondents stated the need for a continued or increased level of funding to support the introduction of the formula, noting that any approach needed to focus on levelling up, not down, and to be forward thinking rather than exclusively based on existing challenges.

45. We have carefully reflected on the views raised in the consultation, alongside the intention set out in the Levelling Up White Paper to agree further devolution deals with an ambition for full geographical devolution across England. We remain of the view that the level of funding received by local areas should reflect their needs, and that dividing the overall quantum between areas based on their needs, similar to how the majority of local government funding systems work, is the right approach. However, we acknowledge the scale of work needed to produce a robust needs-based distribution, which commands widespread confidence and supports levelling up, particularly as the country focuses on economic recovery from COVID-19.
46. 46. In advance of moving towards a needs-based formula for distributing the new Skills Fund, we will explore how our available resources can support those areas most in need, to boost the level of adult skills in those parts of England where opportunity is lowest, and support levelling up. We will confirm our approach when we issue MCA/GLA and provider allocations for 2023/24. Longer term, we will develop a full needs-based formula to allocate the Skills Fund in the next Spending Review period and implement this in a way that manages the transitional impacts.

## **Delivering Effectively for Existing and New Authorities with Devolved Responsibilities**

47. Earlier this year the government set out a framework in the Levelling Up White Paper to widen and deepen devolution across England as part of devolution deals. The Paper outlines how these deals will need to be accompanied by sharper and clearer accountability; a component that has been missing from past attempts to reduce spatial disparities.
48. There is a clear rationale for ensuring a strong local voice in the commissioning of adult skills provision, drawing on local priorities and the needs of residents and local employers. The Skills and Post-16 Education Act sets out a clear role for authorities with devolved responsibilities in the development of LSIPs, ensuring that their local expertise and understanding is factored into the development of plans. A system where responsibility for commissioning adult skills provision is devolved provides the opportunity to maximise the value delivered through the Skills Fund, enabling a close relationship between commissioner and provider, and allowing funding to be

directed flexibly and responsively. But we believe this needs to operate within clear accountability and an approach that does not lead to a postcode lottery in opportunities for individuals or employers.

49. As we devolve adult skills functions to existing and new local areas, we want to build a stronger relationship with devolved bodies so that we can engage at a strategic level, ensuring that rich local insights inform national policy making and in turn, that national priorities can shape local provision and give some consistency in the skills offer available to people.
50. We will work with the Department for Levelling Up, Housing and Communities (DLUHC), MCAs, GLA, providers, and any new authorities with devolved responsibilities, to design how this relationship can best work in practice. We envisage that this will involve:
- strategic engagement so that local insight informs national policy making, and so that national priorities can help to shape local provision and support consistency for learners
  - agreeing a set of outcome measures capturing what excellent skills delivery in an area looks like, reflecting both local and national priorities
  - ensuring we have the right central data and reporting structures in place to minimise burdens on providers, support policy making at a local and national level, and help with benchmarking
  - developing readiness criteria for widening and deepening skills devolution, drawing on lessons from previous rounds
  - determining how this relationship can best work in practice, including streamlining our approach with the new local government body proposed in the Levelling Up White Paper, promoting best practice, and ensuring that we have the right mechanisms in place where there are more serious concerns about delivery
51. We will also explore steps to ensure that a system of full geographical devolution for adult skills can be navigated effectively by learners, employers, and providers. We want to ensure that complexity is minimised for providers, who may be funded by several different commissioners, and we want to enable authorities with devolved responsibilities to be able to focus on commissioning provision which meets local need, by supporting them with the administration of funding. We believe it would help local areas if there was an effective national model in place for funding provision that local areas could use as a starting point, enabling them to focus on where a different approach is needed rather than having to each design their funding approach from scratch. Taking this approach would mean any differences between local areas had a clear rationale and would minimise the extent of differences that

employers and providers need to navigate. It would also enable national systems to continue to underpin the mechanics of funding, enabling a more efficient system.

52. We think a national model for funding could include a range of elements, for example, a set of funding rates for qualifications, an approach to funding non-qualification provision, guidance which could be drawn upon to support learners with additional needs, and a model for funding core aspects of provision on a lagged basis. We welcome views on whether a model would be useful on the elements listed above and what else it could usefully include; and how it could most effectively work whilst ensuring these areas maintain full discretion in how to meet local needs. We will develop proposals further, working with stakeholders.
53. 53. We also want to support local areas with the strategic planning of their skills provision. We will set out budgets on a multi-year basis so that local areas have advance notice of their funding, with multi-year budgets aligned to the government's Spending Review cycle. We will notify areas of these as early as possible. That means for this Spending Review period we will notify authorities with devolved responsibilities of their budgets for 2023/24 and 2024/25 at the same time. Funding for 2024/25 would be an indicative figure but we would not expect these to be revised unless there were exceptional circumstances.

**Q1. Do you agree with our proposal to create a national model for funding, that areas with devolved responsibilities can use as a basis for shaping and funding local skills provision?**

**Q2. What are your views on the core elements of a national model set out above? Are there other elements which should be included?**

## **Distribution of Funding to ESFA Funded Providers**

54. The DfE, through the Education Skills Funding Agency (ESFA), funds providers who serve learners that live in an area where the responsibility for adult education is not devolved. This accounts for about 40% of provision. Our first consultation set out proposals for reforming how this provision is funded.
55. Within the ESFA-funded areas, ministers perform the commissioning role to determine how funding is used, which cohorts are eligible and so on. In doing



this, we aim to strike a balance between giving grant funded providers as much autonomy as possible to meet learner and employer need, whilst ensuring value for money and the delivery of public priorities.

56. As set out earlier, we believe there is strong rationale to ensure certain groups of learners are prioritised for access to free provision under the Skills Fund. However, we acknowledge that the current application of eligibility and entitlement rules does add complexity to the system.
57. In our first consultation we asked which entitlements and eligibility rules should be maintained in the new system. Respondents suggested a range of approaches, considering a wide variety of factors such as age, prior qualification level, disability, unemployment, or risk of redundancy, and more. Many respondents stated that entitlement to free literacy, numeracy and digital should remain. Some felt that the existing system was satisfactory. In response to our question asking how colleges would allocate limited funds in a system with fewer requirements, many respondents felt that providers had the necessary expertise to manage any amended system, and others noted that the main constraints, as set by the Home Office and the Department for Work and Pensions (DWP), are continuing, and thus there would not be a substantive impact.
58. Given the need to prioritise how taxpayer funding is used, we do not intend to make any changes to the current entitlements or eligibility rules, maintaining access to free education for younger adults, unemployed adults, and those on low pay. With a move towards full geographical devolution, the issue of who should be prioritised for funding will be for authorities with devolved responsibilities to decide, and we therefore will not proceed with changes now to the current eligibility rules for ESFA-funded areas. However, we do want to explore how we can ensure consistency across England for learners within a devolved system, and will review how these priority cohorts can best be supported as we develop options for a national model of funding.
59. These funding reforms also provide an opportunity to review non-qualification-based provision, currently provided through formula funded non-regulated learning and Community Learning. We want to ensure that this provision is the right choice for the learner and improves outcomes for individuals, as well as being value for money and meeting wider skills and employment needs.
60. To achieve this, we believe we need to re-orientate the vision for non-qualification provision and hold providers to account for the outcomes they deliver. This requires a clear articulation of the purpose of non-qualification provision. We expect that most non-qualification provision will be prioritised

on those furthest from the labour market. We are proposing that in future all non-qualification provision should meet at least one of the following objectives:

- achieving employment outcomes for all learners
- achieving progression to further learning that moves individuals closer to the labour market, for all learners
- helping those with learning difficulties and/or disabilities to support their personal development and access to independent living

61. We expect this will incentivise a focus on individuals progressing in their learning and encourage a reduction in the extent of multiple enrolments at the same level. Currently we only collect a limited amount of learner data for the majority of non-qualification provision, making it difficult to assess the purpose, outcomes, and costs for this provision across ESFA-funded areas. In the future, we want better data to be able to assess value for money and track outcomes through the new accountability system, including in the new Performance Dashboard. Paragraphs 144 - 150 provide more detail. We are keen that we collect data that shows what this provision is designed to achieve, as well as better describing what is being taught. We will work with providers to design an approach to data collection. Paragraph 162 provides more detail.

**Q3. What would the impact be, both positive and negative, of adopting the proposed objectives for non-qualification provision?**

**Q4. How should we monitor providers delivering against these objectives?**

## **Basis of Funding**

62. Our first consultation discussed the options for the basis of a funding system for providers: a plan-based approach, historically based allocations, a needs-based approach for local areas with divisions within for individual providers, or an activity-based approach. There was a range of responses to this question, with many respondents preferring a needs-based approach and others commenting that an activity-based approach was the most viable one given the circumstances. We also asked whether respondents felt the proposed needs-based formula should apply across the whole country by shaping allocations for providers in ESFA-funded areas. Most respondents were unsure about this proposal and raised concerns about the potential formula and detaching funding from activity, although many respondents felt this

would be a good approach and would help the DfE and local areas to better understand the funding need in their area.

63. The DfE will take a mixed approach to ESFA-funded provision going forward, set out in summary below, and in detail in the following sections:
- qualification-based provision will be funded on an activity-led basis. This means providers will be funded for the volume of qualification provision that they deliver, with specific funding rates attached to different qualifications, reflecting their cost and value through a simpler set of funding rates. Qualifications are a nationally consistent product in terms of length, scope and content, increasingly based on employer-led standards. These characteristics lend themselves to funding via a clear unit of funding much like 16-19 or schools' provision. We envisage that this model is one which devolved bodies can also use going forward, with adjustments if needed to reflect particular local priorities
  - non-qualification provision will be funded at a provider level with a single allocation that providers can use flexibly to meet learner and employer need, similar to how existing funding for Community Learning works
  - we are consulting again now on how funding to support learners with additional needs can best be funded

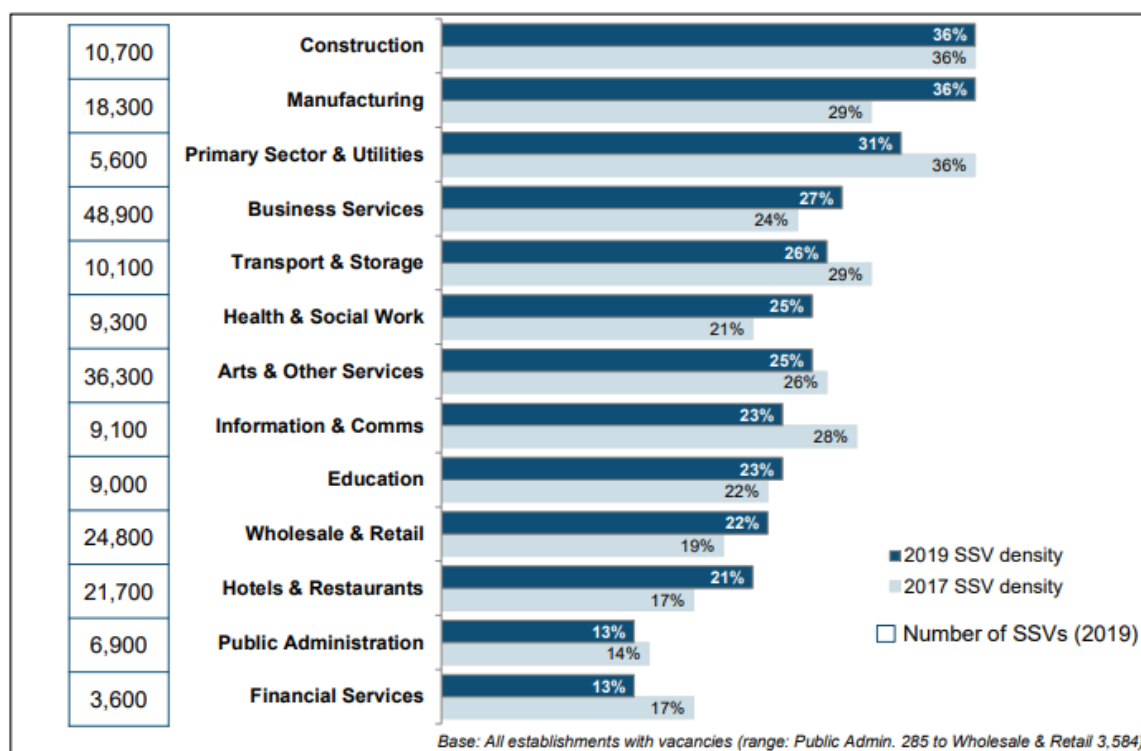
## **Funding for Qualifications**

64. Our first consultation proposed moving to a simpler funding formula for provision which the DfE funds direct. For qualifications, this would comprise a simpler set of funding rates which reflected the volume of training and then the cost and value of that provision with area costs applied on top. The majority of respondents agreed with a move to simpler funding rates as set out in the consultation. We also proposed removing the achievement element from the funding system.
65. We want to ensure that we design a simpler and more effective funding approach that can be used for ESFA-funded provision now, but also be used by areas with devolved responsibilities to fund their provision. The current funding matrix has variable underlying funding rates and does not incentivise skills training in those sectors of the economy with the greatest skills needs. This does not deliver on our objectives and therefore we will proceed with the introduction of a simpler set of funding rates. We will, however, retain the achievement factor. Removing this would weaken the focus on outcomes that we want to see.
66. Qualifications will be funded according to a new set of funding bands, each with its own funding rate. We propose having 5 funding bands: base, low, middle, high and specialist. The funding rate will be set on an hourly basis

and the funding for any individual course will then be calculated by multiplying this hourly funding rate by the Guided Learning Hours (GLH)<sup>11</sup> for that course. We propose setting relativities between the funding bands at broadly 20% intervals, with precise relativities and actual funding rates confirmed in the autumn alongside final assignment of Sector Subject Areas (SSAs) to funding bands.

67. Courses will be assigned to these new funding bands primarily at the SSA tier 2 level. SSAs offer a way of classifying both regulated qualifications and non-regulated provision. At tier 2 level there are 50 SSAs. Ofqual and the DfE are undertaking a joint review of the SSA classification system to ensure it is clear, consistent, and fit for purpose. The work of this review will feed into the final assignment of SSAs to new funding bands.
68. Our proposals aim to boost funding for provision which delivers the skills our current and future economy needs. For example, we know that there are persistent skills shortages in sectors with the potential to boost economic growth and deliver the transition to net zero, including construction, manufacturing, and digital.

**Figure 1: Number and density of skills-shortage vacancies (SSVs), by sector**



Source: [Employer Skills Survey 2019 - GOV.UK](https://www.gov.uk/government/statistics/employer-skills-survey-2019)

<sup>11</sup> These are set by awarding organisations.

69. We have therefore combined information on both skills needs and cost to inform these proposals, which we want to further refine through this consultation. We have drawn on the following information:
- Skills needs: the government has already set out sectors of greater priority for skills training through the 16-19 High Value Course Premium (HVCP) and the FCFJ offer. The Unit for Future Skills (UFS) will develop our understanding of skills needs further, building on evidence already available on vacancies<sup>12</sup>, skills shortages<sup>13</sup>, earnings<sup>14</sup> and earnings returns<sup>15</sup>, which show the impact on earnings given variation in the prior attainment and characteristics of individuals and employment rates<sup>16</sup>. We recognise that it is difficult to fully assess the full benefits which different skills bring, and indeed all levels of learning bring a positive economic return on average<sup>17</sup> and it is harder still to ascertain the future skills needs of our country. However, we consistently hear from providers that they find it difficult to recruit staff at current levels of funding in particular subject areas, and various analyses suggest a greater skills need in certain areas in future<sup>18</sup>. We therefore want to ensure that our funding rates support providers to put on training that helps meet current and future skills needs, using the available evidence and consultation input to make these decisions.
  - Cost: the DfE has recently carried out research with the sector to look into the relative cost of provision between different subject areas and we are grateful to all those providers who took part. We have drawn on this research, which will be published shortly, to inform our assessment of relative cost.
70. Our approach has been to identify SSAs where we think a higher funding rate is necessary, drawing particularly on the SSAs covered by FCFJ as an indication of areas of priority alongside data on skills shortages, earnings returns and employment rates. We would welcome views on whether there are further sources of evidence which could be incorporated into this assessment. We want to get this right and to have your input.
71. For SSAs where we think a higher funding rate is necessary, we have then incorporated relative cost data to allocate these priority SSAs to one of the higher funding bands, with higher cost SSAs going into the higher bands. We have ensured that no SSA will be moved to a funding band that gives a lower weighting than the existing programme weightings. We would like to test this

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<sup>12</sup> [Vacancies and jobs in the UK: June 2022](#) (Office for National Statistics, 2022)

<sup>13</sup> [Employer skills survey 2019 – GOV.UK](#) (Department for Education, 2020)

<sup>14</sup> [Further education – outcomes-based success measures](#) (explore-education-statistics.service.gov.uk)

<sup>15</sup> [Further education skills index, Methodology – Explore education statistics – GOV.UK](#) (explore-education-statistics.service.gov.uk, 2022)

<sup>16</sup> [Destinations by qualification title, provision and sector subject area \(QUA01\) from 'Further education: outcome-based success measures', Permanent data table – Explore education statistics – GOV.UK](#) (explore-education-statistics.service.gov.uk, 2022)

<sup>17</sup> [Measuring the Net Present Value of Further Education in England 2018-19](#) (publishing.service.gov.uk, 2021)

<sup>18</sup> For example, [UK Skills Mismatch in 2030](#) (Industrial Strategy Council, 2019)

approach through this consultation. Our initial assignment of SSAs to the new funding bands is shown in Annex A, and we welcome views on both our approach and the individual SSA positions.

72. The specialist funding band would be reserved, as now, for genuinely specialist provision which needs to be delivered by specialist providers. We will review the sub-set of qualifications within the relevant SSAs that are currently deemed to be specialist qualifications. Non-specialist provision in these relevant SSAs would receive a lower weighting. Further details are available in Annex B.
73. These new funding rates will be applied in the same way as now. Funding for qualifications would be calculated for each individual by taking the hourly funding rate applicable for each qualification, multiplying it by the GLH for that qualification, and then multiplying it by the area cost adjustment. Funding would be aggregated up for all the individuals doing each qualification. As with previous changes to funding rates, the new rates will apply to new starters only, with learners who began their course before 2023/24 having the existing funding rates applied.
74. We want our new funding rates to give providers confidence to plan provision to meet local and national skills needs, and therefore envisage these funding bands remaining stable unless there is strong justification for change.

## **More Detailed Proposals on Funding Rates**

75. The current adult funding system includes a range of exceptions to the Single Activity Matrix. Some qualifications have funding rates set as a matter of policy, for example: GCSEs, AS levels, A levels, Functional Skills in English, Maths, ICT, and Access to Higher Education. Some qualifications, developed under the Qualifications and Credit Framework, receive funding at a different rate than their course length suggests, as they were assigned funding on the basis of their credit value rather than course length. We have set out further information in Annex B for those who wish to engage at this level of detail, and welcome views on how these exceptions should be treated going forward.

- Q5. Do you agree with the above approach for funding qualifications?**
- Q6. Are there further sources of evidence which could be incorporated into our proposed approach?**
- Q7. Are there any individual SSAs which you feel have been assigned to the wrong funding band in Annex A? Please give reasons for your response.**
- Q8. Do you agree with our approach to setting a single specialist rate for specialist courses undertaken by specialist institutions within these SSAs in Annex B?**
- Q9. Do you agree with the proposed band for non-specialist provision within these SSAs in Annex B?**
- Q10. Do you agree with the approach outlined in Annex B for each of the qualifications that are currently funded differently from the single activity matrix?**
- Q11. How should credit-based courses which are currently funded at a higher rate be treated in the new Skills Fund?**

## **Advanced Learner Loans (ALLs)**

76. The FCFJ offer means that a range of Level 3 courses are now fully funded for a range of individuals who previously would have been required to self-fund or to draw on an Advanced Learner Loan (ALL) to support their learning. In addition, individuals can take out an ALL for Level 3 courses where it is not fully funded, including Access to Higher Education qualifications.
77. Maximum loan amounts for ALLs are set using the Single Activity Matrix. If we use the new funding bands to set the ALL rates, then this would see individuals faced with higher maximum loan amounts than now for higher priority courses. We think this would have an adverse effect on the decision making of loan funded learners, potentially driving them to choosing lower priority courses to reduce the loan amount that they take on and have to subsequently repay.
78. In addressing this, there are two competing aims: (i) the aim to deliver higher funding for higher priority courses for providers; and (ii) the aim to avoid individuals, where they need to fund through loan, having to take a higher loan amount. We think a workable compromise is to set the maximum loan amounts for Level 3 courses for new starters in 2023/24 at the lower of the maximum loan amount that would have been paid under the AEB Single



Activity Matrix, or the amount that would be payable under the new Skills Fund rates. This means that for qualifications where the new bands generate an increased rate compared to the current matrix, the matrix rate will continue. For those qualifications where the new bands generate a reduced rate compared to the current matrix, the new bands will be applied. Level 4-6 courses will no longer be funded by ALLs once the Lifelong Loan Entitlement (LLE) is established; until that point, they will retain their current rates. We will consider as part of the next Spending Review how funding for Level 3 provision can best work where individuals are not eligible for grant funding.

**Q12. Do you agree with our approach to setting rates for maximum loan amounts for Advanced Learner Loans?**

## **Keeping Funding Responsive to Changing Provision**

79. In the current system colleges receive an initial allocation before the start of the academic year which provides the basis for the funding paid to them over the course of the year. However, at the end of the year the actual provision is assessed, and a reconciliation process occurs, so funding is clawed back if delivery is below 97%, and additional funding provided for delivery between 100% and 103%, subject to affordability.
80. As set out in our first consultation, this has the advantage of ensuring funding is very responsive to need, particularly where provision is growing, but can make it harder for providers to plan. We consulted on moving to a “lagged” system as is the case with 16-19 and schools, recognising that having a “best of both” approach whereby growth is funded but under-delivery not adjusted for, can only be delivered by holding back funding.
81. There was a mixed response to our question on a move to lagged funding, with more respondents saying they were unsure than stating a preference for an allocation and reconciliation model, or a lagged funding model. Whilst many respondents felt there might be a benefit to a lagged model that allowed them time to adjust costs and staffing where demand changed, they felt more detail was needed and it was not clear that this would bring benefits to learners. Respondents who preferred the allocation and reconciliation model noted that it was flexible and responsive. Many respondents noted that they were interested in understanding the potential impacts of any proposed model.
82. We have considered this issue again, alongside wider points made during the consultation about managing transition to a new system and ensuring



providers can respond to the wider reforms set out in the Skills for Jobs White Paper without seeing unexpected reductions in funding. We continue to think a lagged approach, which gives providers a firm allocation for the immediate year, is the best approach, but will delay introducing this until the new funding rates are established and providers have had an opportunity to review and shift their mix of provision. In this way we will avoid sudden changes to funding which are outside of a provider's control.

83. In the short term, we will therefore maintain the existing approach of giving an initial allocation and then reconciling for actual delivery. We understand that this means the disadvantages in the current system around the ability to manage budgets effectively will continue for a little longer, but we think the advantages of avoiding significant distributional impact for provision already delivered outweighs these.
84. We expect to implement a lagged funding system near the beginning of the next Spending Review period, once the new funding rates are established, enabling us at that point to end the allocation and reconciliation approach. This will apply to providers funded directly by DfE and we will work with authorities with devolved responsibilities to explore whether and how they may wish to adopt this approach. We will consult further on how the move to lagged funding should work nearer the time, alongside whether and how an upfront funding mechanism for funding specific areas of provision might work, as explored in the July 2021 consultation.
85. The basis for future allocations is discussed further below. Providers would then earn against these allocations for their qualifications, using the new funding rates set out above.

## **Funding for Non-Qualification Provision**

86. Respondents to our first consultation agreed that non-qualification provision plays a vital role, particularly in supporting returners to learning. In response to the question "How can non-qualification provision most effectively be funded in the future?", a number of respondents supported an approach based on a GLH model, some recommended a needs-based approach, and others stressed that agreeing one funding methodology across DfE would have a positive impact. Respondents also suggested that funding for non-qualification provision should be based on a reasonable percentage of a provider's total spend and then left to local partners to determine how it is used. Many wanted to see the Community Learning funding stream increased and expanded as, in their view, it is both simple and effective.

87. We will therefore combine existing funding for all non-qualification provision into a single provider-led amount based on what the provider historically received for this provision (i.e. the sum of their Community Learning allocation and any non-regulated formula funding they claimed). This amount will be included in the provider's Skills Fund initial allocation and will cover all costs, including learner and learning support which providers will not be able to claim for separately. We anticipate this funding would be maintained at the current level for the period of this Spending Review. Providers will be able to use this non-qualification amount to deliver qualifications but will not be able to use the remainder of their Skills Fund initial allocation to deliver non-qualification provision other than through the 'innovative provision' arrangements proposed in paragraphs 89 - 93.
88. Providers will be required to have in place, and operate, a fair and transparent local fee remission policy that sets out clear eligibility criteria for those individuals who, due to their circumstances, qualify for either locally determined partial or total fee remission. This approach replicates the current Community Learning approach and will give greater flexibility in how all non-qualification provision is delivered, recognising that national unit costs will not always be appropriate, for example for learners who are far from learning or the labour market or who have more complex learning needs. We expect all providers to declare the amount spent in this way to ensure funding is used as intended, in a similar way to the current Community Learning declaration process. We will review our approach as our accountability reforms are introduced and have better information on its effectiveness to ensure an individual's progress.

## **Funding for Innovative Provision**

89. We asked for your ideas on how we could fund providers for the development and delivery of innovative provision that is not currently funded by the system. Although some respondents felt that employers should meet the cost of their skills needs from their own resources, most agreed that this sort of flexible funding should be part of any new system, providing local employers and providers with the flexibility to co-design non-qualification-based provision that supports business growth, productivity, and in-work progression for employees. Respondents were generally supportive of a discrete innovation funding pot that providers could access to develop and fund this type of provision. However, we are keen to avoid something distinct that could add additional complexity and administrative burdens, and so we have looked at how within the Skills Fund we can give providers flexibility to respond to emerging employer and learner needs.

90. Our proposal is that in addition to their non-qualification delivery, providers will also be able to earn a given percentage of their Skills Fund initial allocation on innovative provision (e.g. up to 3%). This provision would have to be new, tangible, employer or employability-focused non-qualification provision, or support the development of such provision.
91. Given its focus, this facility within the Skills Fund is intended for providers who meet the following:
- their non-qualification provision is less than a given percentage of their total delivery – e.g. 20% - because providers with a higher percentage of non-qualification provision will already have significant flexibilities
  - their total Skills Fund allocation is greater than a specific amount e.g. £500,000 – to ensure that providers are able to draw down a viable amount of funding
  - in order to retain the focus on adult skills provision, they must offer adult provision (not just up to age 19 years)
92. Providers would need to set out what they have used the funding for, the employers involved and the outcomes it is expected to deliver. We welcome views on how this information can best be collected and will develop proposals in conjunction with provider representatives. We would also welcome case study examples from providers on how they have successfully developed new and innovative provision, to help inform our approach.
93. To help providers determine whether this facility is appropriate for their institution, we would in due course issue guidance to providers on what we mean by innovative funding and the sort of provision we envisage this funding being used for, as well as the sort of provision that should not be covered.

**Q13. Do you agree with our proposal that providers should be able to earn a given percentage of their Skills Fund allocation on innovative provision?**

**We would also welcome comments on how this facility could best work.**

**Q14. Do you agree that this facility should only be available to providers who meet the criteria set out in paragraph 91?**

**We would also be interested in any case studies of how you have successfully developed and implemented new and innovative provision.**

## Funding for Additional Needs

94. In the July 2021 consultation, we proposed combining formula funding for disadvantage with claims-based funding for learner and learning support, into a single formula-based allocation for additional needs for grant-funded providers.
95. The majority of respondents agreed with this proposal, noting it made sense to do so. However, a number of respondents commented that their support was conditional on the overall level of funding for disadvantage and additional needs being increased, and an assurance that consolidation would not lead to a reduction in support for those most in need. Of those who disagreed with the proposal, many were concerned that merging this funding into a single pot risked learners with additional needs being inadvertently disadvantaged, and that it could take away the flexibility providers currently have in terms of meeting learner needs – there was strong support for this flexibility to be retained.
96. We would still like to proceed with the simplification for funding for additional needs for learners taking qualifications<sup>19</sup>, but it has proved difficult to arrive at a formula-based allocation which does not cause significant distributional impact, which we don't feel would be beneficial given the direction of travel towards a fully devolved system.
97. An alternative approach would be to allocate a fixed sum to grant funded providers for additional needs and to base this on their historical level of learner and learning support funding. Funding for disadvantage would continue to be calculated automatically and on an individual per-learner basis using their postcode, ensuring this funding to reflect the socio-economic needs of learners remained up to date.
98. Providers will be able to use all this funding as they see fit to support their learners without the need to 'earn' the funding through the specific earning methods we have now. This approach will also mean that providers will be better able to plan how to use this funding to support learners with additional needs more flexibly rather than only being able to react to the learners when they actually enrol. We recognise this has some disadvantages however: using historical data does not represent changing need and it would limit the extent to which funding could be earned to meet learners' needs. We would welcome your views on whether this revised approach would be more beneficial overall than retaining the current approach for learner and learning

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<sup>19</sup> Funding for additional needs for learners taking non-qualification provision will be included in that allocation, replicating the way Community Learning funding currently works.

support and on the degree to which this reform would result in a significant reduction of data and administrative burdens.

**Q15. Do you agree with our proposal to allocate a fixed sum to grant funded providers for learner and learning support based on their historical level of this funding or should we continue with the existing arrangements?**

**Q16. To what extent do you think this reform will result in a reduction in data and administrative burdens?**

## **A Multi-Year Approach**

99. Our previous consultation set out our intention to introduce a multi-year funding approach, aiming to strike a balance between predictability of funding and responsiveness to changing learner and employer needs.
100. Most respondents welcomed the proposed multi-year approach, recognising it as a helpful step towards more certainty and stability, enabling providers to plan strategically to meet local needs and to develop provision in a controlled way. Some gave the proposal a cautious welcome, wanting further clarification on how a multi-year approach might work in practice, while a smaller number did not support the proposal, commenting that providers already have a high degree of certainty, and a multi-year approach would add little.
101. Continuing with the existing approach of setting initial allocations with reconciliation at the end of the year enables us to provide multi-year allocations to individual providers, giving them advance notice of their future funding allocation. This, alongside broader steps discussed below to establish an overall multi-year regime, will allow providers to plan their provision more effectively, confident in the funding rates which will apply and the overall allocation they will have.
102. We propose to largely base allocations for 2023/24 and 2024/25 on those issued for 2022/23. By continuing with allocations that reflect 2022/23 allocations, unless those are clearly no longer in line with delivery, providers will have the space to assess their provision considering the local labour market need, drawing on LSIPs; and reconfigure their provision without worrying that their ability to secure funding the following year could be reduced. We expect to move to a lagged system in the next Spending Review period and will consider as we develop these proposals how indicative multi-year allocations can best be provided within that context.

103. These allocations give providers a foundation for planning the provision they will offer. As we are, for the time being, continuing with the allocation and reconciliation system, the final funding that a provider receives will be based on actual delivery. Delivery will be calculated as follows:
- for qualifications, this will be calculated as set out in paragraphs 66 to 67, by taking the volume of provision for different qualifications and applying the new funding rates alongside the area cost adjustment: the achievement rate will apply as now
  - for disadvantage this will be automatically calculated by applying the disadvantage uplift as now
  - for non-qualification provision this will be based on the historical amount received for Community Learning and non-regulated formula funded provision, as set out in paragraph 87: providers will need to declare the amount spent as they do now with Community Learning
  - for learner and learning support this will be calculated either as now, or through a lump sum for additional needs as set out in paragraph 97
  - where relevant, providers will be able to earn up to a given percentage of their Skills Fund initial allocation on innovative provision as set out in paragraphs 89 to 93
104. Where this total delivery falls short of 97% of the initial allocation, funding is currently clawed back in full. For example, if a provider's delivery comes to 96%, they would lose 4% of their funding, whereas a provider delivering 97% would experience no loss. Where delivery exceeds the initial allocation, additional funding is provided up to 103%.

**Q17. Do you agree with the above approach to multi-year funding?**

## **Independent Training Providers and Skills Provision**

105. As made clear in the previous consultation, grant funding of colleges and local authority education providers will remain the main funding flow after these reforms. However, Independent Training Providers (ITPs) play an important role in delivering adult training and skills.
106. We also made clear that there should be greater clarity on the areas where government would procure provision direct, and that we would explore how we can improve the way we procure provision and ensure we are clear on the distinct purpose of that procurement.

107. The majority of respondents to our first consultation agreed that the DfE should reform the current system of procurement and were supportive of the DfE continuing to procure some adult skills provision in specific and limited circumstances.
108. Our national programme FCFJ – Level 3 adult offer will be included in the Skills Fund from August 2023 and will continue to operate as now, with delivery devolved to combined authorities and procured by DfE in ESFA-funded areas. To simplify, in the next Spending Review period, we will consider whether FCFJ should become part of mainstream adult education provision.
109. Where applicable we intend that the funding reforms set out above will apply to newly tendered contracts for services including, for example, new funding bands. We will continue to hold these providers to account through our contract management arrangements.

## **Procurement in ESFA Funded Areas**

110. In keeping with the recent Levelling Up White Paper, and as referenced above, we expect the adult skills system to gradually move to a full devolved model for adult skills, and as part of this as now, authorities with devolved responsibilities will be responsible for the provider mix in their area. However, we need to consider an interim approach for existing AEB-procured funding for ESFA-funded areas when the Skills Fund is created.
111. The responses to the consultation on this issue gave clear support for the DfE's intention to reform the status quo with regards to procured provision. In the main, this support focused on ensuring that the DfE focuses direct procurement on distinct provision that adds additional capacity to the sector.
112. We want to ensure that we make the most of the range of expertise the ITP sector can bring and add capacity to adult skills provision in ESFA-funded areas, and will review how this can best be done. Changes to the qualification funding rates as proposed above would be reflected in any future procurement.

## **Subcontracting**

113. In our first consultation we asked how we could support colleges to improve how they commission and oversee provision from the providers that they



commission from. Many respondents felt that identifying and disseminating best practice would be helpful and some commented that representative bodies could assist with this. Others suggested that the simplification and clarification of existing rules would be welcome. We also asked how we could best support providers who are commissioned by colleges. Respondents suggested that, similar to the above, sharing best practice and ensuring clarity in the rules would be an effective way to deliver this.

114. We have undertaken a number of changes to subcontracting rules to ensure learners receive the best possible education and that public funds continue to be spent appropriately and provide value for money. A new subcontracting standard<sup>20</sup> was published in July 2021 as part of this, and represents the final component of our reforms to subcontracting for learners over 16. The standard provides clear oversight and management for the effective use of public funds and ensures that lead providers have the appropriate arrangements in place to contract manage subcontractors.
115. Using powers introduced through the Skills and Post-16 Education Act we will produce and maintain a list of post-16 education or training providers to help prevent or mitigate risks associated with the disorderly exit of a provider. Through this we will ensure that there is a consistent and clear set of requirements placed on providers to protect learners and public funds. This list serves the purpose of protecting learners if providers cease to provide education or training, and will set out those providers that can be used to provide education and training, even where funded by local commissioning bodies or through subcontracts from directly funded providers.

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<sup>20</sup> [ESFA subcontracting standard – GOV.UK](#) (Education and Skills Funding Agency, 2021)



## Chapter 2: An Accountability System Focussed on Outcomes

### Summary

This chapter sets out our approach to improving the FE accountability system. We set out more detail on how we plan to shift the system towards measuring good outcomes, delivering on our ambitions in the Skills for Jobs White Paper and the Skills and Post-16 Education Act.

To do this we will develop and introduce:

- **Accountability Agreements** - setting clearer requirements and expectations for FE providers, incorporating new national skills priorities, and inviting colleges to develop a strategic plan.
- **An FE Performance Dashboard** – a new tool setting and measuring high- level outcomes for FE providers, published on gov.uk.
- **Improved data quality through better collection, storing and sharing**, creating a digital record for FE learners and cloud-based services across the sector to reduce reporting burdens on providers.
- **Ofsted enhanced inspections** - increasing Ofsted's focus on how well FE providers are responding to local and national skills needs, as part of full inspections.
- **An expanded FE Commissioner role** – with greater focus on identifying and sharing excellent practice; tailored support, and a Single Improvement Plan.
- **Simpler audit and assurance**, reflecting the move to a single adult Skills Fund proposed in Chapter 1.
- **Applying the system to other post-16 providers**, setting out how we intend to apply our reforms to the non-statutory FE sector in a fair and proportionate way.

### Introduction

116. We have a vision for an autonomous further education system where providers have the freedom to decide for themselves how best to support their learners to realise their potential. In our last consultation we set out proposals to tilt the accountability system towards delivering good outcomes for learners, employers, and the taxpayer; and we described new components that will support this including Accountability Agreements, an outcome-based Performance Dashboard, and exploring an enhanced role for Ofsted.

117. Whilst our funding reforms focus on the adult funding system, where we have the biggest opportunity to improve, our accountability proposals apply nationally and take a provider-level approach. From the perspective of a General Further Education (GFE) College we believe this new accountability system should apply to all DfE-funded provision that they deliver. This means that a GFE College will be held to account for its 16-19 study programmes, apprenticeships, adult skills provision, and academic provision. We also plan to extend this system to other providers in a fair and proportionate way. Our proposals are set out in more detail at paragraphs 203-210.
118. In the rare instance where a provider is struggling, we believe that the college leadership team and their governors will always be central to their improvement journey. The FE Commissioner will have the lead responsibility for overseeing support for leadership and governance in those few instances when providers experience difficulties. This close working relationship with providers in intervention, supported by a Single Improvement Plan, will be key to navigating challenges and enabling colleges to realise their potential.
119. This chapter builds on our initial proposals, providing more detail on how they will look and feel in our new system. We are piloting Accountability Agreements and the Single Improvement Plan, and Ofsted has recently completed pilots of its enhanced inspections and are planning to introduce these from the 22-23 academic year. We have designed this new system around several principles:
120. **A self-improving system:** We know that the current system focusses on situations where things have gone wrong, and as a result has been seen as punitive rather than supportive. This impacts confidence and reduces trust, making it difficult to identify and fix issues at the earliest stage. We have introduced Annual Strategic Conversations with colleges with the express purpose of re-shaping our relationship, and will facilitate access to mentoring and support as needed. Feedback from these conversations will be used to inform and develop future policy, ensuring that the input of the sector is at the heart of future developments.
121. **Clear roles and responsibilities for all parties:** Accountability systems work best when all those involved know what they and others are responsible for and have the authority to resolve. Through the Skills and Post-16 Education Act 2022 we have placed a duty on providers to review how well they meet local skills needs. In new Accountability Agreements we will set out our expectations of providers in more detail, including clarifying the governance and processes that we expect them to have in place. We will also set national skills priorities, drawing on intelligence from the new Unit for

Future Skills (UFS). Providers will use their knowledge and expertise to develop plans, setting out how they intend to meet national and local skills needs and deliver on those expectations. These Agreements will be published on their websites. We will ask Employer Representative Bodies (ERBs) to work together with providers and local bodies to develop Local Skills Improvement Plans (LSIPs) which will capture the changes needed to education and training to best meet local skills needs. We expect individual providers to reflect their part in delivering on the LSIP in their individual strategic plans.

122. Ofsted is the inspector of the quality of provision and will have responsibility to judge whether a college is contributing and responding to skills needs. The DfE/ESFA will continue to fund providers and manage the day-to-day relationship with colleges and other providers. The FE Commissioner will be responsible for helping to identify and resolve issues, working with providers in intervention to support improvement, and championing excellence in the sector. Local areas, comprising ERBs, local government and providers, will work together to co-ordinate their approach to meeting skills needs and bid for Strategic Development Fund funding to support this.
123. **Using better data to drive improvement:** We are investing in a new data collection system that will improve the quality of data that we capture. Where possible, we will automate how we collect data to reduce reporting burdens on providers. Separately, the UFS will help to make data on future national and local skills needs available in a user-friendly way, to help the different local actors plan effectively.
124. **A more transparent system:** We will introduce a public FE Performance Dashboard, including measures that assess and contextualise a providers' performance against outcomes. This will help providers to benchmark their performance and target improvement in their organisation. Ofsted and the FE Commissioner will also draw on Dashboard data to help inform their work.
125. **Taking a risk-based approach to intervention:** We will continue to maintain a risk profile for providers, drawing on quantitative data which will be supplemented by local intelligence from regional teams and other sources, including Ofsted inspectors and the FE Commissioner team. Accountability Agreements, LSIPs and the FE Performance Dashboard will give us new sources of information about local delivery. We have recently expanded the FE Commissioner's role to identify weaknesses and work with colleges upstream to resolve issues and prevent intervention being necessary, by providing more active support. Through the Skills and Post-16 Education Act 2022 we are strengthening our existing intervention powers, enabling the

Secretary of State to intervene where the education or training provided by an institution is failing, or has failed, to adequately meet local needs.

126. **Proper assurance of public funds:** Assurance of public funds is crucial to our new system. It gives Parliament, and therefore the taxpayer, confidence that skills funding is being allocated and used appropriately. The introduction of the Skills Fund is an opportunity to review our approach, focussing on our dual objectives of providing robust assurance whilst keeping requirements to a minimum. This in turn will reduce the burden on providers and enable them to focus on their provision. We will continue to test our thinking with the sector as the new adult funding system is further developed.

## More Active Strategic Support

127. In the Skills for Jobs White Paper<sup>21</sup> we promised to improve the way we work, trusting and empowering FE providers to spend their money in the way they see fit, and holding them accountable for the outcomes they deliver.
128. We have started moving to a more strategic relationship with colleges where we work more collaboratively to provide appropriate support. This year we have piloted Annual Strategic Conversations, where colleges can showcase their successes and discuss the challenges and opportunities they face in an open and transparent way. The first year of Annual Conversations has now completed, providing greater clarity on the issues faced by colleges both individually and collectively. We will be using the outcomes from these conversations to help inform and develop future policy, and inform how we conduct our day-to-day relationship management work. The work carried out by regional teams will be complemented by the enhanced role of the FE Commissioner who will act as a champion of excellence across the sector.
129. We have also recently extended our support package to all colleges; not just those in intervention. This will give all colleges access to a range of preventative and support tools. We are starting this by piloting access to FE Commissioner-led Diagnostic Assessments and peer-led support through the National Leaders of Further Education (NLFE) and National Leaders of Governance (NLG) programmes. We are going to undertake further work to make sure that the menu of support available includes an effective offer to help colleges improve on meeting local skills needs.

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<sup>21</sup> [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#) (Department for Education, 2021), pg.50

130. We will continue to steer improvement across the system through a mix of programmes, including support with building skills of teachers, leaders and governors, and programmes that encourage people to join the FE profession.

## Introducing New Accountability Agreements

131. We have developed our thinking on Accountability Agreements, reflecting the feedback from our last consultation. We will use the Agreements to clarify our expectations, whilst minimising burdens and resetting and refocusing the relationship between the DfE and providers. The Agreements will include detail to ensure proper use of taxpayer funds and robust scrutiny of the quality of provision.
132. In our first consultation we asked whether you agreed with our objectives for new Accountability Agreements, and whether Accountability Agreements should incorporate and replace Funding Agreements. A large majority of respondents supported our proposal to introduce Accountability Agreements in principle, and around half thought that Accountability Agreements should replace Funding Agreements.
133. Accountability Agreements will come in two parts:
- **Funding Framework (Part 1):** This new framework will apply to all providers that we grant fund directly and will replace the Funding Agreement. We will use it to set out national priorities, as described below, as well as the essential terms and conditions that providers need to meet in return for funds, such as the necessary clauses protecting public funds and learners to meet the requirements of the National Audit Office (NAO), as well as ensuring that the DfE meets its accounting requirements. This part will be significantly shorter than the current Funding Agreement. It will be developed in detail now that the Skills and Post-16 Education Bill has received Royal Assent. We will share a draft with provider representative associations in scope later in the year.
  - **Strategic Plan (Part 2):** This part currently only applies to the statutory FE sector, but we are using our pilot to test whether it would be appropriate to ask local authorities to produce a plan too. We will ask all colleges to own and develop a strategic plan, setting out a small number of outcome targets focussed on curriculum changes and adaptations to provision planned for the coming year. These targets should reflect how they are contributing to local priorities set by ERBs, with relevant local stakeholders including local employers, providers, MCAs, Local Enterprise Partnerships (LEPs) and other agencies in LSIPs; and to national skills priorities that we have articulated in Part 1 of the Agreement. Whilst we do not expect that colleges include all their provision, unless they feel this is relevant, provision at any level is in scope including apprenticeships and non-qualification provision. Where a college is part-funded by an MCA, we would expect the plan to reflect the provision it has agreed to deliver with them. We would like to design the plan so that completing it will demonstrate that a college

has undertaken the review of its provision required by the Skills and Post-16 Education Act 2022.<sup>22</sup>

## Setting National Skills Priorities

134. We promised that we would be clearer on our national skills priorities to help colleges strategically plan their provision. Colleges have told us that this has been a missing ingredient in the system for some time. In our last consultation, we said that we would set a limited number of national skills priorities that should be considered alongside local skills needs when planning provision.
135. We believe that by setting out national priorities as part of Accountability Agreements, we can give colleges a clearer sense of focus for how they can best use their grant funded provision to contribute to national skills needs in their strategic plans. We recognise, however, that colleges will need to strike a fine balance between delivering priorities at the national level and supporting the particular skills needs of local labour markets, and that these may not always align.
136. We are still developing our national skills priorities and recognise that they will be subject to change on a regular basis, to reflect the dynamism of our economy. We will publish more detail on our proposed set of priorities at a later date, but for now we have identified some sectors that we believe will play an important role in the growth of the UK economy and are subject to increasing government and industry focus. These sectors include construction, manufacturing, digital and technology, health and social care, and haulage and logistics.<sup>23</sup>
137. We envisage that the selection of national skills priorities will be based on a combination of different factors. This could include areas that will support the growth of the UK economy, areas with a high and increasing number of job vacancies, or where there are future opportunities for 'green' jobs. Ensuring that we have a strong pipeline of skilled people into 'green' sectors is going to be crucial in enabling us to meet the government's Net Zero ambitions.
138. In meeting local and national skills priorities, we would also like providers to deliver as much provision as possible through our key programmes: apprenticeships, T Levels, Skills Bootcamps, and the FCFJ - Level 3 offer.

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<sup>22</sup> The [Skills and Post-16 Education Act](#) places a duty on providers to review their provision on a periodic basis to ensure that it is reflective of local needs, and to consider whether changes are necessary to better meet those needs.

<sup>23</sup> This is not an exhaustive list of sectors receiving targeted support from the government.

These high quality, employer co-designed programmes will help ensure that the labour market has access to the right skills at the right time and provide learners with employment in growth sectors and beyond.

139. We have also established a new Unit for Future Skills (UFS) to improve the quality and accessibility of data and intelligence on skills and jobs across government. The UFS will help us to identify and understand skills gaps, and we intend to use UFS data and intelligence to inform how we frame national skills priorities to address those gaps and help to track outcomes of learners in the longer term. We anticipate that the UFS will enable local users, such as ERBs and MCAs, to access national and local data more easily, supporting effective planning of skills provision. Early UFS products can be found on their [website](#).
140. We will capture how providers are performing against national priorities, initially at a sectoral level, in the new FE Performance Dashboard as set out in the table at paragraph 150.

**Q18. What level of granularity do you think would be helpful when setting national skills priorities?**

## **Developing a Strategic Plan**

141. We have designed the 'plan' element of Accountability Agreements to reflect feedback from our last consultation and keep burdens to a minimum. We have co-designed an approach and piloted to test and develop how they will work in practice.
142. While this plan will definitely apply to colleges, we included local authorities in the pilot to test whether these providers should also be in scope for developing the plan. Respondents to our last consultation said that producing a plan could be burdensome for non-college providers with small volumes of learners. We therefore propose that if we extend Accountability Agreements to local authorities, we will only ask them to develop a plan if they get more than a minimum threshold in ESFA grant funding.
143. Subject to the evaluation, we expect to issue guidance in the 2022 autumn term so that colleges can develop their first Accountability Agreement for the 2023/24 academic year.

## A New FE Performance Dashboard

144. In our previous consultation we set out our intention to develop a Performance Dashboard for the FE sector which captures what excellent delivery looks like and measures providers on the outcomes that they achieve.
145. We propose that the Performance Dashboard applies to the FE providers set out in the table at paragraph 205. We would like the Dashboard to help FE leaders benchmark their performance against key outcomes to help them drive improvement from within their organisation, as well as inform Annual Strategic Conversations, the FE Commissioner's work and Ofsted inspections. The Dashboard will not be used to trigger intervention, as set out in paragraph 153.
146. We expect that the FE Performance Dashboard will:
- address the FE sector's ask for a clearer set of expectations from central government, providing simple, high-level information to support strategic planning and continuous self-improvement
  - encourage providers to offer provision to their learners which more closely matches skills needs, with the freedom to determine how to achieve these outcomes in the best way for their local area
  - inform other interested parties on the impact of FE provision in their area and provide greater transparency on overall performance, by publication of the Dashboard on a gov.uk webpage
147. The Dashboard will sit alongside other types of published FE performance data, such as measures for 16-18-year-olds on the Compare School and College Performance website (also known as 16-18 performance tables), National Achievement Rate Tables (NARTs), and Outcome-Based Success Measures (OBSMs). Collectively, and alongside their wider aims, these data sources will help us to show progress towards delivering the Levelling Up White Paper mission to increase the number of people successfully completing high quality skills training in every area of the UK.
148. Responses to this consultation will inform the next stage of our work with analysts, web designers and partners in Ofsted and the Office for Students (OfS) to develop a detailed model for further testing with key user groups. This will test functionality, ease of use, and inform the design of the final product. Our aim is to roll out the Dashboard during academic year 2023/24. Precise timings will be informed by user testing feedback, and when survey and other data is available to populate metrics in the Dashboard.



## Measuring Performance

149. We want the Dashboard to recognise and celebrate the successes of FE providers who excel in supporting their learners to achieve good outcomes. Primarily this means learners securing jobs, improving their pay if already in work, or moving to higher levels of learning. We also want to recognise new achievements of FE learners compared with their previous achievements, and where learners develop transferable skills to support learner employability, contribute to society and live an independent life.
150. In our first consultation we asked what types of measures would be suitable to include in the Dashboard. Having taken account of these suggestions, we propose a mix of existing and new measures to create a rich picture of providers' overall performance in relation to skills needs. The measures aim to capture short term and longer term outcomes and, where relevant, take account of differences in learner mix and local factors so that providers are assessed fairly. Our proposed measures are set out in the table below:

**Table 1: List of proposed performance measures and their purpose**

<b>Core performance measures</b>	<b>Purpose</b>
Skills Measure <sup>24</sup> (% learners moving into employment/ higher level learning)	New measure to indicate how well a provider is supporting their learners into good destinations. We are exploring how the measure will take contextual data into account, for example learner and provider characteristics and local economic factors. Paragraphs 151-153 set out more detail.
Quality (latest Ofsted inspection rating)	Existing measure of a provider's teaching, learning and leadership and management capability, as published in Ofsted inspection reports. This measure could also reference Ofsted's new sub-judgement on meeting skills needs (paragraphs 170-176).
<b>Performance indicators</b>	<b>Purpose</b>
% Learners achieving a qualification (or non-qualification) who start it	Building on existing data, measuring a provider's ability to raise learner skill levels to help them into employment

<sup>24</sup> The skills measure and priority sector measures will be based on Longitudinal Education Outcomes (LEO) data. LEO data is currently used in annually published FE Outcome Based Success Measures.

English and Maths measures <sup>25</sup> (TBC – see paragraphs 230 - 231)	How well 16-19 learners taking English and maths GCSE and equivalent qualifications do. This reflects the importance of achieving an English and maths qualification as a key route to employment.
Learner progression <sup>26</sup>	New measure, using existing data to capture the percentage of learners attaining their highest qualification level by achieving their FE qualification. This would show how well a provider is supporting learners to achieve a particular qualification level for the first time.
% Learners moving into priority industry sectors	New measure of what proportion of a provider's learners are moving into priority industry sectors. <sup>27</sup>
Learner employability <sup>28</sup> (paragraph 154)	New measure of how well a provider is enabling learners to achieve wider outcomes which improve their ability to get a job.
Employer experience <sup>29</sup> (paragraph 154)	Building on existing employer surveys to understand how well a provider is working with employers to respond to skills need, for example quality of engagement and impact of provision.

## The Skills Measure

151. We see the skills measure as one of the key ways to tilt the accountability system towards outcomes. In our first consultation, many respondents wanted to understand more about what the measure would contain and how it would reflect the different contexts in which providers operate.
152. We plan to use existing data<sup>30</sup> to measure the percentage of learners moving into sustained employment or higher-level learning after achieving their FE

<sup>25</sup> As set out in the [16-18 technical update](#), we are unable to produce an English and maths progress measure until the 2024/25 academic year. During this time, we are considering whether we can produce and publish an alternative English and maths measure in 16-18 performance tables and will consider if any alternative measure is included in the Dashboard. We will look at whether, separately, it is possible to capture achievement of adult learners for the FE Performance Dashboard. We would welcome views on inclusion of this type of measure, and how it could best add value in practice.

<sup>26</sup> We will look at whether it is possible to capture progression for all learners and for all levels at a provider level. Data is currently captured and published at national level, but not at provider level.

<sup>27</sup> Based on national skills priorities set by DfE, informed by country-wide data (paragraphs 134 - 140). We will also look at whether we could include local priority industry sectors, for example via LSIPs.

<sup>28</sup> We are exploring how we could capture the outcomes that are important. We would welcome views on how these could be identified, and whether inclusion of this measure will add value in practice.

<sup>29</sup> Existing surveys capture some but not all of what we need. We are looking at how to plug these gaps. Ideally, this measure would recognise short term successes such as positive partnership working, and positive end outcomes such as plugging skills gaps, which may take longer to deliver.

<sup>30</sup> Via Longitudinal Education Outcomes (LEO) data and published in FE Outcome Based Success Measures (OBSMs) and 16-19 Destination Measures: [Further education: outcome-based success measures 2018/19](#) (Department for Education, 2021); and <https://www.gov.uk/government/statistics/destinations-key-stage-4-and-5-pupils-2019> (Department for Education, 2020).

course. Our aim is that the measure will allow each provider to compare an 'expected' progression rate<sup>31</sup> (taking into account those characteristics) with their 'actual' progression rate.<sup>32</sup> Where feasible, the measure will take into account differences in learner and provider characteristics, for example free school meal status and prior attainment, as well as local economic context, so that providers can assess their performance fairly. This would mean that a provider based in a thriving town with excellent job prospects is not unfairly compared to a provider operating in a much tougher environment. We have developed and peer reviewed a statistical model, and plan to test a working model with key users.

153. Many respondents to our first consultation wanted to know how the skills measure would be used by Ofsted, and did not think underperforming on the skills measure should be taken into account for planning an Ofsted inspection. Ofsted use a wide range of data and intelligence to support their inspections, of which the skills measure and Dashboard will be one element. As currently, providers will only move into intervention for delivering poor quality provision following an Ofsted inspection or FE Commissioner review. We set this out in more detail in paragraph 184.

## **Learner Employability and Employer Experience**

154. We believe that these measures are important to include in the Dashboard because they capture customer feedback in a timely way. In our first consultation several people suggested including a wider 'social' outcomes measure such as confidence, community engagement, communication and transferable skills that will help learners secure employment and live independently. We are looking at how we could capture these types of outcomes here and would welcome views about how this could be done. This should also help us recognise good outcomes for learners furthest from the labour market, as well as those already in work who want to progress into a better job, and support Levelling Up.

## **Financial Performance**

155. In our first consultation we sought views on whether we should publish ESFA ratings of a college's financial health in the Dashboard. A majority of

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<sup>31</sup> The 'expected' progression rate is not going to be used as a target, such as those previously used in Minimum standards / Minimum levels of performance. It simply expresses the progression rate we would expect a provider to achieve, given the national average progression of similar learners, whilst accounting for their local economic context – and would be the starting point for further discussion to explore any differences with their 'actual' progression rate, rather than anything else.

<sup>32</sup> In developing this metric, we have considered similar existing published measures used by other government departments. This includes OfS [benchmarking indicators](#), which aim to estimate an expected level of performance after taking into consideration different characteristics.

respondents thought that we should not do this. Key concerns were that colleges are often in competition with HE and other providers for whom these ratings are not published, and a poor financial health score could negatively impact learner enrolment and employer engagement, making a provider's financial position worse. We therefore propose not to include college financial health ratings in the Dashboard.

156. We continue to believe that strong management of finances is a key indicator of a leadership team's ability to invest in relevant provision and respond to skills needs. We already publish Notices to Improve for colleges rated 'Inadequate' for poor financial health, and a college's financial statements can be found on their website. We think this is the most appropriate way to recognise the importance of strong financial management in our new accountability system.

**Q19. Do you agree that the Performance Dashboard provides the right mix of measures to capture what 'excellent' FE delivery looks like, including for non-qualification provision? We would particularly welcome comments on the Learner Employability measure and the English and maths measure.**

**Q20. Looking at the Dashboard measures, are there any unintended consequences or behaviours that you think the Dashboard will have?**

## Improving Data and Reporting

157. In our 2021 consultation we set out proposals to introduce a new and improved approach to collecting and storing data. We believe that good quality and timely data is essential for improving a provider's ability to benchmark, focus improvement activity, and for local and national decision makers to set skills priorities. As we introduce new systems, we will work with providers to ensure that these systems are user-friendly and minimise reporting burdens, so that colleges can concentrate their efforts on teaching.
158. The majority of respondents to our first consultation agreed with our proposals to improve data collection, introduce a digital record and identifier for FE learners, and to store data in cloud-based services across the sector. In response to the question "do you agree with our high-level proposals to improve learner data collection", a number of respondents noted that the current Individualised Learner Record (ILR) is a valuable collection tool but that it is expensive to run and contains some semi-redundant data. Some recommended that we explore how we can reduce burdens on the sector by

changing how data collection functions and lessening the frequency at which data collections occur.

159. Some respondents raised concerns about data quality and burden for learners if we shift to asking them to voluntarily upload information. Respondents indicated that any new system should be designed in a transparent and collaborative way, consulting with the various providers in the sector and engaging in comprehensive user testing to design a fit-for-purpose service that doesn't have unintended consequences.
160. We have conducted workshops with a range of providers who use the current learner entry tool that supports ILR collections in smaller FE sector providers, identifying challenges and issues with the current service, and how any new tools or systems could improve experience. We will continue to engage with the sector to develop our proposals.
161. We will also look to create an online ILR collection approach where data is stored within DfE data storage systems. This has the potential to remove the need for a formal ILR data return, with data being updated as new learners join or changes to the programmes of study occur, and in turn reduce burdens. This approach will supply higher quality and more timely data to our new FE Performance Dashboard and to the UFS, giving a better understanding of what is happening in the FE system and what skills gaps are developing in specific areas earlier, supporting a more responsive service for the post-16 education sector and potentially reduce costs for colleges.
162. As mentioned in paragraph 61, we particularly want to improve data collection in relation to non-qualification-based provision. The data we currently collect does not relate closely to the outcomes that we want learners to achieve. We will work with interested parties in the sector to understand how we can improve this data collection whilst minimising any burden on providers.
163. We think it is critical that data is consistent across England and being collected accurately once and used many times. We know that colleges will often get asked by MCAs about adult skills provision they commission. We expect that this is because the ILR is not giving MCAs the information they need. With further devolution expected we are mindful that this could place new burdens on colleges if they need to respond to requests from multiple MCAs. As part of our work to develop how we best hold MCAs to account for the skills outcomes in their area, as referenced in paragraph 6, we will consider how we can take a more streamlined approach.

**Q21. How can we best streamline information requests from DfE and MCAs to keep burdens on colleges to a minimum?**

## **A Decentralised Identification System**

- 164. We are proposing to create an assured digital identifier that is trusted by providers and easily shared by learners. This is known as a 'decentralised identification'. The identification will be stored on an electronic device, such as a smart phone, within a specific application designed for this purpose.
- 165. By providing learners with a trusted identification that they can opt into and share with providers, we will simplify enrolment and reduce administrative burdens by making it easier for providers to get the information they need from the start of training, and give space to providers to offer more personalised and relevant provision to learners. We anticipate that this identification will enable providers to access wider data that we hold on a specific learner, as well as data which an individual agrees to share.
- 166. We are still exploring what data could be stored as part of the decentralised identification, but we anticipate that it could include data types such as achievement history and skills-based non-qualification outcomes. We envisage that a new system will be able to link to other key reference data, enabling learners to share additional data with providers such as personal details (name, date of birth, last known address, protected characteristics) and education history (previous education institutions and exam results).
- 167. We expect that this new system will enable pre-population of specific ILR fields, lessening the burden of formal data collection on providers and individuals. We believe that a new decentralised identification system is the most viable method of enabling real-time online management information reporting, if there is a demand from providers and partners.
- 168. We recognise that a system that contains a need for learner input may face challenges among certain cohorts, such as those with poor digital skills or those already experiencing barriers. We commit to working with providers and the sector to work through this as part of our development process.
- 169. We are continuing to develop our final proposal for this service. Our intention is to move from our discovery phase through to testing until academic year 2022/23 with the FE sector and learners. We will take an iterative approach, finding out what works best for each service user and refining any products

based on feedback. This will be followed by a controlled user testing group trialling the full end-to-end service in a live environment. We will then do a public beta test in 2023/24 and aim to launch a live service in 2024/25.

## **An Enhanced Role for Ofsted**

170. Ofsted plays a critical role in improving standards; providing independent judgements which are trusted by providers and learners. They also influence where further education and skills leaders and governors focus their efforts.
171. In our first consultation we asked how Ofsted could best make meeting local skills needs a more prominent feature within its inspection framework, and whether there were any other changes to Ofsted's inspection approach that would support improvement in this aspect of college performance.  
Respondents were keen for enhanced inspections to align with wider skills reforms to create coherence across the system, and that Ofsted take account of national as well as local skills needs, as many providers will be responding to a mixture of these. Respondents also asked that Ofsted speak with a range of stakeholders as part of their inspection process, to understand their local labour market context.
172. We have been working with Ofsted to develop the proposals, considering feedback received from the consultation and broader sector engagement including Ofsted's pilots with colleges, to help to refine the enhanced inspections model and ensure that it will work well in practice.
173. Ofsted's focus will be broad, considering all provision that is responding to skills needs, within their scope. The outcomes will be a new worded sub-judgement in the inspection report that sets out how well the provider is contributing to skills needs, and text in the report that explains what the provider is doing well and what needs to be improved. Evidence for this judgement will be drawn from a wide range of sources, for example meetings with a range of relevant stakeholders, analysis of published data and information on skills needs and, in due course, LSIPs, Accountability Agreements and the FE Performance Dashboard. The new sub-judgement will be part of the existing education inspection framework and will sit alongside and be linked to 'quality of education' and 'leadership and management' judgements.
174. Ofsted is confident that it can gather the evidence it needs to form a robust judgement on how well a college is contributing to skills needs; and plans to start enhanced inspections for GFE Colleges, Sixth Form Colleges and



Designated Institutions from September 2022. Details are set out in Ofsted's revised inspection handbook.<sup>33</sup>

175. To carry out these enhanced inspections, Ofsted plans to increase capacity by including additional dedicated inspectors for full inspections. In addition to these enhancements, Ofsted plans to accelerate the pace of inspections so that all providers will be inspected by summer 2025.
176. For now, Ofsted will focus on enhanced inspections of providers in the statutory FE sector. This is consistent with how we have treated these providers in the Skills and Post-16 Education Act. However, we believe in principle that this sub-judgement could be extended to other provider types in the non-statutory sector too, and will keep this under review for future years.

## Support and Intervention

177. In our first consultation we described a system that puts FE leaders and governors at the heart of driving improvement. We continue to believe that while we can set high level expectations, the day-to-day decisions – like what courses to offer and which teachers to hire and promote – have the biggest impact on performance. Improvement will always need to be driven from within an organisation.
178. Most providers are performing well, providing learners with a high quality education. We want to build on this excellent work by shifting our role to be more strategic, setting clear expectations and holding providers accountable for outcomes.
179. In our first consultation we asked for views on our plan to give the FE Commissioner a renewed focus on driving improvement and championing excellence, and to create a simpler three-stage approach to improve college performance. There was strong overall support for our plans for the FE Commissioner role. Respondents felt that the FE Commissioner had a valuable role to play in driving improvement, provided the role was supportive and not punitive, and operated effectively alongside other interested parties. There was a mixed response to our proposals for a three-stage approach to improve college performance. Some respondents felt this could work well if there was support to facilitate improvement. Others wanted reassurance that the length of time for intervention would be sufficient for the provider to improve, and that there would be flexibility on appropriate interventions for each circumstance.

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<sup>33</sup> [Further education and skills inspection handbook](#) (Ofsted, 2019, updated 2022)



180. We also asked what we could learn from our current intervention approach, and what actions we should take to deal with performance issues quickly and effectively. Respondents called for a streamlined approach that brings interventions together and focusses on discussion, a clear outline of DfE expectations and how intervention will be triggered, and FE Commissioner support for providers facing challenges. To address performance issues quickly and effectively, respondents wanted monitoring criteria to be clear and consistent across the sector, a culture where providers can raise concerns early without fear, and investment in sector leadership to enable providers to respond quickly and effectively to issues. We have set out more details below on how we think we can achieve this.

## **Intervening to Help Colleges Get Back on Track**

181. We continue to believe that for us to establish an effective accountability system, it is essential that each actor knows what they and others are responsible for, and what they have the authority to resolve.
182. We believe that the approach we set out in our first consultation is still the most effective division of responsibility. Ofsted is the inspector of quality and will judge whether a provider is contributing to meeting skills needs. DfE and the ESFA funds providers and is becoming more strategic and supportive. The FE Commissioner is the champion of excellence, responsible for helping spot and resolve issues early, and is the primary agent for improvement when a college is in intervention.
183. In our first consultation we promised to provide clarity on the triggers for intervention. Most respondents (75%) agreed with this proposal and welcomed the clarity it would bring, especially to the FE Commissioner role.
184. A college can trigger intervention for one of the following three reasons:
- an Inadequate Overall Effectiveness judgement from Ofsted
  - a mix of ESFA financial triggers
  - as a result of an FE Commissioner review
185. As described in paragraphs 170 - 176, we have asked Ofsted to enhance its inspections to include a new sub-judgement on how well a provider is contributing to meeting skills needs. It will consider a provider's performance against the usual graded key judgements, taking into account the findings of enhanced inspections and this new sub-judgement when deciding on the provider's Overall Effectiveness rating.

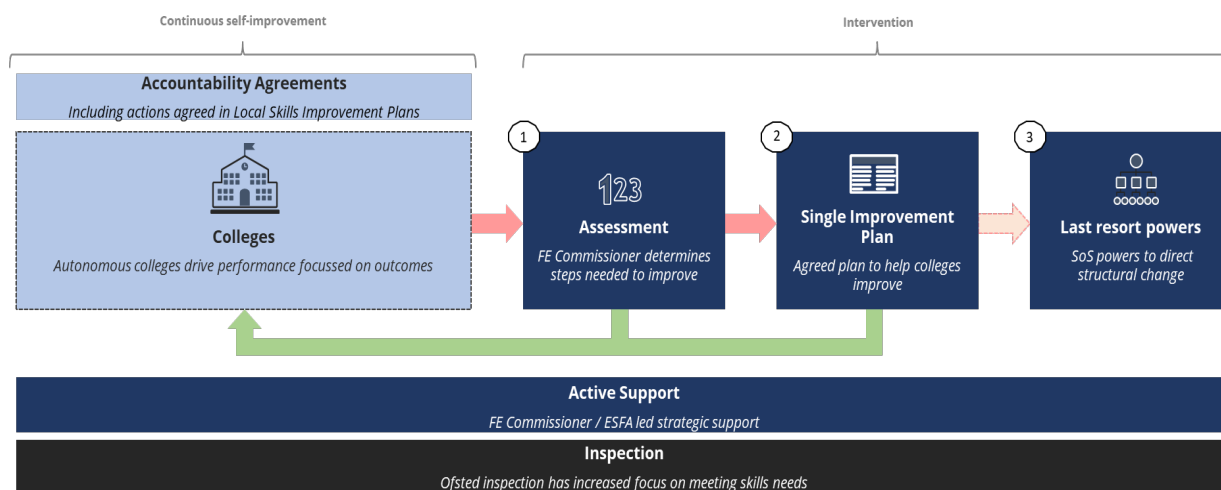
186. The FE Commissioner will continue to carry out discretionary reviews in-between Ofsted's inspection cycle, where we have concerns that a college is failing to demonstrate sufficient progress in resolving issues. This ensures that there is a nimbler way to identify and work with a college to fix problems early before problems spiral. The FE Commissioner will provide expert advice and guide the college to the most appropriate support, which will often be led by peers.
187. The table below sets out what this looks like in practice, reflecting that our relationship with providers needs to look different depending on where they are on their performance journey:

**Table 2: process for intervention based on the Ofsted judgement**

<b>Performance journey</b>	<b>DfE/ESFA</b>	<b>FEC</b>	<b>Other</b>
<b>Inadequate to Requires Improvement</b>	<p>Notifies provider and issues additional conditions of funding (e.g. Notice to Improve)</p> <p>Prioritises access to support programmes</p> <p>Emergency funding if required with conditions</p> <p>Holds Annual Strategic Conversations</p>	<p>Co-creates a Single Improvement Plan with the college</p> <p>Holds stocktakes with the college to monitor performance</p> <p>Supports the college to improve</p>	<p>MCAs/Ofsted inform design of Single Improvement Plan via the FE Commissioner</p> <p>Ofsted inspects (re-inspects within 15 months)</p> <p>Ofsted conducts monitoring visit(s)</p>
<b>Requires Improvement to Good</b>	<p>Prioritises access to support programmes</p> <p>Holds Annual Strategic Conversations</p>	<p>Supports the college to improve</p>	<p>Ofsted inspects (within 30 months from last inspection)</p> <p>Ofsted conducts monitoring visit(s)</p>
<b>Good to Outstanding</b>	<p>Signposts and rations access to specific support programmes</p> <p>Holds Annual Strategic Conversations</p>	<p>Supports the college to improve</p> <p>Champions excellence</p>	<p>Ofsted inspects (within 5 years from last inspection)</p>
<b>Outstanding</b>	<p>Signposts and rations access to specific support programmes</p> <p>Holds Annual Strategic Conversations</p>	<p>Champions excellence</p>	<p>Ofsted inspects (within 6 years from last inspection)</p>

188. The diagram below illustrates what this system looks like. The left-hand side shows colleges who are performing well and are part of a system of continuous self-improvement. Boxes 1 and 2 show those who are performing poorly and are getting support from the FE Commissioner to improve when in intervention.

**Figure 2: The new accountability system**



189. We think that this three-stage process brings much needed clarity to intervention and will encourage improved engagement and effective working within the system. However, we are also clear that performance improvement does not happen overnight, and that it may take successive attempts from the FE Commissioner to support. We are clear that the Secretary of State powers, described below, will only be used where it has not been possible to achieve the required improvement by other appropriate means.

## A Single Improvement Plan

190. In our first consultation we proposed to introduce a Single Improvement Plan. Providers tell us that when they are in intervention, they end up spending too much time responding to requests from different interested bodies, rather than being able to get on with the job of improving. To fix this, we are enhancing the FE Commissioner role by giving it the lead for supporting providers who are in intervention to improve. The FE Commissioner will work with the providers to plan a path to improvement while coordinating the interests of other interested parties, such as Ofsted and MCAs.
191. We propose that the FE Commissioner works with the leadership team and governors to agree priorities, actions, and milestones and set these out in the plan. We believe that buy-in is critical to success and therefore the provider

will own and write the plan. The FE Commissioner will regularly meet to review progress and provide guidance and support on a range of areas, including workforce, oversight and governance, and financial management. This will include support to strengthen alignment with local and national skills needs. Where the provider has specific plans to improve performance<sup>34</sup> these will be incorporated or referenced.

192. Where a provider triggers intervention, the FE Commissioner will lead an intervention assessment, culminating in a report with recommendations. The provider will then draft the plan with support and oversight from the FE Commissioner's team. Where appropriate, the recommendations identified in the FE Commissioner's intervention assessment will be included in a published Notice to Improve. Completing these will be a condition of funding attached to new Accountability Agreements. This provides public accountability for the college, and transparency relating to the work of the FE Commissioner and their recommendations for improvement.
193. The Single Improvement Plan will not be published. However, the FE Commissioner's intervention assessment and recommendations will continue to be published on gov.uk, as will Ofsted inspection reports and Notices to Improve.
194. We have been piloting Single Improvement Plans during the 2021 to 2022 academic year, alongside Ofsted's work to pilot inspection of how well providers are contributing to skills needs. Subject to the evaluation of the pilot and the feedback from this consultation, we plan to roll out the Plan from academic year 2022/23, and we will continue to regularly review and continuously improve both the document and supporting process.

## **Q22. Do you agree with our proposed approach to Single Improvement Plans?**

### **Last Resort Powers**

195. We think it is essential for a well-functioning accountability system to have a backstop. While we would never use these powers lightly and would only consider them as an option after other viable solutions have failed, we think they are an important foundation on which we can secure improvement through voluntary action.

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<sup>34</sup> For example, a quality improvement plan, business improvement plan, recovery plan and/or post-inspection plan.

196. The intervention powers available to the Secretary of State are described in the Further and Higher Education Act 1992 and they apply to FE and Sixth Form Colleges and designated institutions. The legislation sets out the circumstances in which these powers can be exercised, which include:
- mismanagement by the governing body
  - failure by the governing body to discharge a statutory duty
  - the governing body acting unreasonably with respect to their statutory functions
  - significant underperformance
  - failure to provide an acceptable standard of education and training
197. The Secretary of State can remove or appoint members of the governing body in these circumstances. They can also give the governing body directions that the Secretary of State considers expedient regarding the exercise of the governing body's powers and performance of their duties, including requiring them to make collaboration arrangements, or to resolve to dissolve the governing body.
198. Through the Skills and Post-16 Education Act 2022 we are strengthening our existing intervention powers, enabling the Secretary of State to intervene where the education or training provided by an institution is failing, or has failed, to adequately meet local needs. The Act enables the Secretary of State to direct structural change, such as a merger, where this is necessary for a provider to improve. In practice, we envisage this would only occur where we have been unable to secure the required improvement.

## **Audit and Assurance**

199. We recognise the complexity of the adult funding system, which has evolved over time, and are aware that our approach to assurance has developed in this complex environment. In our first consultation we asked how we might go about keeping requirements to a minimum while maintaining confidence in the system. A number of respondents noted that the current system could be simplified through fewer rules, and a single approach to audit and assurance across departments and funding streams.
200. We want to create a simpler, more streamlined system which provides assurance that taxpayer funds are being allocated and used appropriately. The extent and scope of our assurance system is in part determined by the funding system, and so there may be potential for a reduction in our

assurance programme for the new Skills Fund. This is dependent on our ability to provide assurance over the use of funds to key stakeholders, such as the NAO.<sup>35</sup>

201. Devolved bodies are responsible for their own assurance processes. Arrangements for devolved skills funding will need to continue to adhere to the National Local Assurance Framework. The Department for Levelling Up, Housing and Communities (DLUHC) is also currently taking forward work to improve the timeliness and transparency of local audit. The ESFA will take these developments into account when designing the most efficient assurance activities and interactions going forward. Part 1 of the new Accountability Agreements will constitute the funding framework for providers in future. As such, the audit and assurance activity we undertake will include consideration as to whether providers have complied with the requirements of this part of the Agreement.
202. Our current assurance framework<sup>36</sup> works by combining our own assurance programme and local assurance delivered by internal and external auditors, dependent on the flow of funding and the funding stream. Accountability Agreements are designed to enhance the governance arrangements at board level, by consolidating key information for those setting the strategic direction of the organisation. By having a consistent, strategic approach it will set a baseline which we believe, over the long term, should allow us to strategically co-design the assurance work performed by ourselves and third parties, as part of a wider college corporation board assurance framework. We will continue to explore this, and other opportunities for collaboration that drive progress towards our accountability reform objectives, as set out at the start of this chapter.

**Q23. Do you agree with our approach to reviewing the assurance process for the ESFA and providers?**

## Providers in Scope

203. In our 2021 consultation we asked whether our accountability proposals should apply to all grant funded providers on a proportionate and relevant

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<sup>35</sup> Her Majesty's Treasury [guidance](#) on managing public money will also be considered in developing our assurance programme.

<sup>36</sup> ESFA's assurance framework comprises, but is not limited to, data validation, in-year data monitoring and compliance activities, funding rules monitoring, financial health assessments and funding audits; and is complemented by the work of independent third parties such as internal and external auditors who engage directly with colleges.

basis. A large majority of respondents agreed with this, saying that it could help to create a level playing field for accountability across the FE system.

204. We propose that our accountability reforms should apply to statutory and non-statutory providers in the following ways:

- All aspects of our accountability reforms apply to statutory FE providers. These providers offer 90% of all grant-funded FE provision (16-19 funding and AEB) in England and receive a total of over £4.2bn every year.
- Some reforms could apply to other grant funded providers<sup>37</sup>, where they receive significant levels of FE grant funding. This will enable us to apply a proportionate approach.

205. We have summarised in the table below what this could look like in practice for different provider types:

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<sup>37</sup> By 'other grant funded providers' we mean providers funded through a 'conditions of funding' agreement to deliver post-16 education and training.

**Table 3: The individual proposals that will apply to each type of provider**

	<b>Accountability Agreements</b>	<b>Performance Dashboard</b>	<b>Enhanced Ofsted Inspection</b>	<b>FEC Active Support</b>	<b>FEC Single Improvement Plan</b>	<b>Secretary of State intervention powers</b>
<b>General Further Education Colleges</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Sixth Form Colleges</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Designated Institutions</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Local Authorities (as FE providers)</b>	Subject to consultation and pilot	Yes	To consider in future	To consider in future	Subject to consultation and pilot	No
<b>Special Post-16 Institutions</b>	No	To consider in future	To consider in future	No	No	No



206. As described in paragraph 142, we are testing whether local authorities should be in scope for Accountability Agreements, and if so, whether there should be a minimum threshold to avoid placing a disproportionate burden on those that deliver small volumes of FE provision. Where this threshold is met, we propose that both provider types are also in scope for the Single Improvement Plan, as the FE Commissioner currently works with these providers when they are in intervention. If provision does not improve, we will terminate the local authority funding agreement and transfer learners to another provider.
207. We believe that the FE Commissioner could provide active support to local authorities, and we are exploring the potential scope and demand for this with representative bodies and providers.
208. We are not proposing to hold grant-funded Special Post-16 Institutions (SPIs) to account through this system. This is because SPIs cater exclusively for learners with high needs where a good outcome can look different, and SPIs do not have the same remit to meet local skills needs as other grant funded FE providers. However, we would like to test that this is the right approach, especially for the Performance Dashboard. If provision is of poor quality, we will continue with our current approach of terminating the Funding Agreement and transferring learners to another provider.
209. We will consider how to hold Higher Education Providers (HEPs) delivering FE provision to account in a fair and proportionate way separately, recognising that these providers are already held to account through other routes.
210. Independent Training Providers (ITPs) will not be in scope, as they are held to account through separate commercial arrangements as set out in paragraphs 105-109. Where ITPs are in a sub-contracting arrangement with a college or other grant funded FE provider, outcomes relating to that arrangement will be captured in the Dashboard for that FE provider, where data is submitted in their ILR. Where we procure from ITPs directly and performance is poor, we may elect to terminate our contract with them.

**Q24. Do you agree with our proposals for which providers should be in scope for our accountability reforms?**

## Implementation

211. We will implement our accountability proposals in an iterative way, through extensive engagement and co-design with sector, and plan to introduce each element when it is ready, as shown below:

**Figure 3: Implementation timeline for each proposal**

	Academic Year 2021 / 22	Academic Year 2022 / 23	Academic Year 2023 / 24	Academic Year 2024 / 25
Skills Fund	Consulting	Implementing	Live	
Non-qualification funding	Consulting		Live	
New funding rates	Consulting		Live	
Local Skills Improvement Plans	Trailblazers	In development	Live	
Performance Dashboard	Consulting	Building	Live	
Accountability Agreements	Consulting / Piloting	In development	Live	
Ofsted enhanced inspections	Consulting / Piloting	Live		
Single improvement plans	Consulting / Piloting	Live		
Last resort powers	Legislating	Live		
Improved data	Discovery phase	Alpha phase	Public beta phase	Live

## Equalities

212. The Public Sector Equality Duty (PSED) requires public authorities to have due regard to the need to:

- eliminate discrimination, harassment, and victimisation
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

213. In our first consultation we asked, “Please provide any information that you consider we should take into account in assessing the equalities impact of

these proposals for change (for example, do you believe any groups with protected characteristics will be impacted by the changes and if so, how?).” Respondents said that further detail on the final proposals was needed before this could be assessed with clarity, but suggested that an equalities impact assessment would be needed once the proposals were finalised. Respondents noted that proposals to amend age-based entitlements might impact on that protected characteristic; that there might be an impact on sex as women were more likely to participate in adult education; and that there might be an impact on ethnicity as some ethnic groups are proportionately more likely to participate in adult education. A number of respondents also commented that changes to learner and learning support might have an impact on disabled learners, or that the Performance Dashboard might have a detrimental impact on providers that had a high proportion of special educational needs and disability (SEND) learners. Many respondents suggested that there could be an impact on those from the most disadvantaged groups and observed that existing funding is already largely channelled to this group so this needs to be considered closely.

214. We expect our reforms to have an overall positive impact on learners, employers and economy. The points above will be addressed as we take account of the responses to this consultation. We would welcome any further thoughts on how our proposals might impact groups with shared protected characteristics, now that we have provided more detail on our plans.

**Q25. Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics?**

**Q26. Where any negative impacts have been identified, how might these be mitigated?**

**The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.**

## Annex A: SSAs and Funding Bands

**Table 4: Table showing the funding bands for sector subject areas (SSAs) in the current and proposed system**

<b>SSA Tier 2</b>	<b>SSA Description</b>	<b>Current Adult Programme Weighting</b>	<b>Current Adult Programme Uplift Factor</b>	<b>New Proposed Band</b>
1.1	Medicine and Dentistry	Low	1.12	Middle
1.2	Nursing and Subjects and Vocations Allied to Medicine	Low	1.12	Middle
1.3	Health and Social Care	Low	1.12	Middle
1.4	Public Services	Base	1	Low
1.5	Child Development and Well Being	Low	1.12	Low
2.1	Science	Low	1.12	Middle
2.2	Mathematics and Statistics	Base	1	Low
3.1	Agriculture	Specialist	1.72/1.92	High / Specialist
3.2	Horticulture and Forestry	Specialist	1.72/1.92	High / Specialist
3.3	Animal Care and Veterinary Science	Specialist	1.72/1.92	High / Specialist
3.4	Environmental Conservation	Low	1.12	Middle
4.1	Engineering	Medium	1.3	High
4.2	Manufacturing Technologies	Medium	1.3	High
4.3	Transportation Operations and Maintenance	Medium	1.3	High
5.1	Architecture	Medium	1.3	Middle
5.2	Building and Construction	Medium	1.3	High
5.3	Urban, Rural and Regional Planning	Medium	1.3	Middle
6.1	ICT Practitioners	Low/Medium	1.12/1.3	Middle
6.2	ICT for Users	Base/Low	1/1.12	Middle
7.1	Retailing and Wholesaling	Base	1	Low
7.2	Warehousing and Distribution	Base	1	Low

<b>SSA Tier 2</b>	<b>SSA Description</b>	<b>Current Adult Programme Weighting</b>	<b>Current Adult Programme Uplift Factor</b>	<b>New Proposed Band</b>
7.3	Service Enterprises	Low	1.12	Low
7.4	Hospitality and Catering	Medium	1.3	Middle
8.1	Sport, Leisure and Recreation	Low	1.12	Low
8.2	Travel and Tourism	Base	1	Base
9.1	Performing Arts	Low	1.12	Low
9.2	Crafts, Creative Arts and Design	Medium	1.3	Middle
9.3	Media and Communication	Low	1.12	Low
9.4	Publishing and Information Services	Base	1	Low
10.1	History	Base	1	Base
10.2	Archaeology and Archaeological Sciences	Low	1.12	Low
10.3	Philosophy	Base	1	Base
10.4	Theology and Religious Studies	Base	1	Base
11.1	Geography	Low	1.12	Low
11.2	Sociology and Social Policy	Base	1	Base
11.3	Politics	Base	1	Base
11.4	Economics	Base	1	Base
11.5	Anthropology	Base	1	Base
12.1	Languages, Literature and Culture of the British Isles	Base	1	Base
12.2	Other Languages, Literature and Culture	Base	1	Base
12.3	Linguistics	Base	1	Base
13.1	Teaching and Lecturing	Low	1.12	Low
13.2	Direct Learning Support	Low	1.12	Low
14.1	Foundations for Learning and Life (excluding Functional Skills)	Base	1	Base

<b>SSA Tier 2</b>	<b>SSA Description</b>	<b>Current Adult Programme Weighting</b>	<b>Current Adult Programme Uplift Factor</b>	<b>New Proposed Band</b>
14.2	Preparation for Work	Base	1	Base
15.1	Accounting and Finance	Base	1	Low
15.2	Administration	Base	1	Base
15.3	Business Management	Base	1	Low
15.4	Marketing and Sales	Base	1	Base
15.5	Law and Legal Services	Base	1	Base

## Annex B: Other Funding Rates

### Funding Rate for Specialist Institutions and Specialist SSAs

215. In the current adult funding system, the following three SSAs attract the specialist funding rates to reflect the higher costs associated with the delivery of courses requiring specialist resource: Agriculture; Horticulture and Forestry; and Animal Care and Veterinary Science.
216. Two funding rates exist for these SSAs depending on both the specific course and the provider:
- the Band G higher rate of 1.92 applies for a sub-set of qualifications within these SSAs deemed to be “specialist” qualification and where this provision is delivered by specialist land-based providers
  - for all other provision in these 3 SSAs, the Band E weighting of 1.72 applies
217. We want to ensure that these significant funding uplifts only apply for provision that is genuinely specialist and needing to be delivered by specialist providers. We therefore only intend to have one funding band for specialist provision in the Skills Fund. We propose that this is defined in the same way as provision which currently attracts band G funding, and to set the funding rate for this band broadly in line with the uplift it currently receives.
218. We will review the sub-set of qualifications within these SSAs that are deemed to be specialist qualifications.
219. For non-specialist provision, which is any provision within these 3 SSAs delivered by non-specialist providers or non-specialist courses delivered by specialist providers, we propose applying the “high” funding band. We envisage that the SSA review mentioned earlier will consider whether there are courses within these SSAs that would be better categorised elsewhere.

### Qualifications Currently Funded Differently from the Single Activity Matrix

220. In the current system, there are a number of qualifications which have their funding rate set as a matter of policy, meaning they may get a different rate compared to what the matrix might generate<sup>38</sup>. These include GCSEs, AS

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<sup>38</sup> [Adult education budget \(AEB\): funding rates and formula 2020 to 2021 - GOV.UK](#) (Department for Education, 2020)

levels, A levels, Functional Skills in English, Maths, ICT, and Access to Higher Education. We want to simplify our approach and ensure all provision is funded through our new funding rates as far as possible, unless there is good reason for a continued exception. We'd welcome views on how to fund these qualifications in the new Skills Fund and have set out considerations on each below.

## GCSE, AS level, and A level

- 221. Whilst these qualifications currently receive a policy set funding rate, in most cases these are in line with the matrix for their respective SSA. We intend to fund these qualifications in line with the new funding bands in future, so there will be no policy-set rate for these qualifications.
- 222. We will continue with a policy-set rate for English GCSE. GCSEs in English and maths are currently funded at a policy set rate which is higher than the matrix rate, based on their course length. Maths GCSE will see an increased weighting under our new funding rates, but English would not. We therefore intend to fund English GCSE as a policy rate exception at the same level as maths GCSE, within the low funding band.

## Functional Skills in English, Maths and Digital

- 223. English, maths and digital are essential skills for employment and participation in society. Our legal entitlements in English, maths and digital allow adults who lack these essential skills to study specified high quality qualifications for free.
- 224. Functional Skills in English and maths: These qualifications currently receive a policy set rate which is higher than the matrix rate, based on their course length. For Functional Skills in English (for all levels) and Maths (for levels 1 and 2), the policy rate is £724 per year, and Maths entry level is £941. Given their importance in underpinning the English and maths legal entitlement which sets them aside from other qualifications, we intend to maintain these policy rates.
- 225. **Digital Functional Skills:** Functional Skills in ICT currently receive a policy rate of £336 per year. As part of our reforms to essential digital skills we are replacing these qualifications from August 2023 with new digital Functional Skills qualifications. Given their importance in underpinning the digital legal entitlement, we intend to set the funding rate at a higher level, equivalent to the level of funding received by ICT for user's courses.



## Access to Higher Education

226. Access to higher education diplomas are currently funded as a set policy rate, meaning they get a different funding rate compared to what the matrix might generate. We intend to maintain the current policy rate for access to higher education qualifications. These qualifications are grant-funded by the government for eligible learners.<sup>39</sup> Other learners self-fund, including through ALLs (see paragraphs 76-78), whose maximum permitted rates are based on the policy rates.

## Other Qualifications Currently Exempt from the Matrix

227. There are a small number of qualifications which do not currently have their rate determined by the matrix, meaning they are funded at a higher weighting than the programme weighting for the SSA. These are namely: Waste Management and Recycling in SSA 1.4 Public Services; Hair and Beauty in SSA 7.3 Service Enterprises; and Music Technology and Music Practitioners in SSA 9.1 Performing Arts. We do not intend to retain these existing exemptions for these SSAs. They will be funded in line with the new funding band for the SSAs as set out in Annex A.
228. There are also a number of qualifications which currently continue to be funded on the basis of their credit value after the Qualifications and Credit Framework was withdrawn in 2015 and the Regulatory Credit Framework introduced. The protection of the credit-based funding for these qualifications has resulted in them receiving a higher funding rate than if funding was based on Guided Learning Hours. This had led to discrepancies across similar qualifications, where one qualification at the same level, in the same sector and same GLH as others will receive a higher funding rate because of the historical use of credit value. We are aware that some awarding organisations and providers have raised concerns about this ongoing discrepancy. We would welcome views on whether we should continue what were intended to be transitional arrangements for these qualifications, and the reason for this, or whether these arrangements should cease with the introduction of our new funding rates.

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<sup>39</sup> Eligible learners are those adults aged 19 and over, who do not already have a level 3 qualification (equivalent to an advanced technical certificate or diploma, or A levels) or higher, or from April any adult in England earning under the National Living Wage annually (£18,525).

## Learner Cap

229. The current system has a learner cap of £4,400. We propose removing this as part of our simplification of the funding system. The ESFA will monitor volume of learning, at a learner level, to ensure as part of their assurance process funding is used for the purposes intended.

## Annex C: Performance Dashboard Measures and Use of the Dashboard

### COVID-19 and Use of Results Data

230. Due to COVID-19, most exams and assessments did not take place in the 2019/20 and 2020/21 academic years. Given this, DfE has committed that [qualification results data achieved between January 2020 and August 2021 will not be used to hold schools and colleges to account](#), and will not be used in future performance measures, which includes those in the FE Performance Dashboard. This includes that such data will not be used to define learners' prior attainment for progress measures.
231. In the short term, this will affect some of the measures proposed for the FE Performance Dashboard, for example the Skills Measure, which may need to use prior attainment data from this period. It also affects the usual English and maths progress measure in 16-18 performance tables, which we expect the Dashboard English and maths measure to align with.

### Provision in Scope

232. In line with the aims of the 'Skills for Jobs' White Paper, we want the Dashboard to reflect the importance of technical education as a direct link into employment in that sector or occupation. This includes national programmes like apprenticeships and T Levels, which are key to our ability to respond to national and local skills needs.
233. We also plan to capture outcomes from other FE provision which we fund, including entry level courses and non-qualification provision, to provide transparency on how well these also improve learner employability and support learners into jobs and academic courses. This will provide a rich picture of performance with which to hold providers to account, support provider self-improvement, and support Ofsted's enhanced inspections.

### Using the FE Performance Dashboard

234. We expect that key users of the Dashboard will be:
- FE providers and their governing bodies – to inform annual business planning, identify strengths and areas for self-improvement, and support wider reporting and reviews. College groups will be able to view outcomes for individual sites as well as the whole group.

- Ofsted and the FE Commissioner team – to use alongside other data to inform their inspection and support work with providers.
- Teams in DfE working directly with the FE sector in strategic and relationship management roles – supporting Annual Strategic Conversations and other regular discussions.
- MCAs and other local and regional bodies who manage FE budgets – to support business planning, regional skills strategies, and performance as part of devolved powers.
- Young people, adults and those supporting them, for example careers advisers and schools, may also find the Dashboard helpful to support FE provision choices.

## Reducing Perverse Incentives

235. We want the Dashboard to be simple to use. We are keen to understand what functionality and features will support this, as well as reduce any perverse incentives or unintended consequences relating to the measures.
236. Our aim is that users will be able to see, at a glance, an overview of individual provider performance, the local context in which they are operating, and how outcomes compare with similar providers. To achieve this, we want to:
- **Contextualise performance** by setting out key information on the local labour market, learner mix, and provision mix for each provider alongside the Dashboard metrics<sup>40</sup>. This includes national skills programmes that a provider offers<sup>41</sup>. We see these programmes, which are employer-led and have built-in links to employment opportunities, as playing a significant part in delivering high quality outcomes for learners, and key to our ability to respond to national and local skills needs. This contextual information will enable users to assess how well providers are supporting different types of learners, and how different types of provision translate into high quality learner outcomes.
  - Include **‘traffic light’ ratings** for performance against each metric<sup>42</sup>, to provide a clear and easy to understand overview of performance.
  - Include **data breakdowns** for relevant metrics by learner type, course type and qualification level, to recognise where providers succeed in delivering good outcomes for learners in challenging circumstances, and through which types of provision these outcomes were delivered.

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<sup>40</sup> This could also include data on deprivation index ratings, and local and national skills priorities that the provider is contributing to. It will reflect the different challenges faced by providers in meeting skills demand in different settings, e.g. a city centre college versus a college covering a large rural area.

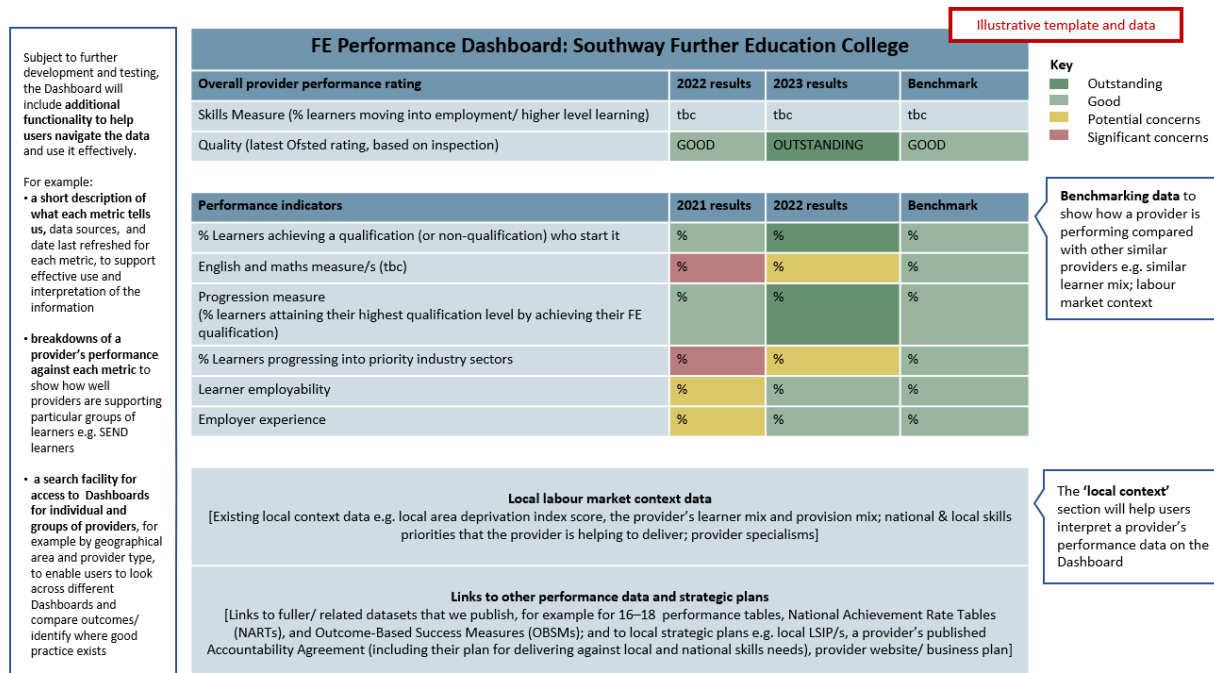
<sup>41</sup> For example, apprenticeships, T Levels, Skills Bootcamps, and Multiply.

<sup>42</sup> For information only, to help users identify where a provider is in relation to the benchmarked average.

- Include a **‘benchmarking’ function** to compare how well a provider is performing on each metric with other providers, for example, with a similar learner mix or local labour market. We are looking at existing benchmarking models to identify what works well, and plan to develop and test a model with key users later this year.

237. An outline of how this could look is set out below.

**Figure 4: Outline of proposed metrics and key features in the FE Performance Dashboard**



## Annex D: Glossary

**Adult Education Budget (AEB):** Funding targeted at engaging adults and providing the necessary skills and learning for work, an apprenticeship or other learning. The national AEB is used to support statutory entitlements to full funding for eligible adults (aged 19 and above). The statutory responsibility for certain adult education functions, including for funding the statutory free entitlements, has been transferred to certain Mayoral Combined Authorities (and delegated to the Mayor of London) in relation to their areas, together with an associated portion of the AEB.

**Advanced Learner Loan (ALL):** An Advanced Learner Loan helps eligible adults (aged 19 and above) with the costs of a course at a college or training provider in England. Further information can be found on GOV.UK. Qualifications for which an individual can take a loan out are known as “qualifications approved for ALL”. They can be found at: <https://www.qualifications.education.gov.uk>.

**Apprenticeship:** A job that combines practical training with study. These can be provided from intermediate level (level 2) to professional level (levels 6&7). See “A guide to apprenticeships” on GOV.UK for further information.

**Awarding organisations:** Individual organisations recognised by Ofqual that design, develop, and certificate qualifications but are not themselves education providers.

**Colleges:** Providers that are within the statutory further education sector, as defined in section 91(3) of the Further and Higher Education Act (FHEA) 1992:

- Further education colleges (although they are not referred to as colleges in legislation, but rather institutions conducted by FE corporations) – section 91(6) FHEA 1992.
- Sixth form colleges (institutions conducted by sixth form college corporations) – section 91(3A) FHEA 1992.
- Designated institutions (an institution designated by order under section 28(4) FHEA 1992. Some of these call themselves “colleges”).

**College Collaboration Fund (CCF):** A national programme of competitive grant funding that enabled further education colleges in England to address shared quality improvement priorities through collaboration and sharing of good practice and expertise. The programme was delivered over two rounds during 2020/21 to 2021/22 with an annual total grant fund of £5.4 million.

**Community Learning:** A range of community-based and outreach learning opportunities, primarily managed and delivered by local authorities and General

Further Education Colleges designed to bring together adults (often of different ages and backgrounds).

**Education and Skills Funding Agency (ESFA):** An executive agency sponsored by the DfE, responsible for funding education and skills for children, young people, and adults. See the ESFA website for more information.

**Employer-led standards:** These set out the knowledge, skills and behaviours (KSBs) required for an occupation (also known as occupational standards). Employer-led standards enable assessment of whether an individual has achieved the KSBs needed to be competent in an occupation. They are developed by groups of employers and approved by the Institute for Apprenticeships and Technical Education. They currently form the basis of the T Level technical qualification and apprenticeships (see also Apprenticeship Standards).

**Employer Representative Body (ERB):** A business membership organisation that is independent of government, and whose primary purpose is to serve the needs of employers and businesses.

**Free Courses for Jobs - Level 3 Offer:** Adults who are 19 or over and do not already have a level 3 qualification or higher can access a free level 3 qualification with strong wage outcomes and the ability to meet key skills priorities. The Government recently announced a trial so that, from April 2022, any adult in England who is unemployed or earning under the National Living Wage annually (£18,525 from April 2022) will also be able to access these qualifications for free, regardless of their prior qualification level. This eligibility expansion trial will run for the current Spending Review period, with subsequent funding subject to evidence and evaluation.

**Further Education College (FEC):** Institutions conducted by further education corporations. Further education colleges offer a variety of courses from entry level through to higher level qualifications.

**Further Education Professional Development Grants pilot (FEPDG):** an initiative in FY21-22 to help deliver the Skills for Jobs White Paper commitment to strengthen the professional development of the FE workforce. The pilot provided competitive grant funding for collaborative provider-led projects to test professional development approaches in the following three priority areas:

- workforce capability and confidence to use technology effectively in education
- subject specific professional development
- supporting new and inexperienced teachers

**Higher Education Providers (HEPs):** Providers of higher education courses and/or qualifications.

**Higher level:** Any qualification at levels 4 and 5. Apprenticeships can also be at higher level.

**Higher Technical Education (HTE):** Technical education provided at levels 4 and 5.

**Higher Technical Qualification (HTQ):** A level 4-5 Higher Technical Qualification that gains approval from the Institute, where its content aligns with the Institute's employer-led standards.

**Institute for Apprenticeships and Technical Education (The Institute):** An executive non-departmental public body, sponsored by the DfE. It approves and publishes the employer-led standards for occupations (and their associated apprenticeship assessment plans), approves technical education qualifications, and advises government on funding for each standard. See the Institute website for more information.

**Institutes of Technology (IoT):** Collaborations between further education colleges, universities, and employers, focused on providing higher-level technical STEM education.

**Knowledge, Skills, and Behaviours (KSBs):** The outcomes set out in employer-led standards which demonstrate competence in an occupation. For an approved Higher Technical Qualification, and the T Level qualifications, an individual will 71 attain as many of the outcomes as may be reasonably expected from a course of education.

**Level (L):** Refers to the nine qualification levels in England, Wales and Northern Ireland. See GOV.UK for more information.

**Level 2:** Also known as Intermediate level. Level 2 qualifications include GCSEs (Grades A\*-C/9-4) and Level 2 Technical Award. Apprenticeships can also be delivered at Intermediate level.

**Level 3:** Also known as Advanced level. Level 3 qualifications include A Levels, T Levels, Pearson BTECs, and Cambridge Technicals. Apprenticeships can also be delivered at Advanced level.

**Levels 4 and 5:** Also known as Higher level. Level 4 includes Certificate of higher education, level 4 diploma, and higher national certificate. Level 5 includes diploma of higher education, foundation degree, and higher national diploma. Apprenticeships can also be delivered at Higher level.



**Levels 6 and 7:** Also known as Degree level. Level 6 includes a full undergraduate degree (may be degree with honours/bachelor's degree), and a graduate diploma. Level 7 includes a master's degree, postgraduate diploma, and a level 7 diploma. Apprenticeships can also be delivered at Degree level.

**Lifelong Loan Entitlement (LLE):** From 2025, the LLE will provide individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their lifetime.

**Local Authority Adult Education Services / Adult Community Education providers:** Adult community education providers include local authorities and institutes for adult learning. The provider-type institute for adult learning was previously known as Specialist Designated Institution. The DfE grant funds a small set of designated institutions (designated under [s28 of the Further Education Act 1992](#)).

**Local Skills Improvement Fund (LSIF):** A new fund which will support local bodies and employers to deliver Local Skills Improvement Plans.

**Local Skills Improvement Plans (LSIPs):** Local Skills Improvement Plans will set out the key changes required to skills provision in a local area to make provision more responsive to labour market skills needs.

**Mayoral Combined Authority (MCA):** A combined authority is a legal structure that may be set up by local authorities in England, with or without a directly elected mayor. Specified adult education statutory functions of the Secretary of State have been transferred to certain MCAs by way of affirmative orders under the Local Democracy, Economic Development and Construction Act 2009. In addition, a delegation of those functions has been made by the Secretary of State in relation to London (which is not a combined authority) under section 39A of the Greater London Authority (GLA) Act 1999. We refer to MCAs and GLA as 'authorities with devolved responsibilities' throughout the document. Where we use the term 'areas with devolved responsibilities' we mean those areas where there is a combined authority to whom adult education functions have been transferred/delegated.

**Multiply:** A three-year numeracy programme to increase the levels of functional numeracy in the adult population across the UK.

**National Audit Office (NAO):** The UK's independent public spending watchdog. The NAO support Parliament in holding government to account and help to improve public services through high-quality audits.

**National Skills Fund (NSF):** National Skills Fund investment, including the Free Courses for Jobs and Skills Bootcamps offers, started in April 2021, and since then has focused on achieving outcomes for adults and employers. The Free Courses for

Jobs offer has made over 400 courses available, so that eligible adults can undertake a free level 3 qualification to improve their job prospects and help meet critical skills priorities. Skills Bootcamps have continued to test and expand since their launch; investing £43 million in Skills Bootcamps in digital, construction, and technical sectors (including green), in the Financial Year 2021-2022. Up to a further £550 million investment will be made in Skills Bootcamps over the course of the next three years, to respond to priority skills needs.

**Non-regulated learning:** Learning which is not subject to awarding organisation external accreditation in the form of a regulated qualification.

**Occupation:** A set of jobs whose main tasks and duties are characterised by a high degree of similarity. It is also an all-encompassing term for individuals' employment and is not restricted to a particular workplace. The term 'occupation' (for example in 'occupational standards') is a more general and all-encompassing term for 'employment in which individuals are engaged' and is not restricted to a particular workplace. It also points towards opportunities for progression, both within an occupation but importantly also to related occupations with a similar skill requirement.

**Office for Students (OfS):** A non-departmental public body and the independent regulator of higher education in England. See the OfS website for more information.

**Office of Qualifications and Examinations Regulation (Ofqual):** Regulates qualifications, examinations, and assessments in England. Ofqual is an independent government department with jurisdiction in England. See the Ofqual website for more information.

**Office for Standards in Education, Children's Services and Skills (Ofsted):** Inspects services providing education and skills for learners of all ages. Ofsted also inspects and regulates services that care for children and young people. Ofsted's role is to make sure that organisations providing education, training and care services in England do so to a high standard. Ofsted reports directly to Parliament and is independent and impartial.

**Provider:** An education or training organisation that is approved to deliver education to learners.

**Public Sector Equalities Duty (PSED):** came into force in April 2011 (s.149 of the Equality Act 2010). Public authorities are now required, in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

**Skills for Jobs White Paper:** Government White Paper titled 'Skills for Jobs: Lifelong Learning for Opportunity and Growth', published January 2021 by the DfE. It

sets out reforms to post-16 technical education and training to support people to develop the skills needed to get good jobs and improve national productivity.

**Skills and Productivity Board:** An expert committee providing independent, evidence-based advice to ministers at the DfE on matters relating to skills and their contribution to productivity.

**Skills Bootcamps:** Free, flexible courses of up to 16 weeks for in-demand skills in priority sectors, and lead to a guaranteed job interview. They are open to adults aged 19 and over who are either in work, self-employed, unemployed, or returning to work after a break. Skills Bootcamps are also open to serving prisoners due to be released within 6 months of completing a Skills Bootcamp and those on temporary release. Some Skills Bootcamps may have additional eligibility criteria.

**Sector Subject Areas (SSAs):** A classification of qualifications into business sectors or subject areas, owned and maintained by Ofqual. Also used to support funding of provision and in monitoring and reporting of provision. There are 15 broad 'tier 1' subject areas and 50 more detailed 'tier 2' sub-sector subject areas.

**Strategic Development Fund:** Provides capital and programme funding to support changes in local teaching and training facilities and provision, enabling FE providers to meet the needs of employers, support local innovation and economic growth, and develop a more efficient overall delivery infrastructure.

**T Level:** A rigorous, stretching programme of study at level 3 containing a qualification which is based on employer-led standards, as well as a significant industry placement and other components. T Levels offer a high-quality, prestigious technical alternative to A Levels and are aligned with work-based technical education also provided at level 3 through apprenticeships. T Levels are being introduced in phases from September 2020.

**Technical education:** Encompasses any education or training, such as qualifications and apprenticeships, which focuses on progression into skilled employment and requires the acquisition of both a substantial body of technical knowledge and a set of practical skills valued by industry. Technical education covers provision from in level 2 (the equivalent of GCSEs at A\* to C or 9 to 4) to higher education (level 6), but it differs from A Levels and other academic options in that it draws its purpose from the workplace rather than an academic discipline.

**Traineeships:** A skills development programme that includes a work placement. Traineeships help 16-24 year-olds or 25 year-olds with an education, health, and care (EHC) plan get ready for an apprenticeship or job if they don't have the appropriate skills or experience. It can last from six weeks up to one year.

**UK Shared Prosperity Fund (UKSPF):** A fund to replace structural funding from the European Union at the end of the transition period. European Union funding has been used for boosting several aspects of economic development, including support for businesses, employment, and agriculture.

**Unit for Future Skills (UFS):** Announced in February 2022 by the Secretary of State for Education to better understand the skills gaps. The UFS will look at the data and evidence of where skills gaps exist and in what industries.

**Workforce Industry Exchange (WIE):** Prioritises work with employers to embed dual professionalism between FE teachers and industry experts, based on a recognition that the quality of FE teaching is enhanced by close partnership working between FE providers and employers.



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