



Department  
for Education

# **Skills for Jobs: A New Further Education Funding and Accountability System**

**Government consultation**

**Launch date 15 July 2021**

**Respond by 7 October 2021**

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## Foreword by the Secretary of State for Education



The COVID-19 pandemic has strained our country's resilience like nothing we have seen in a generation. But our country is getting back on its feet, and we are on a mission to level up our country and make opportunity more equal. Making sure people have the skills to get good jobs, both now and in the future, is at the heart of this ambitious agenda and will make a real difference to people's lives.

That is why I am personally committed to transform further education, so young people and adults gain skills employers value. In the [Skills for Jobs White Paper](#), we set out our vision for colleges: "to give people the advanced technical and higher technical skills they need to get good jobs, which will boost the nation's productivity and support progression." I am grateful to the many colleges that are already rising to this challenge, taking steps to reform their provision in testing circumstances. We strongly believe that colleges' place at the centre of their local communities means that they are the key to unlocking opportunities in communities across the country and helping people live enriched and fulfilling lives.

However, to achieve this purpose, it is essential that we design a funding and accountability system that gets behind this vision and enables providers to deliver and deliver well. Over many years, multiple funds, policies and rules have bogged providers down, creating complex and frustrating systems. I want to tackle this head on and give colleges a renewed sense of autonomy so they can focus their attention on supporting their students into good jobs and meeting this country's local and national skills needs, delivered through a new Skills Fund.

I want to give providers more certainty over their funding and simplify the way the funding is allocated. At the same time, I propose to introduce a new Accountability Agreement which will give colleges the freedom to decide for themselves how best to support the needs of their students and local employers.

This consultation is a first step for a funding and accountability system that will maximise the potential of further education and help us build back better. I want to use this consultation to hear your views and open up a dialogue that will enable us together to design a better system that works for decades to come.

A handwritten signature in blue ink, which appears to be 'G. Williamson'.

**Rt. Hon. Gavin Williamson CBE MP**  
**Secretary of State for Education**

## Who this is for

- Further Education providers
- Independent Training providers
- Local government (including local authorities, Mayoral Combined Authorities /Greater London Authority)
- Employers
- Learners
- Representative bodies
- Other interested parties

## Issue date

The consultation was issued on 15 July 2021.

## Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team on [FEFAC.CONULTATION@education.gov.uk](mailto:FEFAC.CONULTATION@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 Spring 2022.

## Respond online

To help us analyse the responses please use the online system wherever possible. Visit <https://www.gov.uk/government/consultations/reforms-to-fe-funding-and-accountability> 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 download a word document version of the form and email it or post it.

### By email

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

### By post

FE Funding and Accountability Consultation  
Higher and Further Education Group  
Ground Floor, Sanctuary Buildings  
Great Smith Street  
LONDON  
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## Deadline

The consultation closes on 7 October 2021.

## Executive Summary

1. In the Skills for Jobs White Paper<sup>1</sup>, we set out our plans to transform further education, so it supports people to get the skills our economy needs throughout their lives, wherever they live in the country. Focusing post-16 skills on this core mission will increase productivity, support growth industries, and give individuals opportunities to progress in their careers.
2. These reforms are more vital now than ever, as we build back better from the coronavirus pandemic – drawing on the excellent leadership shown from Further Education providers during this difficult period – to ensure our economy can thrive. We have a skills gap which is holding us back economically with too few people skilled in disciplines such as engineering and digital. We have world-class universities with great opportunities for academic provision, but our skills system needs to do better at helping people get the quality technical skills that employers want. And our system needs to be more forward-looking to respond to the skills needed in the future.
3. This consultation delivers a key commitment of the White Paper and covers two related areas which will address these issues and transform the skills system:
  - Chapter 1: We will address the underlying system of complex funding for adult skills and limited focus on outcomes through our proposals to reform adult skills funding.
  - Chapter 2: We will reform the accountability system so it is focused on outcomes and will take a strategic approach to support and intervention.
4. Our proposals are part of a wider set of reforms we are making to transform the skills system so that it better supports young people and adults across the country acquire the skills they need to get a good job. Apprenticeships already provide a prestigious employment-based route to skills development with excellent outcomes. T-levels are being rolled out, giving young people alternative choices at age 16 which will equip them with valued skills to progress into employment or specialised higher education. We are building employer engagement into all our technical qualifications, through the role of the Institute for Apprenticeships and Technical education (The Institute). And with them and the Office of Qualifications and Examinations Regulation (Ofqual), we will be reviewing those which are funded by the Government to ensure they are high-

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

quality, support progression and are based on employer set standards.

5. The Skills for Jobs White Paper set out how we would place employers at the heart of local skills systems by leading the development of new Local Skills Improvement Plans through which employers can articulate their skills needs, with colleges and other providers reshaping their provision in response. These reforms will ensure a shift in focus for the skills system towards one which focuses on supporting individuals to acquire skills which lead to employment and allow local areas to grow and thrive. Our National Skills Fund investment is already providing a significant injection of resource to grow skills provision for adults. Beyond this, as part of the Lifetime Skills Guarantee, the Lifelong Loan Entitlement will be introduced from 2025, providing individuals with a loan entitlement to the equivalent of four years of post-18 education to use over their lifetime. This will support people to study throughout their life, with the opportunity to train, retrain and upskill as needed in response to changing skills needs and employment patterns.

### **A reformed funding and accountability system**

6. In the Skills for Jobs White Paper, we set out a vision for colleges: “to give people the advanced technical and higher technical skills they need to get good jobs, which will boost the nation’s productivity and support progression.” Many colleges are already rising to this challenge, taking steps to reform their provision accordingly and we believe that colleges’ place at the centre of their local communities and economies means they are key to unlocking opportunities and building back better. We will ask them to focus on this core role, whilst they continue to help support learners with wider or additional educational needs.
7. However, to achieve this purpose, it is essential that we design a funding and accountability system that enables providers to deliver. As highlighted in the Augar report<sup>2</sup>, the current system of adult skills funding is complex with confusing funding and eligibility rules that hamper providers’ ability to respond effectively to changing skills needs. The allocation of overall budgets a year at a time also makes it difficult for colleges to plan provision strategically. The National Audit Office (NAO)<sup>3</sup> noted that this complexity leads to additional burdens for providers and contributes towards financial pressures, and their ability to manage their budgets with more certainty.

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<sup>2</sup> [Independent Panel Report on the Review of Post-18 Education and Funding](#) (2019), p.126

<sup>3</sup> [Financial sustainability of colleges in England](#) (National Audit Office, 2020), p. 25.



8. More broadly, the overall approach incentivises providers to secure volumes of learners rather than focusing on outcomes, equipping learners with meaningful skills and supporting them into sustainable employment. The accountability system in turn compounds this, as while it rightly focuses on the quality of provision and proper use of public funding, there is little incentive to ensure the mix of provision leads to sustainable jobs for individuals and meets labour market needs.
9. Therefore, in the Skills for Jobs White Paper, we promised to reform both the funding and accountability system, simplifying the adult skills funding system and refocusing accountability onto the outcomes delivered. In doing so we will give colleges<sup>4</sup> and other grant-funded providers<sup>5</sup> the freedom to focus on delivering good outcomes for the students and communities they serve, with an accountability system that holds them to account for the outcomes they deliver. This will allow colleges to flex and develop their offer, working with local employers, local authorities and the Mayoral Combined Authorities (MCAs) and the Mayor of London acting through the Greater London Authority (GLA)<sup>6</sup> (who have responsibility for adult education), and other providers to ensure high-quality provision is available to learners which will support them into sustained employment.
10. Clarifying the outcomes we want to achieve will result in a step change in the way colleges and other providers operate and how government delivers its priorities, making it clear that the core purpose of government funding is to support individuals to acquire skills that will lead to sustained and valuable employment, boosting their life chances and bringing wider benefits to the economy and society.
11. The changes to the funding system for adult skills proposed in this consultation focus on direct government revenue funding for adult skills. Funding streams for 16-19 and apprenticeships flow through a distinct system, recognising the universal nature of 16-19 provision and the employer-led apprenticeships funding system, and are not covered by the scope of this consultation. We will consult on the detail and scope of the Lifelong Loan Entitlement this year. We are also legislating in this parliament, as laid out in the Queen's speech and further detailed through the Skills and post-16 Education Bill.

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<sup>4</sup> By which we mean the institutions falling within the further education sector, as defined in the Further and Higher Education Act (FHEA) 1992.

<sup>5</sup> Universities and local authorities.

<sup>6</sup> Hereinafter referred to as 'the devolved authorities'.

12. Responsibility for adult education functions<sup>7</sup> have been transferred in many areas of the country and the devolved authorities play a vital role across their local skills system. We do not propose making any changes to these and providers serving adult learners in these areas will continue to be funded direct by their devolved authority, but we are consulting on how the funding for these areas could be calculated in future.
13. Our accountability proposals take a broader scope than the funding proposals, looking in the round at how colleges and other providers can be held accountable for the outcomes they deliver for all their provision, and how performance can be swiftly improved where provision is not delivering sufficient outcomes.
14. The funding and accountability proposals described in this consultation are two parts of a single model which put colleges in the driving seat for delivering outcomes, freed up from multiple funding rules and restrictions but accountable for how they use this freedom to deliver the outcomes individuals deserve and the country needs.
15. In summary:

We will reform the adult skills funding system so it is simpler, outcome focused and more effective. We set out our proposals in Chapter 1 and seek your views on the following areas:

- Establishing a new Skills Fund to bring together all direct funding for adult skills.
- Ensuring the system can support both qualification-based provision and non-qualification provision so adults can retrain and upskill in the most effective way.
- How a needs-based approach could be introduced to distribute funding across the country.
- How funding can be most effectively distributed between colleges in non-devolved areas, in particular:
  - What a simpler formula might look like if a system based on funding learners is retained

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<sup>7</sup> Affirmative orders made under the Local Democracy, Economic Development and Construction Act 2009 (and in relation to London, under section 39A of the Greater London Authority Act 1999) have transferred the following adult education functions under the Apprenticeships, Skills, Children and Learning Act 2009 to the devolved authorities: (i) Education and training for persons aged 19 or over (s 86); (ii) Learning aims for such persons and provision of facilities (s87); (iii) Payment of tuition fees for such persons – free statutory entitlements (s88).

- Moving to a lagged funding system
- Delivering a multi-year funding regime
- What entitlements and eligibility rules should apply in a new system.
- How funding for Independent Training Providers and other non-grant funded providers would work in a reformed system.

We will reform the accountability system so it is focused on outcomes and will take a strategic approach to support and intervention. We set out our proposals in Chapter 2 and seek your views on the following areas:

- Specifying the outcomes we expect colleges to deliver through a new Performance Dashboard.
- Introducing a new skills measure that will capture how well a college is delivering local and national skills needs.
- Introducing a new Accountability Agreement that will reinforce colleges autonomy while providing a clear sense of mission.
- Exploring an enhanced role for Ofsted to inspect how well a college is delivering local and national skills needs.
- Enabling the FE Commissioner to enhance its existing leadership role, with a renewed focus on driving improvement and championing excellence.
- Improving data quality and reducing the requirements we place on providers through student data collection and financial reporting.
- Retaining the necessary regulation and oversight to ensure the effective operation of the market, including providing assurance on the use of public funds.

16. The proposals and areas we cover in this consultation are wide-ranging and are the first steps in designing a new funding and accountability system. We have developed these proposals over several months with the generous support of a small group of college leaders and sector experts, but we see this consultation as an opportunity to elicit your feedback on a broad range of issues and are looking to iterate and develop our proposals over the coming months.

17. We will develop more detailed proposals on how this reformed system will work, based on your responses to this consultation. We will need to develop proposals alongside the forthcoming Spending Review and consider carefully how reforms can be implemented in a way that allows colleges time to respond to the expectations of them set out in the Skills for Jobs White Paper, ensuring that changes in funding year to year are manageable. We envisage consulting on further detail on a range of areas following the Spending Review.

## **Responding to this consultation**

18. We welcome responses to the consultation from individual learners, providers, employers, representative bodies, local government partners, Mayoral Combined Authorities /Greater London Authority, and others.

# Chapter 1: A reformed adult funding system

## Summary

We will reform the adult skills funding system so it is simpler, outcome focused and more effective. This chapter sets out proposals, and seeks views, on the following areas:

- Establishing a new Skills Fund to bring together all direct funding for adult skills
- Ensuring the system can support both qualification-based provision and non-qualification provision so adults can retrain and upskill in the most effective way.
- How a needs-based approach could be introduced to distribute funding across the country.
- How funding can be most effectively distributed between colleges<sup>8</sup> in non-devolved areas, in particular:
  - What a simpler formula might look like if a system based on funding learners is retained
  - Moving to a lagged funding system
  - Delivering a multi-year funding regime.
- What entitlements and eligibility rules should apply in a new system.
- How funding for ITPs and other non-grant funded providers would work in a reformed system.

## Background

19. In the *Skills for Jobs White Paper*, we set out a vision for a Further Education system focused on equipping individuals with skills that would lead to meaningful and sustained employment, delivered by high-quality providers, working autonomously and accountable for the outcomes they secure. An effective, clear and outcome-focused funding system is a key element to achieve this.

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<sup>8</sup> In this chapter when we refer to 'college' we mean General Further Education Colleges, unless otherwise stated.

20. Investment in Further Education and skills leads to a critical national asset: an increase in human capital<sup>9</sup>. This investment in the skills and competencies of individuals is critical for our country's success, bringing greater economic output and income and wider social benefits and needs to be a joint endeavour and responsibility between government, employers and individuals. Central government, on behalf of taxpayers, resources universal education and training up to the age of 18 and then supports subsequent education and training for adults through a mixture of direct investment, devolved funding and government-supported loans. Employers have a central role to play alongside this through the Apprenticeship Levy and broader direct investment in upskilling their employees. Finally, individuals, who directly benefit from investment in their own human capital through greater opportunities and higher income, also play their part, paying for some aspects of adult education and training direct.

21. However, the effectiveness of this investment for the taxpayer, employer and individual will depend on the nature, relevance and quality of provision made using that investment. In the adult skills system in particular, choices need to be made by the various players on how this funding can most effectively be used to support individuals to maximise their potential, thus boosting the economy now and in future, and in turn bring wider social and economic benefits to the taxpayer/society providing the funding.

22. Successive governments have sought to address this challenge through an increasing number of specific policies designed to fund particular aspects of adult skills alongside detailed eligibility criteria. These have had strong individual rationales to try and secure value for money from taxpayer investment. However, as documented by many observers<sup>10</sup>, the overall effect has created a very complex funding system for adult skills with the consequence that the system creates very high administrative costs and incentivises accessing available funding rather than focusing on provision which will bring the greatest returns to individuals, the economy and society.

23. Through this consultation we aim to seek views on how government funding on behalf of taxpayers can be administered more simply and effectively enabling colleges and other providers to focus on supporting learners to develop skills,

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<sup>9</sup> Human Capital has been defined by OECD as “the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services or ideas in market circumstances. [Human capital estimates: 2014](#), (Office for National Statistics, 2014).

<sup>10</sup> [Independent review of college financial oversight](#), (Dame Mary Ney, 2019), p.11.  
[Financial sustainability of colleges in England](#), (National Audit Office, (2020), p.25.  
[Independent panel report to the Review of Post-18 Education and Funding](#) (2019), p125

thus meeting skills needs of employers and the local labour markets. Our proposals will give them more flexibility in how funding is used to deliver better outcomes which they will be accountable for, as discussed in Chapter 2. This chapter of the consultation focuses specifically on how funding is allocated through the system. We do not focus here on the quantum of resource or decisions on what would be funded as these decisions will be taken through the forthcoming Spending Review.

24. Direct government funding for adult skills is one component in a broader system of funding post-16 education and training with distinct elements reflecting the nature of provision and the funder, described further in paragraph 35. This consultation does not focus on the funding of the universal 16-19 education system, or funding for students aged 19-25 with high needs, or funding via loans taken out by individuals or the employer led apprenticeship system. Nor does it focus on the government's capital investments in post-16 providers. We will consult on the detail and scope of the Lifelong Loan Entitlement this year. We will ensure that the LLE provides value for money to students, the education sector and the taxpayer, as we support individuals to train, reskill and upskill throughout their lives.

## **The current adult skills funding system**

25. Adult skills funding from the Department, outside of apprenticeships, is currently delivered through four funding streams:

- Adult Education Budget (AEB) including funds for the Lifetime Skills Guarantee level 3 offer, delivered through the AEB funding mechanism. The AEB also includes funds for adult traineeships. Approximately half of the AEB (including funds for the Lifetime Skills Guarantee level 3 offer) is currently devolved to seven<sup>11</sup> Mayoral Combined Authorities and the Mayor of London acting through the Greater London Authority (GLA).
- National Skills Fund, including Skills Bootcamps<sup>12</sup>.
- European Social Fund (ends 2023, UK Shared Prosperity Fund commences 2022).

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<sup>11</sup> Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, Tees Valley, West of England, and West Midlands. Sheffield City Region and West Yorkshire will take on responsibility for adult functions and devolved AEB from 1 August 2021. The features of the AEB funding system described here are those that apply to the funding administered by the ESFA for learners resident in non-devolved areas.

<sup>12</sup> Note the Lifetime skills Guarantee level 3 offer is delivered through the AEB funding mechanism.

- Advanced Learner Loans.

26. Funding through these streams<sup>13</sup> currently works on an annual cycle beginning, for providers, in March each year with the confirmation of how much funding has been allocated for the forthcoming academic year. These allocations provide the potential earning envelope for providers rather than the actual funding they will receive. The allocations largely reflect the historical distribution of funding around England that has evolved over time meaning there is no clear rationale for why college allocations vary around the country.

27. The actual funding ultimately received will depend on the numbers of learners attending over the academic year with the funding being finalised after the academic year has finished. Providers who have lower delivery than their initial allocation supports may have to effectively return funds. In several cases, there are ringfences around the allocations (or parts of an allocation) so funding can only be earned for specific activity.

28. Funding rates are set within a Single Activity Matrix<sup>14</sup> which gives learning aims or qualifications a funding rate based on course size and programme weighting, reflecting cost. This matrix has bandings for the course size which can lead to significant variation in the underlying hourly funding rate in some of the wider funding bands when compared to some of the smaller funding bands. Uplifts are provided for learners in the most deprived areas (through the disadvantage uplift) and certain locations (area costs uplift). Funding rules for each programme or funding stream set out the conditions providers must comply with, including on learner eligibility, qualification eligibility and learner access to support funding, and which they can be audited against.

29. As noted in the Skills for Jobs White Paper<sup>15</sup>, this system leads to two core issues:

- Funding flows and eligibility rules are complicated leading to a focus on inputs and processes rather than outcomes. The National Audit Office noted that the complexity around the funding regime and patterns of payment led to additional burdens for providers and contributed towards financial pressures and their ability to manage their budgets with more

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<sup>13</sup> Excluding ESF which works on a multi-annual framework.

<sup>14</sup> [ESFA Funded Adult Education Budget Funding Rates and Formula 2020 to 2021 Version 4](#) (January 2021), p.11.

<sup>15</sup> [Skills for Jobs: Lifelong Learning for Opportunity and Growth](#) (Department for Education, 2021), p. 49.



certainty<sup>16</sup>.

- The existing pattern of provision delivered by the system often fails to meet the skills needed by the labour market. Employers do not have enough influence over the skills offered in their local area and can find it hard to engage; labour market needs do not feature in the funding system in terms of the allocations to colleges or the funding rates paid; and colleges are not accountable for the outcomes they achieve with their funding.

## Our objectives in reforming the adult skills funding system

30. Our objectives in reforming the system are to deliver a system which is:

- **Simpler and more streamlined:** We want funding delivered in a clear, logical way through a minimal number of routes, minimising requirements on providers and on local and national government and reducing administrative costs.
- **Outcome-focused:** Funding should be directed towards provision that will deliver the greatest benefits to individuals, employers and the economy and society more widely. The system should be forward-looking, responding to changing economic and local area needs.
- **Effective:** funding should be distributed and used efficiently, fairly and transparently, with clarity on where decisions will be made on how funding should be used and delivered in a way which supports providers to plan provision strategically.

31. Our Skills for Jobs White Paper reforms set out a key role for colleges in meeting local skills needs. Employers, through designated bodies<sup>17</sup>, will have a core role in articulating these skills needs and working with providers to set out agreed actionable priorities in new Local Skills Improvement Plans. These employer-led plans will be informed by the assessment of national skills needs from the Skills and Productivity Board<sup>18</sup> which they in turn inform. Post-16 technical education and training providers will have a duty to co-operate with employer representative bodies in the development of the plans and to have regard to these plans once

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<sup>16</sup> [Financial sustainability of colleges in England](#) (National Audit Office, 2020).

<sup>17</sup> Subject to the will of Parliament, the [Skills and Post-16 Education Bill](#) will provide powers to the Secretary of State for Education to designate employer representative bodies to lead the development of local skills improvement plans in a specified local area in accordance with government guidance.

<sup>18</sup> [Skills and Productivity Board](#).

they are developed<sup>19</sup>. They will also have a new statutory duty to keep their provision under review to ensure that it best meets local needs. In this way they will be able to focus their offer to deliver provision which supports individuals into relevant, sustainable employment and supports employment and productivity in their local area. The LSIP Trailblazers and their evaluation will look at how employer representative bodies can best implement an employer-led approach to skills planning, including in devolved areas.

32. Chapter 2 sets out our plans to introduce new Accountability Agreements which will create a mechanism of accountability that enables more flexibility and autonomy in the deployment of funding whilst still enabling institutions to be held accountable for how well they deliver on these outcomes. To support colleges to do this, we will give them more predictability and flexibility over their funding so they can strategically plan their provision, and we will free them up to ensure their provision meets both the training needs of adults and skills needs of employers, both locally and nationally.

33. Alongside colleges, local authority adult educational services<sup>20</sup> play a key role in meeting learner needs and supporting their communities, typically focusing on community learning and basic skills provision. We will continue to grant fund them in the same way as we fund colleges and explore with them how the principles behind Accountability Agreements could be extended to them, as grant funded providers. Thus in this chapter, where we refer to colleges, for ease of reading, we would expect the same approach to apply to local authority grant-funded providers as well.

34. We want all colleges to be the main hub of provision for their local area for government funded adult education and training. However, other providers such as Independent Training Providers (ITPs), which include voluntary, community and social enterprise organisations<sup>21</sup>, may be better placed to meet specific skills needs or learner needs and such ITPs will also be eligible for funding, as at present. How funding can best flow to these providers is explored further in paragraph 93 onwards.

Q1. Do you agree with our objectives for reforming adult skills funding?

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<sup>19</sup> Subject to the will of Parliament, the [Skills and Post-16 Education Bill](#) will introduce a duty on providers co-operate effectively with employer representative bodies to develop local skills improvement plans and agree actionable priorities.

<sup>20</sup> The Department also grant funds a small set of designated institutions ([designated under s28 of the Further Education Act 1992](#)).

<sup>21</sup> Referred to as 'charitable providers' throughout the rest of the document for ease of reading.

Q2. Do you agree with our reform objectives for an adult skills funding system, or are there other principles that should be included?

## A new Skills Fund

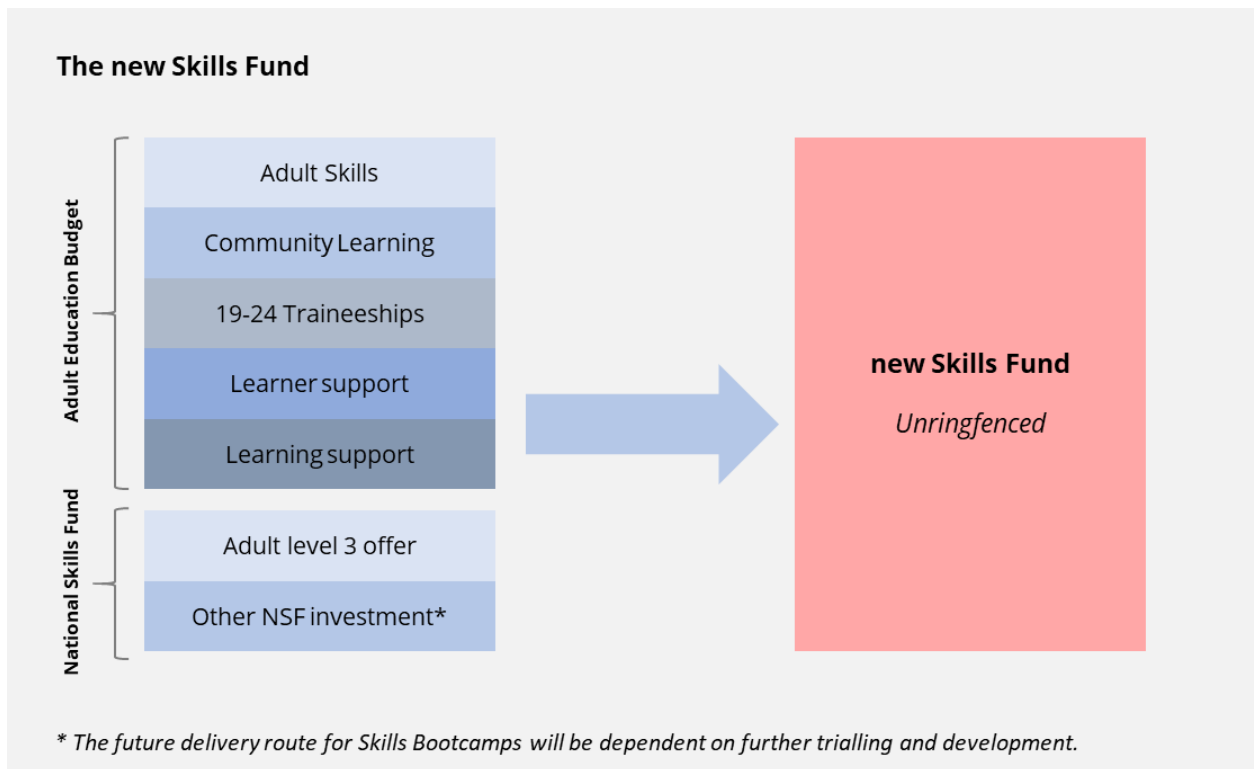
35. To simplify funding for adult skills, we propose to bring together all adult skills funding which is provided directly (rather than supported through the Apprenticeships or loan system) by the Department to colleges into a single Skills Fund. This would incorporate all aspects of the existing Adult Education Budget including community learning, and the National Skills Fund investment. The Skills Fund would be one of five methods of funding all aspects of post-16 education and training, each with a clear distinct purpose:

- **Skills Fund:** as set out above.
- **16-19 funding:** funding for continued compulsory education and training in maintained schools and academies, sixth form colleges, FE colleges and other providers and high needs provision for 19-25 year olds. The universal nature of the 16-19 system, with access to fully funded education for all young people, makes this a different system to that for adult skills.
- **Loan support for learning:** individuals can access government supported loans and the associated income-contingent repayment system for post-16 training. Going forward, the Lifelong Loan Entitlement (LLE) will be available from 2025 for both modules and full years of study at higher technical and degree levels (levels 4 to 6), regardless of whether they are provided in colleges or universities<sup>22</sup>.
- **Apprenticeships funding:** funding from employers, through the levy, augmented by government investment, for specific employer-commissioned apprenticeship training.
- **The UK Shared Prosperity Fund (UKSPF):** A dedicated portion of the UK Shared Prosperity Fund will be for employment and skills programmes targeting people most in need, including young people and adults furthest from entering learning or the labour market. It will offer employment, social inclusion and skills provision. This will be tailored to local needs and will support improved employment and skills outcomes for specific cohorts of people who face labour market barriers by helping them move closer towards, enter into, and progress

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<sup>22</sup> For some subjects, additional government funding is allocated to providers on top of tuition fees for level 4-6 provision.

in education and work. A second portion of the fund will focus on place-based investment. This will include investment in skills tailored to local needs. We will work with other government departments to align both portions of the fund with our overall vision for skills, making sure its primary objective is to help individuals get the support they need to get great jobs and progress in their careers and that the delivery mechanism supports our locally led approach to skills provision.



36. While colleges will attract funding from these streams separately, they will be free, as now, to use the funding they receive as they see fit subject to it being used for the purposes intended and ensuring regularity. Colleges are not required to spend funding received from each of the above streams on the activity intended for that stream (i.e., income earned from 16-19 provision could be spent on adult provision and vice versa). Nor does the Department require separate financial reporting requirements outside the 16-19 bursary system. This gives colleges a large amount of freedom and autonomy to use their funding as they see fit to deliver high-quality education and training to adults and young people. We will continue to collect information on how colleges use their funding for the purposes of benchmarking and policy making and will review how this can be improved to better support colleges.

## Purpose of the Skills Fund

37. The Skills Fund will have a single purpose of funding provision that supports individuals 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.
38. In some cases, a full qualification will not be required to effectively upskill individuals, for example enabling individuals to extend their current skills in a related sector. We therefore see the Skills Fund as resourcing a mixture of both qualification-based provision and non-qualification (non-regulated) provision that enables broader learning programmes and innovative skills provision to be developed, thus supporting individuals to acquire these skills.
39. Through our qualifications review, we are reviewing post-16 qualifications at level 3 and below which are available for public funding. The aim of this review is to create clearer qualifications choices for young people and adults, and to ensure that every qualification approved for public funding has a distinct purpose, is high quality and supports progression to positive outcomes for students. We recently consulted on the groups of qualifications we propose to fund at level 3, alongside A Levels and T Levels, and we will respond to this consultation later in the year. We will also set out later this year the groups of qualifications we propose to fund at level 2 and below, alongside GCSEs and Functional Skills Qualifications. This qualifications review will determine which qualifications the government will fund through the Skills Fund and 16-19 funding.
40. As part of the Spending Review, we will review what non-qualification provision should be funded through the Skills Fund. Alongside this, we are keen to seek views through this consultation on how non-qualification based provision can best be funded to ensure it is of high-quality, and leads to effective outcomes. In particular, we are keen to explore how new and emerging skills needs which are identified by businesses and colleges can be addressed in innovative and flexible ways by colleges and other providers and how funding should flow to support this provision.
41. The current system also supports broader supportive provision for adults such as mental health support or interview skills which we would also expect to continue provided they have a clear focus on supporting adults into work. We expect much of this to be funded through the general additional needs funding discussed in this chapter but there may be cases where funding should support a broader programme of learning and training for some individuals.

42. We expect there will be qualifications and non-regulated provision which in future will no longer be funded by government which individuals may still want to take up and fund privately as part of their own personal development.

43. Colleges will be responsible for determining their mix of Skills Fund supported provision, i.e., the balance across qualifications levels or subject areas and the amount of non-qualification provision. We expect this mix will change in response to Local Skills Improvement Plans and as colleges ensure their provision focuses on ensuring good employment outcomes or progression for adults and clearly delivers the skills needed and valued in the local area. The Skills Accelerator programme<sup>23</sup> and Institutes of Technology are already supporting expansion in provision and we will explore how we can support local areas more widely to shift provision to better meet skills needs, discussed further in paragraph 101.

Q3. How can non-qualification-based provision most effectively be funded in the future?

Q4. How can we ensure this provision is of high-quality?

Q5. We would welcome your ideas – particularly from employers – on how we could fund providers for innovative provision currently not funded by the system.

## Skills Fund Design

44. Our new Skills Fund will give more freedom to colleges to meet local needs in a way they see fit while ensuring that taxpayer money can still be effectively targeted to deliver on the government’s agenda. This includes shifting provision towards helping people retrain and move into sustainable and productive employment<sup>24</sup>.

45. Colleges will receive a single stream of funding to support both qualification and non-qualification provision through the Skills Fund. In devolved areas, this

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<sup>23</sup> The Skills Accelerator programme, incorporating Local Skills Improvement Plan (LSIP) Trailblazers and Strategic Development Fund (SDF) pilots, is a core part of delivering the government’s vision for reshaping the technical skills system.

<sup>24</sup> We know from reports including Augar and the FETL’s report on England’s Skills Puzzle that a lack of flexibility in the current funding makes it difficult for providers to focus their provision on retraining or reskilling in a way that matches the needs of adult learners and employers.

[Independent Panel Report on the Review of Post-18 Education and Funding](#) (2019), pp 125-126. [England’s Skills Puzzle: Piecing together further education, training and employment](#) (Policy Connect Learning & Work Institute, 2020).

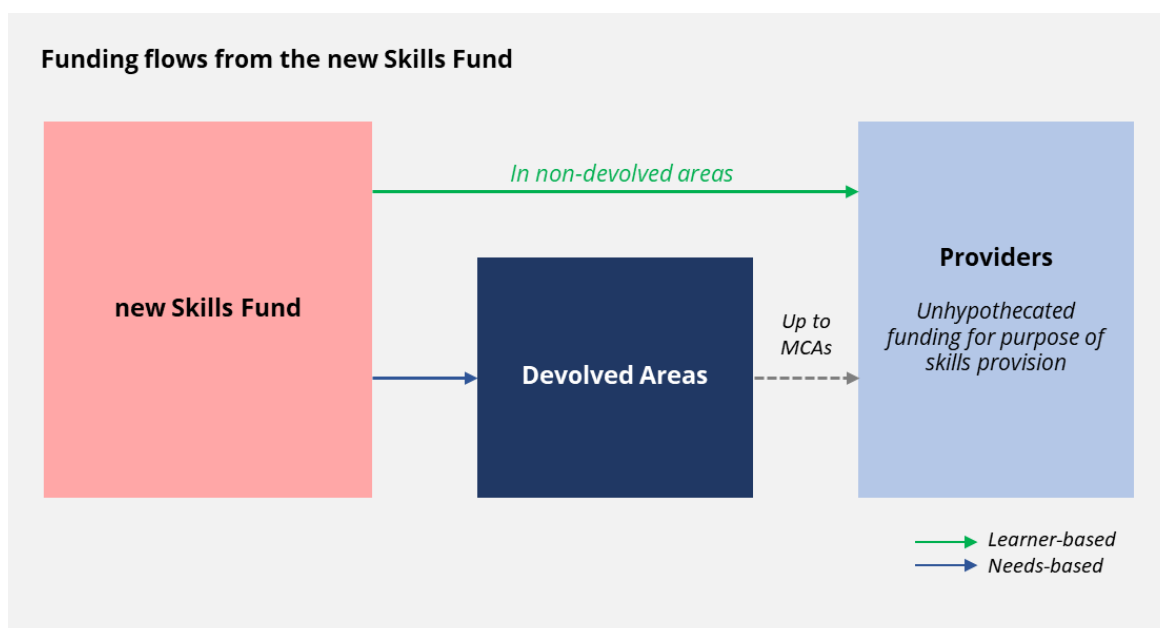
funding would be provided through their devolved authority. How funding would work for learners in devolved areas and non-devolved areas is discussed in turn next.

46. As part of this Skills Fund, we are also exploring what mechanism could be used to continue to provide funding upfront for providers for specific areas of provision such as the level 3 offer or skills bootcamps, discussed further in paragraph 82.

47. We remain committed to introducing a multi-year funding regime, subject to the Spending Review framework, so that colleges can take a more strategic approach to planning their provision in line with Local Skills Improvement Plans. This is discussed further in paragraph 87.

Q6. We would welcome your views on our proposal for a single Skills Fund: do you agree that we should formally merge the existing AEB including community learning, and National Skills Fund (NSF) investment into a single stream of funding?

Q7. How can we implement this Skills Fund in a way which best supports individuals to access skills which meet the needs of local employers?



## Funding for learners in devolved areas

48. The Adult Education Budget is devolved in several parts of the country. In these areas there is a clear democratically accountable body with devolved responsibility for certain adult education and skills functions. They are

responsible for funding learners within their area and for the funding approach for their providers.

49. We are not proposing to make any changes to this approach, it will continue within the Skills Fund and the devolved authorities will remain responsible for how they use their devolved funding to meet the needs of their areas. We will allocate this funding to devolved authorities<sup>25</sup> rather than to providers direct and will consider how funding for specific areas, mentioned in paragraph 46 above, could work. They will then fund their providers, informed by local economic needs, including devolved authorities' skills strategies and Local Skills Improvement Plans to help shape the provision they commission from colleges and other providers.
50. The current levels of funding for the devolved authorities (and the residual share for colleges serving non-devolved areas) are based on their share of the Adult Education Budget in 2017/18. Taking this approach helped smooth devolving the funding but does not provide a sustainable and long-term approach for allocating funding across the country in a way that reflects the different needs of local areas and supports the government's objectives of levelling up.
51. We would like to explore moving to a needs-based approach for setting the future funding share of the overall quantum for the devolved authorities (and for the residual share of the budget, used for colleges funded directly by the Department). This needs-based approach could also be used to inform the distribution of funding between colleges funded directly by the department to ensure a fair distribution, discussed further in paragraph 63 onwards.
52. We envisage that a needs-based assessment would seek to reflect relevant differences between local areas in the underlying needs of their local population in terms of the educational, social and economic needs. Focusing on underlying needs using measures which are consistent across the country will enable a fair distribution. These could be captured in a variety of ways which we would welcome views on, such as:
- **Demographic need:** The size of the devolved authority area is a key determinant of their relative needs: a larger authority will need more funding than a smaller one, all other things being equal. Population estimates or projections of working aged adult population could be used.

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<sup>25</sup> Funding to the devolved authorities is transferred by way of grant under section 31 of the Local Government Act 2003. [Adult education budget: devolved grant determination letters 2021](#), (Department for Education, 2021)



- **Area characteristics:** We think there are several factors that will influence the need for spending on adult skills between local areas:
  - **Educational need:** An area serving a greater number of adults with low or no qualifications will have a greater need to provide adult training than one with a higher level. Measures of the proportion of adults with no or low qualifications is already used as a component of the Index of Multiple Deprivation. We could also consider measures of English language proficiency.
  - **Economic need:** An area with a greater proportion of adults who are unemployed or in low-skilled jobs or jobs at threat from automation or in industries in decline will have a greater need to provide adult training. Measures of unemployment or proportion of low-skilled jobs could be used.
  - **Disadvantage:** Areas with higher levels of disadvantage face greater challenges for two main reasons: i) individuals from deprived backgrounds are more likely to need additional support in accessing and succeeding in their learning and ii) there will be a lower proportion of adults likely to be able to contribute financially towards their own learning, meaning a smaller overall budget to support college provision. The Index of Multiple Deprivation provides a well-established way to capture relative disadvantage between areas.
  - **Rurality:** More rural areas will have more learners needing support with transport costs to access learning. Measures of population density could be used here.
  - **Cost of provision:** The cost of provision differs across the country, with higher cost of staffing in London and surrounding areas. Area costs are already an established element factor in the schools, 16-19 and adult education systems.
- **Transitional protection:** The move to a fairer needs-based system of funding for devolved authorities will inevitably result in a distributional shift which we will want to ensure is manageable. Transitional protection can smooth out the impact of this change over a number of years with a funding floor to limit % changes in budgets, with levels subject to a combination of affordability and limits on the gains.

53. Getting the balance right between these measures will be essential to making a fair and equitable assessment of relative needs between local areas and if this approach is taken forward, we will develop and consult on more detailed propositions. Maintaining stability in the funding for local areas is of paramount importance, particularly as we build back better from the pandemic.

54. If in the future, responsibility for adult education and training is devolved to further local areas, we would expect to fund those areas by the same needs-

based approach with colleges receiving funding from the local government body rather than from the Department.

Q8. We would welcome your views on our proposal to fund devolved authorities through a needs-based relative assessment. Do you agree with this approach?

Q9. What elements do you think are important to include in such an assessment?

## Funding for learners in non-devolved areas

55. Colleges serving learners in non-devolved areas will continue to be funded direct by the Department for their core funding.

56. Colleges told us during our evidence gathering that allocating funding on previous delivery with a subsequent reconciliation at the end of the year creates a significant amount of complexity. They have to earn their allocation across a number of distinct funding streams making it difficult to accurately gauge the final funding they are likely to receive, even when the year is well under way and expenditure has been committed. Significant resource is devoted by colleges and the Department to monitoring learner numbers and anticipating final take up in order to try to forecast the eventual budget. The final reconciliation can cause colleges who are subject to 'clawback' significant cashflow and budget issues<sup>26</sup> the independent Augar review report<sup>27</sup> cites an example of a college with an annual turnover of over £40m and over 10,000 students as having 49 full-time equivalent staff working on this type of activity.

57. The independent Augar review also noted that the current approach leads colleges to focus solely on securing short term learner volumes to earn and maintain their allocation. The reconciliation process compounds this, but any approach which funds learner activity has this challenge.

58. We have therefore considered what other options could provide the basis of funding for colleges. We think there are four main options:

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<sup>26</sup> [Independent review of college financial oversight](#), (Dame Mary Ney, 2019), p.11; and the [Financial sustainability of colleges in England](#). (National Audit Office, 2020), p.13.

<sup>27</sup> [Independent panel report to the Review of Post-18 Education and Funding](#) (2019), p126

- **A plan-based approach:** In this option we would agree funding for each college through agreeing broadly the provision they intend to provide. This would allow funding to be more forward-looking, giving opportunity to agree areas of growth as well as areas which need to reduce where learners are not obtaining sufficient employment or progression outcomes. It would also support a more efficient configuration of provision within a local area between different providers. If the plan was not fully delivered, action would be taken by the accountability system, rather than withholding of funding. This approach does have some merit but would require a lot of resource from the Department to review and agree plans in time to agree funding allocations, with skilled judgement needed to apportion funding between over 200 grant funded providers based on the quality and realism of the plans. Where a plan-based approach is used, such as in Scotland, initial plan-based allocations are sometimes revised to reflect actual delivery.
- **Continuing with historical allocations:** There is much history that has led to the levels of allocations for individual colleges up to this point. Prior to 1993, funding was part of the local government system with local authorities deciding how much to spend on adult education, schools, social care and so on. This led to very different levels of inherited funding and provision when the FE Funding Council was established to deliver a national system. Progress was made towards a set of universal funding rates but alongside that funding was allocated for other purposes, in some cases on a bid basis, prior to funding being rationalised into the Adult Education Budget. Thus while there is a set of universal funding rates, the underlying volume of provision that can be supported has been influenced by a variety of funding mechanisms over the last two decades. Currently the initial allocation colleges receive each year is determined by the allocation, and delivery, the previous year which in turn was influenced by the allocation and delivery the previous year<sup>28</sup>. Thus the allocations individual colleges receive have largely evolved over time depending on history and performance. This position – and the difficulty of assessing a “fair” allocation for a college given differing travel to learn spheres – means a pragmatic view could be to continue with historical allocations for a period of time, allowing colleges time to respond to the new focus on outcomes and supporting individuals and employers through the recovery from the pandemic.
- **A needs-based approach for local areas:** A variation on the plan-based approach would see calculations being made for a local area, such as a county council area, based on the needs-based formula set out earlier. Within this allocation, funding could then be agreed for the colleges within that area.

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<sup>28</sup> Due to Covid - 2021/22 allocations are the same as 2020/21 allocations, irrespective of delivery.

This would support moving to a fairer distribution of funding across the country and support a more efficient configuration of provision at local area. However, this would lead to challenges around learners crossing local area boundaries and there would be a significant administrative burden for both colleges and the Department to agree college level allocations within each area.

- **An activity-based approach:** Funding follows the learners who turn up with the funding being based on a formula reflecting cost of provision, disadvantage and so on. This approach would also, of necessity, involve some measures to control total costs across the sector.

59. We would welcome views on these options, and whether there are others that could be considered. We think an adult funding system based on activity which, like the current system, funds the delivery made by colleges is likely to be the most robust and deliverable. Provision would still be planned carefully, but plans would not be used as a way of determining funding. Instead they would feed into a reformed accountability system as discussed in Chapter 2. We have therefore thought in more detail about how this approach could be delivered in the most effective way. There are three aspects which we think will help which we would welcome views on:

- **Ensuring a simpler funding formula:** we would envisage a small number of funding bands to reflect differences in not just cost of provision but also value of provision. In this way we can support colleges to shift provision to more valuable provision, delivering greater value for money for taxpayers and reduce the focus on simply securing learner volumes rather than ensuring those volumes meets labour market needs.
- **Moving to a lagged funding system:** Funding on delivery in the previous year as the 16-19 and school funding system does, giving colleges more certainty and predictability over their budgets than one with reconciliation at the end of the year.
- **Introducing a multi-year funding regime,** subject to the Spending Review.

60. Each of these are discussed further below. We believe these three aspects will significantly simplify the funding system, enabling colleges to plan their provision more strategically. Together with our shift to an outcome focused accountability system, these changes will ensure colleges can better deliver a mix of provision that helps learners develop employment relevant skills, thus meeting labour market needs rather than simply ensuring their funding level is maintained for the next academic year.

## A simpler funding formula

61. We think a simpler funding formula would need the following components:

- **Funding based on the unit of activity:** This could be a qualification that is approved for funding following the qualification review or high-quality non-regulated course<sup>29</sup> or programme to develop valued skills such as digital skills. The activity funded could be a whole course, or credit or module and thus a mechanism is needed to reflect the size of the activity. This is currently done through the Single Activity Matrix<sup>30</sup> which gives funding rates based on the size of the course through a number of bands. However, this banding leads to a set of quite uneven funding rates which we think could be replaced by representing the course size as a full-time equivalent measure. Qualifications already come with an indicative Guided Learning Hours (GLHs) measure set by awarding organisations, enabling easy conversion of provision to a full-time equivalent measure. For example, a full-time course typically consists of 600 GLHs and a course with 150 GLHs would count as 0.25 FTE, with a cap set at 1FTE. A similar approach could be used for non-regulated courses. If learners drop out after the qualifying period then the funding could be adjusted on a pro-rata basis or adjusted by 50%, as happens in the 16-19 system, balancing the need to ensure taxpayer funding is used effectively and the impact on colleges.
- **Simple funding rates:** The creation of a FTE measure allows us to move to a simpler set of funding bands so we can reflect, as now, that courses of the same length will vary in their cost. We think it is over precise to try to ascribe detailed estimates of cost to different areas of provision. The cost of delivering any provision depends significantly on staff: student ratios and pay levels, among other things, which will vary significantly. We also think that cost alone – assuming it could be precisely measured - should not solely determine the level of funding which government should pay for provision: the funding system should also consider the value of provision. We think we could have a small number of funding bands which would reflect both an assessment of relative cost and relative value. Providers would be able to clearly see the level of funding which would follow different areas of provision and could plan their provision accordingly. If co-funding was in place, the rates would adjust accordingly.

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<sup>29</sup> Q3 of the consultation seeks views on how non-qualification-based provision can most effectively be funded in future.

<sup>30</sup> [ESFA Funded Adult Education Budget Funding Rates and Formula 2020 to 2021 Version 4](#) (January 2021), p.11.

- **Additional needs:** The characteristics of learners attending different colleges will vary and some learners will have specific additional needs. The current system funds these needs in 3 ways: through a disadvantage uplift using the postcode prior to enrolment, learning support and learner support. We would like to explore moving to a single additional needs element, discussed further below in paragraph 66 onwards.
- **Area costs:** As with the current system, colleges in areas with higher staffing costs need additional funding. The current system applies this factor individually to each learner. We would welcome views about whether any changes need to be made to the operation of this factor.

62. The current system also has an achievement element whereby a proportion of the funding is only received if the learner achieves the qualification or an employment outcome. While laudable in its intention, this risks perverse incentives of colleges not encouraging learners onto more stretching courses and brings additional complexity into the funding system. We think the accountability system is the way to examine and drive college performance, allowing a more nuanced view of achievement that take into account the provision taken and therefore propose not having an achievement element in a reformed funding system.

63. We are keen to ensure colleges have an opportunity to respond to the challenges we articulated in the Skills for Jobs White Paper and shift their mix of provision to one which delivers improved outcomes. We therefore will introduce changes to the funding system: including changes arising from decisions on what is funded through both the post-16 qualifications review<sup>31</sup> and the Spending Review, and changes to the funding bands and formula which we are consulting on here very carefully to ensure colleges have time to respond. This approach will give colleges an opportunity to review and shift their provision in light of Local Skills Improvement Plans towards a greater focus on outcomes, thus having significant influence over their future share of funding. In many areas, further consultation on the specific detail of the funding approach will be needed as discussed further at paragraph 162. As we introduce changes, we will ensure their impact is made gradually through the use of transitional protection and consider whether ongoing limits are needed to manage the degree of year-to-year changes in their budgets that colleges experience. The level of transitional protection will be subject to affordability.

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<sup>31</sup> We have already set out our proposed timing of defunding level 3 qualifications through our level 3 consultation: [Review of post-16 qualifications at level 3 in England: Second Stage Government consultation](#), (2020), p. 55.

64. It will also be important as we bring in the new system, to consider the distribution of funding across the country, both within the non-devolved area and between devolved areas. As set out earlier, this distribution has evolved over time, rather than reflecting a fair assessment of relative needs between different areas. A system which carried on funding colleges for activity delivered alone would not address this.
65. To move to a fairer distribution, we could use the same needs-based formula outlined above for devolved authorities to inform the distribution of funding within the non-devolved area. A balance would need to be struck between ensuring funding is responsive to activity delivered and ensuring funding is fairly allocated across the country to give individuals equal opportunity to access training and employers a fair access to skilled individuals. We would ensure that stability of allocations between local areas remains of paramount importance as any changes are made.

For funding of learners who are funded directly by the Department, rather than devolved authorities:

Q10. Do you agree that an activity-based system of funding colleges based on the learners they provide for should be continued or are there other approaches which would be more effective or should be considered?

Q11. What are your views on the potential elements (set out above) to include in a simpler funding formula? Are there other elements which should be included?

Q12. Do you agree that we should use the same needs-based formula between all areas of the country? How should we balance responsiveness to activity delivered and equal opportunity to access training?

Q13. How can we introduce these changes most effectively?

### **Simplifying funding for disadvantage, learning and learner support through a single additional needs' 'element' as part of the formula**

66. Some learners need additional support to access or succeed in their learning, for example needing reasonable adjustments under the Equality Act; help to overcome learning difficulty in the classroom; or help to overcome a financial barrier to access and succeed in their learning. The current system seeks to meet these needs through three ways within a provider's Adult Education Budget (AEB):

- **Disadvantage uplift:** Learners who live in a more disadvantaged postcode attract additional funding, giving colleges who serve higher proportions of such learners more funding.
- **Learning support:** Enables colleges to claim £150 per student per month to provide reasonable adjustments as set out in the Equality Act 2010 for learners who have an identified learning difficulty and/or disability (with higher amounts available if needed).
- **Learner support:** Enables colleges to provide financial hardship funding, childcare funding, residential access or coronavirus support for learners who cannot access online learning with this funding being claimed from the Department.

67. We would like to explore a simpler way to fund colleges for these elements. In particular, we would like to consider how we might remove the need for detailed claims and administration on behalf of colleges and the Department, in line with our overall model of giving colleges more autonomy and holding them to account for outcomes.

68. We are clear that a disadvantage element remains an essential element of a funding system. Such an approach to reflect disadvantage would be needed in any long-term funding approach whether needs-based, plan-based or activity-based. Learners from more disadvantaged backgrounds are more likely to need additional support to either access or successfully complete training. In addition, the greater the proportion of learners from disadvantaged backgrounds, the fewer learners there will be who will be able to contribute to their learning, thus reducing the ability of colleges to increase their income for the benefit of all learners.

69. There are a number of aspects to disadvantage: learners who have been unemployed for a period, or never employed, are likely to need more support back into employment; learners with lower prior attainment might need additional support to master aspects of the course and learners from very disadvantaged backgrounds might need broader support to succeed such as but not limited to those perhaps negatively impacted by their family background, previously in-care or within the justice system. These issues are of course not solely found in disadvantaged learners and all colleges will need to use their funding flexibly to support learners to succeed. But there is a well-documented link<sup>32</sup> with social and economic disadvantage that we would want to continue to recognise so colleges with higher proportions of learners from disadvantaged backgrounds are

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<sup>32</sup> [Post-16 education: outcomes for disadvantaged students](#), England (Department for Education, 2018).



supported.

70. In addition to funding which recognises a higher likelihood of additional needs from disadvantage, we also need to ensure colleges are able to meet more specific needs resulting from those who have a disability or need help to access training.
71. We believe there is merit in giving college a single additional needs element within their core funding which they can use flexibly and autonomously to meet all forms of learner need across their organisation. This would pick up funding to support learners who need extra help and support by virtue of their educational background and circumstances as well as specific learning support for those with learning difficulties. Colleges serve large numbers of students and we think the advantages of a simpler system outweigh the precision achieved through the current claims-based approach. We will hold colleges to account for the outcomes they achieve for disadvantaged learners, those with learning difficulties or disabilities through the new Accountability Agreements and Performance Dashboard we propose in Chapter 2.
72. We envisage this could work through a simple needs-based formula allocation for each college. Such a formula could include measures such as:
- Proportion of learners from disadvantaged backgrounds. An established and simple way to ascertain this would be to use learner postcode and the Index of Multiple Deprivation.
  - Proportion of learners with disabilities. A more direct measure of learners with more specific disabilities whose needs may be more costly to meet could be considered. We would need to ensure there was not a perverse incentive for colleges to label learners for the purpose of securing funding.
  - Proportion of learners who have been out of work for a sustained period and will be more likely to need additional support – we would need to consider how this could be captured in a timely, non-burdensome way.
  - Travel to learn. We could explore a measure of how many students had to travel a significant distance or a measure of rurality for the college area or learners' home postcode. This could also factor in provision with a residential aspect.
73. Colleges should have a clear policy on how they will use this funding – and their overall funding more generally – to both support learners in their learning and to support learners in accessing learning with clear criteria, as now, on how they will distribute funding to learners for the learner support elements.

74. Such an approach which funded colleges for the learner characteristics, not the provision they made for such learners, should allow the Department to remove existing evidence requirements in this area.

75. Students aged 19-25 with more complex educational needs articulated in an education, health and care plan from a local authority will continue to receive their core funding through the 16-19 system and additional funding through the distinct high needs budget. The SEND Review<sup>33</sup> is considering measures to make sure the SEND system is consistent, high quality, and integrated across education, health and care, with the aim to ensure better outcomes for children and young people with SEND. It is also considering measures to make sure that money is being spent fairly, efficiently and effectively, and that the support available to children and young people is sustainable in the future.

76. We would welcome views on whether this overall approach to meeting learner needs should be taken forward or whether there are other approaches that should be considered. We will then consult in greater detail at a later point including how changes could be brought in carefully to ensure any distributional impact is manageable.

Q14. Do you agree with our proposal to bring together disadvantage funding, learning support and learner support into one element?

Q15. Are there likely to be unintended consequences we would need to manage?

Q16. Is there a different approach we should explore?

Q17. What factors do you think should be incorporated in a measure of additional needs?

Q18. Will this help reduce requirements on colleges and enable them to support their learners better?

## Funding on lagged learner numbers

77. In the current system, we provide an initial academic year allocation to colleges by March for the forthcoming academic year, with reconciliation after the end of

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<sup>33</sup> [Major review into support for children with Special Educational Needs](#) (announced by Department for Education, September 2019)

the academic year to adjust for actual delivery during that academic year. This has the advantage of ensuring funding is responsive to the provision delivered but means final funding is not secure until after the year has ended and the college has essentially spent the funding. A college must plan the provision it will offer in a way which “equates” with its funding allocation (including specific limitations for some funding streams) without being confident what its eventual funding will be. Pre-16 and 16-19 funding are on a lagged basis with providers receiving funding based on delivery in the previous year giving certainty over the budget for the forthcoming year and delaying the impact if student numbers fall. However, this does bring a lag in the funding for a provider with increasing student numbers. A system which combined a best of both worlds approach (a lagged system but full adjustment upwards if student numbers increased) would only be possible if a significant amount of funding was withheld upfront to pay for the subsequent growth, which we do not think is desirable.

78. We therefore think that if we have an activity-based system, we should move to a lagged approach for core funding, in line with 16-19 and pre-16 funding, and would like to seek views on this. We think this step will help colleges bring together their funding from different funding streams (16-19, adult funding etc) into a single budget which they will be able to manage more effectively.
79. We envisage this working by funding colleges for their provision over a 12-month period prior to a data cut-off, at which point the Department would need to run the funding calculations. Colleges would continue to receive their budgets in March for the forthcoming academic year but these would be firm and final budgets for that year. If learners then dropped out, the funding for the subsequent year would be adjusted accordingly (approaches suggested in paragraph 61), rather than through a clawback mechanism in year. Taking this approach could also support a simpler data capture from the Individual Learner Record (ILR) which we will consider if this lagged approach is taken forward.
80. By bringing in a lagged system, we would need to be mindful of the impact on patterns of provision from the Coronavirus pandemic and would explore with the sector how we could best do this.
81. Ideally, colleges would have the confidence that increased provision in one year would lead, in a lagged system, directly to increased funding the subsequent year. However, there will be a fixed quantum for adult skills set through the Spending Review and the level of provision that is funded in any year needs to fit this quantum. Funding increases to follow increased learners, or a higher funded mix of provision, will have to be subject to affordability within the overall envelope. The funding available to support growing colleges will also be affected by any protection over that given by a lagged system to manage the impact of

reducing budgets for colleges with decreasing student numbers. We envisage giving further parameters to colleges alongside allocations to support their planning.

Q19. Do you think we should move to a lagged system for the core funding or continue with the current “allocation and reconciliation” approach?

Q20. Is there another method, not outlined here, that you would prefer?

## Upfront funding for growth areas

82. Currently, we provide distinct funding for specific programmes such as the level 3 offer or skills bootcamps up-front to providers in these areas of provision. This is achieved either through direct procurement or through making an up-front allocation. Because we will wish to see growth in such areas, using a lagged mechanism will not work and thus a different approach will be needed to support colleges delivering this growth. We therefore think there will be times when part of the Skills Fund might need a different mechanism for funding specific areas of provision.

83. We would like views on how this can best be done. One option is to fund such provision on an in-year basis, rather than a lagged basis with an allocation set at the start of the year and then subsequent reconciliation. Colleges would therefore know that growth in these areas would secure direct and additional funding in-year.

84. We envisage this working by establishing an indicative funding allocation across the areas we wish to see grow based on anticipated delivery on each element. These indicative allocations would be later revised for actual delivery subject to overall affordability. Colleges would be able to flex within different elements of this funding: over delivering on one element and under-delivering on another compared to the initial allocations. We will consider what funding approach would be used to calculate both indicative allocations and final funding, ensuring the latter is aligned with the formula used for lagged funding. Colleges will be accountable for the outcomes they deliver across the whole Skills Fund, thus ensuring colleges focus on ensuring that the volume of provision they deliver in different areas meets labour market needs.

85. Once this provision has become established, we envisage this provision would then be funded on a lagged basis, subject to affordability.

86. We will consider how best to fund providers in devolved areas for this provision.

Q21. Do you agree with our proposal for a mechanism within the Skills Fund to provide up-front funding for specific growth areas?

Q22. Are there other mechanisms which we could explore to achieve this aim of supporting growth in specific skills areas?

## Multi-year funding

87. We are firmly of the view that colleges' ability to strategically plan their provision to meet labour market needs will be more effective within a multi-year funding regime and have considered how this could work if the Spending Review format allows for this.

88. Our approach will need to balance two key objectives: giving colleges more predictability within which to plan their provision whilst retaining a system responsive to changing learner and employer needs. We think such a balance could be met by:

- Establishing the overall quantum for the Skills Fund for each year within the multi-year period.
- Allocating budgets to devolved authorities for each year over a multi-year period so they can effectively plan provision.
- Maintaining consistency over the funding regime and approach.
- Setting indicative unit costs for the funding system: the need to maintain affordability given a fixed quantum but unknown learner numbers will prevent us from setting firm unit costs, but we would seek to minimise the impact of year-to-year updates for the purposes of overall affordability.

Q23. We welcome views on our proposed multi-year approach, including how this might affect colleges' behaviour.

Q24. How else could the funding system be improved to make strategic planning and year to year managing of funding and expenditure easier for providers?

## Funding eligibility rules

89. The current funding system has detailed eligibility rules around who and what is entitled to be funded by taxpayer investment which apply to learners in non-

devolved areas alongside the statutory entitlements which apply across the country. This has the aim of ensuring taxpayer investment is directed as effectively as possible. However, the rules bring a significant amount of complexity and rigidity to the system both in terms of what provision colleges can offer to individuals and in the assurance and data systems which the Department runs.

90. As set out earlier on, our qualifications review is considering which qualifications should be funded in future, with an expectation that the substantial majority of technical qualifications will be aligned to employer-led standards<sup>34</sup>. We will also review non-qualification based provision and are seeking views on how this can best be funded in a way that supports colleges to develop new provision whilst giving assurance over the quality of that provision.

91. There will continue to be a need for clear UK residency rules, and we do not propose any changes over the current approach here, including for the devolved authorities who are required to adhere to these.

92. We would welcome your ideas on what other entitlement and eligibility rules should apply in the new system to ensure that learner needs are met within the available resources. Considerations include:

- **Levels of prior qualifications:** The current system has eligibility rules to target government funding on individuals with low or no qualifications. This allows prioritisation of funding but limits flexibility in supporting retraining over individuals' lifetimes as the labour market changes. We would like to seek views on the benefit and impact these eligibility rules have and whether and how more flexibility could be achieved to enable colleges to better consider individual needs and employment opportunities in decisions around how to use their funding.
- **Ability to pay:** The current system ensures that individuals who are either unemployed (and in receipt of benefits) or earning under £17,374.50 annual gross salary are fully funded by Government for provision at level 2 and below. Individuals earning above this level are co-funded for level 2 and below provision, regardless of earnings. We would like to seek views on how effective this current approach is and whether any aspect should change.
- **Age:** The current system has statutory entitlements for younger adults to achieve a first full level 2 or 3 and a broader level 3 adult offer giving a

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<sup>34</sup> Subject to Parliament passing the Skills and Post-16 Education Bill which gives the Institute for Apprenticeships and Technical Education a role in approving a broader range of technical qualification against their employer-led standards.

wider group opportunity to upskill, in a narrower set of qualifications.

93. We would welcome views on these issues and other aspects of funding eligibility that we should consider.

Q25. Which entitlements and eligibility rules should be maintained in the new system, and why?

Q26. If entitlements and rules are significantly reduced in number, in the context of an activity-based and lagged system, how would you expect colleges to allocate funds when the available budget is limited? Are there specific additional rules that you think should be introduced to constrain their activity?

## Funding for Independent Training Providers (ITPs) and other providers

94. Our *Skills for Jobs White Paper* and the proposals in this consultation envisage colleges as the lead provider in delivering skills provision funded directly by government. Therefore, as now, grant funding of colleges and local authority education providers, will be the main funding flow in our new system for adult skills. The apprenticeship model, with a lead role for employers, will remain unchanged.

95. Alongside college and local authorities, ITPs, including voluntary and charitable organisations, will continue to have an important role to play in delivering adult training and skills, supporting specialist and more innovative provision, providing more wrap-around support for individuals who might otherwise find it difficult to access mainstream provision and providing broader geographical opportunities than colleges alone can do.

96. Currently ITPs, including charitable organisations, receive their adult skills funding through a mixture of direct procurement by the Department and sub-contracting from colleges or other providers<sup>35</sup>. This leads to complexity in the funding system, with many colleges being funded through a mixture of grant funding and contract and ITPs receiving funding from a variety of approaches. We would like to consider how this approach works and could be improved, in particular being clear what areas of provision are best commissioned by the

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<sup>35</sup> They may also receive funding from devolved authorities.

Department direct and what areas by colleges themselves so there is clarity on the rationale for the different funding routes for ITPs.

97. We are already taking steps to improve practice in this area through our subcontracting reforms<sup>36</sup>. These will address, amongst other issues, colleges sub-contracting reactively to maintain funding levels and therefore future funding allocations, rather than strategically to deliver best outcomes.

98. We believe further improvements can be made by being clearer around the commissioning role that colleges, and local authorities, should play. Commissioning means taking a more strategic approach to establishing provision which other providers take forward on behalf of the lead provider, ensuring there is a clear rationale for that provision, not simply sub-contracting on provision. We want them to work closely with other providers to ensure that across the local area, learners can access high-quality provision and acquire the skills that will be valued in the local area. This model will ensure ITPs and other providers are part of this system, offering complementary provision rather than duplicative provision.

99. Through this role, we will expect colleges and local authorities to follow effective commissioning practices, building on the sub-contracting reforms already taking place to strategically plan provision with partners in the local area and performance manage those organisations effectively. We will support them in this role by identifying the providers which they can commission from. We have already set out our intention to introduce an accredited sub-contracting standard which will set out clear expectations of what good sub-contracting looks like. We will look to update this to ensure it reflects the acceptable standards which colleges will need to meet if they are to act in this commissioning role. Colleges will be accountable for the performance of all provision which they fund, whether delivered direct or via another organisation.

100. In parallel, we think there should be greater clarity on the areas where government would procure provision direct, for example, where there is insufficient capability or capacity within a sector, area of training or geographical area of the country and we welcome views about the areas or circumstances where the direct procurement of skills provision by the government will be more effective. The Department will also engage with the market to explore how we can improve the way we procure provision and ensure we are clear on the distinct purpose of that procurement. Any provision procured by the Department

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<sup>36</sup> [Further details about reforms to subcontracting education for learners over 16](#). (ESFA, 2021)



would be overseen by a commercial arrangement between the Department and the provider.

Q27. In what circumstances should direct procurement of skills provision be used by government?

Q28. How can government improve the way it procures provision to ensure it complements existing areas of provision delivered by colleges and local authority providers and improves value for money?

Q29. How can we support colleges to improve how they commission and oversee provision by providers they will commission from?

Q30. How can we best support this arrangement for providers that are commissioned by colleges?

## Supporting changes in provision

101. The reforms set out in the Skills for Jobs White Paper will lead to significant changes in the nature of provision with a greater focus on delivering employer-relevant skills to support individuals into meaningful employment. Such changes extend beyond the provision covered by the Skills Fund, with 16-19 provision and provision supported by loans also needing a similar outcome focus. We recognise that all local areas will need support in making changes to deliver expansion or changes in provision which would help better meet current and future skills needs, particularly more advanced and higher technical provision where skills gaps, as noted by the independent Augar review and in the Skills for Jobs White Paper are particularly acute.

102. We have already taken steps through Institutes of Technology which have led to collaborations of providers and employers working together to secure significant changes in provision in key priority areas. Our Skills Accelerator Programme is currently testing how local areas can be supported to review provision and develop, grow and expand specific areas of provision as well as improve their overall capacity and capability to deliver. As part of the forthcoming Spending Review, we will review these and other programmes such as the recently launched higher technical education provider growth fund<sup>37</sup> and consider how best our investment in the skills system can support changes.

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<sup>37</sup> [Higher technical education provider growth fund](#), (ESFA, 2021)

103. We would welcome views on how we can best support local areas to collectively improve their offer and the nature and configuration of their provision, such as supporting a particular industry sector to grow within a locality. We are also interested to hear from the devolved authorities on how they have collaborated with colleges in devolved areas to review provision and provide for local economic need.

Q31. How can we best support local areas to improve and expand their offer to better meet current and future skills needs?

## Chapter 2: An accountability system focussed on outcomes

### Summary

We will reform the accountability system so it is focused on outcomes and will take a strategic approach to support and intervention. This chapter sets out proposals, and seeks views, on the following areas:

- Specifying the outcomes we expect colleges to deliver through a new Performance Dashboard.
- Introducing a new skills measure that will capture how well a college is delivering local and national skills needs.
- Introducing a new Accountability Agreement that will reinforce colleges' autonomy while providing a clear sense of mission.
- Exploring an enhanced role for Ofsted to inspect how well a college is delivering local and national skills needs.
- Enabling the FE Commissioner to enhance its existing leadership role, with a renewed focus on driving improvement and championing excellence.
- Improving data quality and reducing the requirements we place on providers through student data collection and financial reporting.
- Retaining the necessary regulation and oversight to ensure the effective operation of the market, including providing assurance on the use of public funds.

### Introduction

104. We need to shift our funding and accountability system to support colleges to deliver the vision we set out for them in the Skills for Jobs White Paper. Colleges receive a significant amount of taxpayer funding and it is right that they, like other publicly funded organisations, are accountable for the outcomes they deliver with this funding. It is an essential pre-requisite that a college is well-run, uses public funds properly, and delivers high-quality education and training. But colleges have an extra role in ensuring that both the nature and mix of their provision give people meaningful skills which open the door to good quality jobs,

enable them to contribute to the wider economy and society, and help them lead enriched and fulfilling lives.

105. The current accountability system focuses on financial performance and the quality of education and training. Existing intervention triggers are based on colleges' financial health, an assessment of financial records and plans, and the quality of provision determined by Ofsted. We support colleges in "early intervention" and look to prevent any further decline. In more serious cases where a college is in "formal intervention", we will be in regular contact to review improvement plans and provide support. For all colleges we monitor key financial and quality information to spot early warning signs and work with the college to support them improve. This is described in more detail in the college oversight guidance, which we last updated in 2020<sup>38</sup>.
106. Through these reforms we have the opportunity to shift the accountability system towards a broader assessment of how effective a college is at balancing provision, supporting its students into good jobs and meeting the needs of local employers. We are addressing the recommendations raised in the Ney Review, and by the National Audit Office and Public Accounts Committee who have described our current approach to intervention as too punitive and mechanistic, in an update to the oversight guidance.
107. We believe that our role is to give colleges a guiding light for what we expect in return for taxpayer investment. We will do this by articulating and focusing on the outcomes we expect colleges to deliver, and in this chapter, we set out proposals for how we can do this. We propose to introduce a new Performance Dashboard which will capture how well a college is performing on these outcomes. We also propose to introduce new Accountability Agreements where we will articulate priorities and colleges will set out their plans, outlining how they will achieve these priorities. Through introducing these new system components we will reinforce colleges' freedom to decide how best they achieve these outcomes. We will create a system of continuous self-improvement, with the Department moving to a more strategic relationship with the sector to drive improvement and provide the support needed to tackle issues before they become serious.
108. Ofsted has an important role to play in this reformed accountability system. We are exploring with Ofsted how it can enhance its inspections to take account of how well a college is meeting local skills needs and to align it with our

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<sup>38</sup> [College Oversight: Support and Intervention Policy document](#) (Department for Education, 2020).

broader accountability proposals. This will ensure that inspections have a greater focus on how well providers support individuals into good jobs and meet the needs of the local labour market, alongside evaluating the quality of education and training.

109. In the absolute minority of cases where we need to intervene, the Further Education (FE) Commissioner will provide the practitioner expertise to help a college improve. We will improve the formal intervention process by introducing a new Single Improvement Plan so that colleges can focus on the job of improving, rather than responding to different requests for information.

110. We have designed our accountability proposals around General Further Education Colleges (GFE) first and foremost<sup>39</sup>. However, we believe that, in principle, these proposals can apply to other grant funded post-16 providers. We set out our views about how our accountability proposals can apply to later in this chapter, at paragraphs 132-135.

111. While the funding chapter of this consultation focuses on adult skills funding, our proposals in this chapter consider accountability from the perspective of a GFE college. We envisage that some of our proposals, such as the college plan (described at paragraph 125) and the Performance Dashboard can apply to all Government funding they receive. The conditions of funding element of the Accountability Agreement, however, would apply only to funds issued by the Department via the ESFA.

## A new Performance Dashboard

112. Colleges are large, complex organisations delivering a broad range of provision for students with different needs. They cover a wide age range: in 2019/20, over 1.7 million adults participated in further education and skills, 174,000 of whom were studying for qualifications at level 4 and above<sup>40</sup>. There is no one size fits all college – the mission and purpose of a college will vary because of factors like the health of the local labour market, the mix of students and historical patterns of competition and cooperation. A college in, for example, central Newcastle or in rural Devon face different challenges.

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<sup>39</sup> In this chapter when we use the term GFE Colleges or “college(s)” we mean all colleges in the statutory Further Education sector funded by the Secretary of State through ESFA, except sixth form colleges.

<sup>40</sup> [Further education and skills, Academic Year 2019/20 – Explore education statistics](#).

113. That said, we believe that Government can be clearer on what it expects from colleges and by focusing expectations on outcomes it can ensure that students, employers and the taxpayer get excellent value for money from the education it funds.
114. To do this we propose to introduce a new Performance Dashboard that will include a prioritised number of outcome and output measures. The Dashboard will provide a performance snapshot of individual GFE colleges for all interested parties and public scrutiny, as well as an overview of how well the local and national Further Education system is performing. We would expect that college leaders and their governing body will want to refer to the Dashboard metrics to benchmark their performance and guide their decision making. It will also help college governing bodies in providing a consistent basis for comparing how they perform across a range of indicators with peers and highlight where to focus improvement efforts.
115. We propose to make the Dashboard publicly available. This will provide a simpler, clear summary of how well a college is delivering on different aspects of its provision, as well as on overall quality and financial health. The Dashboard will also be available for students who may want to use it to make informed choices about what and where to study. We want to maintain a rich public source of data to support excellent delivery on the ground and ensure that providers have clarity on how their successes will be measured. We will therefore consider carefully how the Dashboard could work alongside existing published performance metrics, such as performance tables, Qualification Achievement Rates, and other data.
116. We propose that the Performance Dashboard is designed around three principles:
- Measures need to be fair and comparable to enable colleges to act on the information.
  - We need to keep the headline number of measures to a minimum to create focus, without creating perverse incentives.
  - Measures should be outcome-based where possible.
117. The Performance Dashboard will be the main source of information on college performance in the new accountability system. The measures it contains will provide college leaders and governors with a clearer sense of focus when reviewing their college's performance and looking for areas to improve. It will provide new data to enhance Ofsted inspections and government support, including over time via annual strategic conversations.

118. We propose a mixture of measures that capture what we expect from a well-run college. These measures will need to be a mix of outcomes and outputs, as the lag with any outcomes data means that we need to rely on outputs for a more timely understanding of performance. We envisage focusing the Dashboard on technical provision, reflecting the core role of colleges outlined in the Skills for Jobs White Paper. However, we will also look to capture academic provision the college is providing.
119. We propose that the Dashboard is structured in two parts:
- **Part 1:** core performance measures:
    - Quality - a provider's current Ofsted rating.
    - Financial Health - a provider's current ESFA rating. We do not currently publish this rating.
    - Skills - a new measure to capture how well a college is aligning its technical provision with local and national skills needs.
  - **Part 2:** supporting performance indicators:
    - A longer list of performance indicators that reflect what excellent delivery looks like. We envisage that these performance indicators will consist of student outcomes (including the needs of different cohorts), employers' and students' experience, and how well a provider is engaging with meeting local skills needs, including the balance of provision across different sectors, for example through Local Skills Improvement Plans. We will also look to include academic provision.
120. We expect that Ofsted will want to consider the new skills measure when deciding which colleges to inspect, by taking the new measure into account in its risk-based assessment for planning inspections, alongside wider performance indicators. Where there are concerns regarding performance, we believe that formal intervention should only take place after a qualitative, human judgement and not on the basis of this measure alone. If a college is underperforming on the skills measure in between inspections, the FE Commissioner will support the college to improve. The FE Commissioner will also want to support colleges in formal intervention in improving their performance against skills needs.
121. We are exploring options for the new skills measure in part one of the Dashboard. We are planning to produce a comparable value-added or progression measure covering the technical provision a college is delivering. For example, this measure could look at what proportion of a college's students move into a high value job after finishing their course, or alternatively what proportion move into a job in a related sector or occupation to their course. The measure will need to take certain characteristics of their student population into

account, such as prior attainment as well as the characteristics of the local labour market.

122. Some of the proposed performance indicators in the second half of the Dashboard will be new. We will develop and test these indicators, along with the new skills measure, with the sector to ensure they will work effectively in practice. We also recognise that many corporations deliver their provision through multiple colleges and we will consider how we best reflect this in the Dashboard.

Q32. What measures are most suitable in showing how well colleges are delivering good outcomes? Which measure do you think best matches the purpose we have described in this section?

Q33. Of the outcome measures you have suggested above, how effective would they be at assessing college performance in a timely way?

Q34. Do you agree that underperforming on the skills measure (described in paragraph 120) should be taken into account for planning an Ofsted inspection?

Q35. Do you agree that we should publish colleges' financial health ratings in the Dashboard, as we do not currently publish these?

## Autonomous colleges

123. College leaders and their governing body need to be at the heart of the accountability system. While we can set high level expectations, we know the day-to-day decisions – like what courses to offer and which teachers to hire and promote – have the biggest impact on performance and therefore improvement will always need to be driven by college leaders and their governors from within their organisation.
124. We will give colleges a sense of mission and direction on what we want them to achieve with taxpayer money through new Accountability Agreements. We want the Agreement to give college governors a statement of purpose, which is something we believe has been missing for some time.
125. We propose that this Agreement will form the contractual basis for funding, replacing and incorporating the essential elements of Funding Agreements. We propose that the Accountability Agreement will come in two parts:



- **Accountability framework.** This element of the Agreement will be owned by the Department. We will articulate national priorities and the outcomes Ministers expect from taxpayer funding, such as supporting our ambition to reach Net Zero and support disadvantaged learners. It will also contain all the requirements we expect for the sound governance, management and assurance of public funds and more streamlined conditions of funding. This part of the Agreement will be developed by the Department and be standard for all colleges for the provision it funds. The emphasis will be on the college corporation having effective internal controls, and the Department will ensure these are in place. We can also use this section to set out what support providers will receive in return. Devolved authorities and the Office for Students will have separate arrangements for setting expectations for provision they fund directly.
- **College plan.** We envisage that this element of the Agreement will be owned by the college. A GFE college will set out a small number of outcome and output targets that focus on the changes it is going to make to its provision and articulates how it is going to achieve them. We would expect that a college will do this by referring to the new Performance Dashboard to benchmark its performance against other colleges. It will also want to reflect national and local priorities developed with employer representative bodies in its Local Skills Improvement Plans and the priorities of the devolved authorities for adult skills provision in devolved areas. We would expect colleges to report on how they performed against their targets in subsequent Agreements.

In producing this plan, we would expect colleges to describe the context and evidence for their targets, who they have consulted and how the college's core purpose will be aligned to fit with other local providers to ensure efficient configuration of provision across an area. We want to encourage colleges to consider the local environment in which they operate, and ensure they focus on where they can add value to avoid mission creep, duplication or delivery of low value or irrelevant provision.

We envisage that colleges' outcome and output targets will focus on provision where an improvement is needed and will not be an exhaustive list of all the provision a college is delivering at that time. This will ensure prioritisation which will improve the likelihood of reaching the targets. We have recently published a prospectus to trailblaze Local Skills Improvement Plans which proposes a similar approach for planning within a local area.

As part of our measures to strengthen accountability, the Skills and Post-16 Education Bill will introduce new legal duties on colleges. These will require colleges to regularly review their provision to ensure that local skills needs are being met. Colleges will also be required to have regard to priorities set out in the Local Skills Improvement Plans when planning their curriculum. The actions identified as a result of the review will be one part of the plan-based element of the new Accountability Agreements.

126. We expect that college corporations will produce the plan element of the Agreement, and while we want to work with a small number of providers to co-design the outline structure of the document, we want to keep guidance high-level to give colleges an opportunity to think innovatively about how they best set out their plans. We would expect colleges to update their plan each academic year, though we would not anticipate major changes each year as outcome targets will take time to materialise.

127. We propose that the Agreement is formally between the college corporation and the Secretary of State and that we publish the documents in a central gov.uk location. We would like this process to be light-touch and do not envisage signing off the content of the plan. However, we may want to reserve the right to do this for colleges in formal intervention. We do not intend to link funding to how colleges perform against their plans in the Agreement or intervene because of any unmet targets in the plan-based element. However, we envisage that we will want to draw on the Agreement, as well as the Dashboard metrics, to inform our risk assessment of a college and that Ofsted and the FE Commissioner may want to use the Agreement in a similar way, as part of their activities.

128. In the Skills for Jobs White Paper, we set out our intention to move to a more strategic relationship with colleges, as recommended by the Ney Review. We have started holding annual strategic conversations, which will enable us to engage with colleges at a strategic level and understand their challenges and issues better. The conversations are an opportunity for leaders to set out strategic objectives, showcase achievements and discuss opportunities and risks. We hope in time the Accountability Agreement plan will provide a common source of information to make these conversations as productive as possible.

Q36. Do you agree with our proposal for new Accountability Agreements?

Q37. Do you agree that Accountability Agreements should incorporate and replace Funding Agreements?

## Exploring an enhanced role for Ofsted

129. Ofsted provides highly valued impartial judgements which are trusted by providers, students and central government. Its inspection process, framework and judgements have a critical part to play in improving standards and influencing what college leaders and their governors focus on. We want to use this opportunity to harness Ofsted's role in the system to achieve our White Paper ambitions. Technical and vocational education must offer young people and adults a clear line of sight to work, and the accountability system needs to mirror this core purpose.
130. We believe that to do this Ofsted inspections will need to have an increased focus on how well colleges are meeting skills needs – in particular on the mix of provision offered and how well this is matched to the need of local employers. This will provide invaluable information to college leaders and their governing body on where to focus improvement, as well as inform where improvement support and, in some cases, intervention may be required.
131. Inspecting how well a college is meeting skills needs should be in addition, and not substitute for, the important job Ofsted already does to inspect the quality of education and training. We are working with Ofsted to explore how its approach to inspection – which currently assesses meeting local skills needs through 'leadership and management' and 'quality of education' judgements – can best be enhanced. This includes considering how information from a college's Performance Dashboard and Accountability Agreement could be used during inspections, as well as how to ensure that clear reporting against meeting local needs feeds into decisions on improvement support and intervention. The options that we are currently exploring include the following, and are subject to affordability:
- Incorporating the new skills measure, described above, into Ofsted's risk-based selection process for prioritising inspections.
  - Ensuring a more timely evaluation of college performance by increasing the frequency of full inspections, for example moving from a five year to a three-year cycle.
  - Engaging with a wider range of stakeholders (including employer representative bodies co-ordinating the relevant Local Skills Improvement Plan, employers, and the MCA in devolved areas pre-and post-inspection) to complete a fuller analysis of data and information and present findings to promote collaboration and improvement planning.
  - Considering how best to make meeting local skills needs a more prominent feature within Ofsted's inspection framework so that it can

reach a clear judgement on how well a college is performing on this objective.

Q38. Which of the options above, or combination of options, would have the biggest impact on shifting college behaviour towards meeting local skills needs?

Q39. How do you think Ofsted can best make meeting local skills needs a more prominent feature within its inspection framework?

Q40. Are there any other changes to Ofsted's inspection approach that would support improvement in this aspect of college performance?

## How the system will work for other post-16 providers

132. The changes we describe in this consultation are about accountability in GFE Colleges. In principle, however, we believe that this new model can work for all grant funded post-16 providers on a proportionate and relevant basis. We will want to work through this in more detail to ensure that the new components we are proposing work well in practice for these providers. We will seek the help of representative bodies in doing so. Schools and Academies that deliver post-16 provision will be held to account for all their provision through the school accountability system.

133. In Chapter 1 on funding, we set out our proposal for colleges and local authorities playing a clearer commissioning role, commissioning provision from other organisations only when it is clearly needed to enhance or expand their offer. To ensure quality, we will identify providers that they can commission and set out expectations on effective commissioning. We also set out that we envisage there will continue to be some cases where government will want to procure provision direct.

134. Where a college commissions an ITP for delivery of adult learning, the college will be accountable for the quality and value for money of that provision including student outcomes which will feature in the proposed new skills measure. We also propose that colleges should include any adult skills activity they have commissioned an ITP to deliver in their plans that will form part of the new Accountability Agreement, including provision funded by their devolved authority or Higher Education funded by the Office for Students where appropriate.

135. As set out in the funding chapter, we will have a commercial arrangement in place where we procure from an ITP directly for adult funding, and we will use this arrangement to set out the outcomes we expect.

Q41. Do you agree that our accountability proposals should apply to all grant funded providers on a proportionate and relevant basis?

## Apprenticeships

136. Apprenticeships are an employer-led programme funded by the levy. We will continue to regulate apprenticeships through the Register of Apprenticeships Training Providers which includes management and oversight of the provider base – including ITPs, supporting providers and colleges. As we set out in the Skills for Jobs White Paper, we are considering a wider set of apprenticeship quality measures to support provider improvement and more timely intervention. However, given the importance of apprenticeships to supporting economic recovery and future growth, and traineeships to increasing young people's access to apprenticeships, we would expect to see these programmes featured in colleges' Accountability Agreements where they meet local needs. While different provider types deliver apprenticeships, we are interested in your views about how apprenticeship delivery may feature in the Performance Dashboard. This could include unlocking apprenticeship opportunities through traineeships.

Q42: How might apprenticeships best feature in the new accountability system?

## Support and intervention

*Enabling the FE Commissioner to enhance its existing leadership role, with a renewed focus on driving improvement and championing excellence.*

137. If a college is, or group of local colleges are, underperforming on the skills measure or otherwise demonstrably failing to meet the needs of the local area, the FE Commissioner will have a new role in supporting a college to improve. This would include considering the college's capacity to improve; but may also lead to formal intervention in the most serious cases.
138. Separately, the FE Commissioner will also want to support colleges in formal intervention in improving their performance against meeting local skills

needs. An inadequate Ofsted Overall Effectiveness rating, inadequate financial health rating (and other finance or propriety issues) will trigger formal intervention as they do currently.

139. Taking these steps will ensure there is increased clarity of roles and responsibilities across support and intervention activity. The FE Commissioner is a source of significant expertise and practitioner insight and will continue to be the primary agent for improvement across the further education sector. The FE Commissioner will also take on a new responsibility for supporting any colleges underperforming specifically on the skills measure in between Ofsted inspections.

140. Locating the FE Commissioner inside the ESFA will enable the Agency to continue to guide improvement and work with the FE Commissioner to ensure there are clearer boundaries for formal intervention, while supporting and championing improvement across the entire sector. The FE Commissioner will continue to be appointed by the Secretary of State and report to Ministers.

Q43. Do you agree with our plan to give the FE Commissioner this role with a renewed focus on driving improvement and championing excellence?

#### *More active, strategic support*

141. We propose to shift to a significantly different approach by replacing “early intervention” with strategic support. We believe there is a lot of value in the support that we can provide colleges, but that moving to a more strategic relationship that prizes the autonomy of colleges means the onus needs to be more on colleges themselves to seek out the support we have to offer and identify the areas they need to improve. We want to offer support that adds value and is not seen as a mechanistic or a tick-box exercise.

142. The FE Commissioner will provide high-quality practitioner expertise as part of a toolkit of peer-to-peer support that any college can access. This will include the range of tools and products currently available (Diagnostic Assessments, National Leaders of Further Education National Leaders of Governance, College Collaboration Fund, support from FE advisers, governor financial dashboards) and new ones including resource management advice to help them operate more efficiently using costed curriculum planning. In addition, we believe that the FE Commissioner has a crucial role to play in acting as a champion for the sector, celebrating successes and setting a cultural shift towards a system of continuous improvement.

143. We will continue to monitor college performance, such as through financial returns, Ofsted visits, new Accountability Agreements, the Performance Dashboard and other data sources.

#### *Colleges in formal intervention – introducing a Single Improvement Plan*

144. To support the FE Commissioner in taking on this role in driving improvement, we propose to introduce a new Single Improvement Plan for colleges in formal intervention. We would expect that this plan is tailored to individual circumstances and contains the issues, recommendations, and the actions a college is going to take to improve all in one place.
145. We envisage that the plan will be owned by the college with the FE Commissioner overseeing and drawing on Ofsted inspection reports and other relevant data points. The FE Commissioner will provide high-quality practitioner expertise to ensure the plan articulates the steps a college needs to take to improve. The plan could also include a timeline for delivery identifying dates for monitoring, visits, reporting, and a clearly articulated exit point from formal intervention. We are keen to draw on the experience of colleges who have been in intervention to help develop a framework.

Q44. What lessons can we learn from our current approach to formal intervention to help us design this new approach?

#### *More high-performing colleges*

146. Most colleges are performing well. According to Ofsted, 75% of GFE colleges are good or outstanding<sup>41</sup> and we are immensely proud of all the work the sector is doing. Improving skills will be pivotal to building back better and driving our economic recovery and we want to ensure colleges are in the best possible place to deliver on this agenda.
147. Our proposals for new and improved accountability shift the system towards measuring colleges on how well they help people get good jobs. We have described how, in large part, this is about reinforcing colleges autonomy and the role of their leaders and governors to identify and resolve issues independently. This should be seen as business as usual and will be the reality

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<sup>41</sup> [Further education and skills inspections and outcomes as at 31 August 2020](#), (Ofsted, 2020), Table D3: Most recent full inspection outcomes. Note: 22 FE colleges & sixth form colleges do not have Ofsted ratings.

almost all the time. We are clear that government's role is to engage in a strategic dialogue with colleges and provide and coordinate the appropriate support and challenge to ensure that issues are addressed quickly.

148. In this business as usual state, we anticipate that colleges will regularly review and update their provision when needed to reflect local and national need. They will identify areas to improve by benchmarking with other colleges using the Performance Dashboard, as well as through regular and ongoing conversations with businesses and other providers. The college leadership and the board will act on any issues and set out plans in their Accountability Agreement. Colleges will seek out support from the FE Commissioner and elsewhere when needed and may be in a position to provide support and advice to other colleges.
149. We expect that Ofsted will take account of the new skills measure in their risk assessment for planning inspections, and will also continue to conduct inspections on a regular cycle. These inspections will have an enhanced focus on how effectively the college is meeting local skills needs. Ofsted will draw on the Accountability Agreement and Dashboard when gathering and analysing data to inform inspection. In most cases we envisage that no further action will be needed as the college will take steps to improve on its own or with the help of peer-to-peer support. This is how a system geared towards self-improvement should work.
150. In the minority of cases, we envisage a straightforward three stage approach to supporting colleges in formal intervention which will ensure colleges know exactly where they stand. This may follow an Ofsted inspection outcome (which will consider how well a college is meeting local skills needs), financial health assessment or as set out in the college oversight guidance. This should not be seen as a conveyor-belt of no return, and at each stage it may be that no further action is needed:
- **Stage 1: Assessment to identify steps.** The FE Commissioner will provide expert practitioner advice on the specific steps a college needs to take to improve.
  - **Stage 2: Coordinated support through a new Single Improvement Plan.** The FE Commissioner will agree a Single Improvement Plan drawn up by the college, and work in tandem with the college leadership to improve. We currently provide or directly fund programmes to support providers, such as the National Leaders of Further Education and National Leaders of Governance. We will review the efficacy of this support and refresh it as needed so that colleges can access the support and guidance, they need to achieve our new, ambitious agenda for colleges.



- **Stage 3: Reserve powers.** The Education Secretary may invoke their statutory intervention powers when all other appropriate options have been explored and exhausted. We are legislating through the Skills and Post-16 Education Bill to give the Education Secretary powers to direct structural change, to sit alongside the existing statutory powers. We envisage that the Education Secretary will invoke these powers on the advice of the FE Commissioner and government officials.

151. As part of the next phase of work, we want to review at which stage colleges are at in this process, and if necessary, what further actions we need to take to ensure that the vast majority of colleges are self-improving with strategic support from government. Some colleges are in intervention for too long, as highlighted recently by the Public Accounts Committee<sup>42</sup>. In response to this and to the independent report by Mary Ney we will set out a revised approach in our oversight guidance<sup>43</sup> that moves us to a more strategic and supportive relationship with colleges and ensures that we do not artificially retain colleges in intervention where we can see trends in improvement. We also want to consider what else we can do to ensure intervention leads to swift and decisive improvement and where that is not possible a solution is reached quickly for the benefit of learners and employers in the area.

Q45: Do you agree with our proposals to create a simpler and straightforward three stage approach to improve college performance?

Q46: What specific actions do you think we need to take to ensure that performance issues are dealt with quickly and effectively?

## Improving data and reporting

152. We want to review supporting data systems to ensure that information flows on as real-time a basis as possible and is easy to manage, and support colleges to benchmark their performance. This will support colleges to review their mix of provision, levels of spend and outcomes, and ultimately identify areas to focus improvement.

153. We have already been simplifying how we collect financial data from colleges. We have done this through the College Financial Forecasting Return,

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<sup>42</sup> [Managing colleges' financial sustainability](#) (House of Commons Public Accounts Committee, 2021).

<sup>43</sup> [College Oversight: Support and Intervention](#) (Department for Education, 2020).

which we co-designed with financial directors to ensure that it is user friendly, and the forecasting tool integrates into colleges' financial management systems.

154. It is essential that colleges, the Department, and other players can use and access robust, accurate, timely data on a range of areas, particularly for student-level data where we know that the process of collecting, managing and submitting data can be very burdensome. We are exploring how we can use advances in technology to improve how this is done, particularly to ensure data can be shared between colleges and the Department more easily than the existing process of monthly submitting of data. This could involve, for example:

- FE students having their own digital education record following on from school attendance where possible, and this digital record could be used to enrol on courses, to register with awarding organisations, and, for courses requiring physical attendance, to record attendance simply through scanning QR codes.
- Storage of data in secure cloud-based servers, and FE providers, government departments, awarding organisations and careers advisers would be able to access the data they need for their operations from this cloud-based data store, rather than necessitating formal submissions of data and data collections.

155. We recognise that if we are to pursue this approach, there are many legal, security and logistical issues that would need to be resolved so we are just looking for initial views from the sector on this issue.

156. We heard from colleges and other providers that they face day to day challenges from needing to report into different organisations depending on who is funding the provision. We are conscious that this creates additional hurdles and will review, with other funders and regulators, such as the devolved authorities and the Office for Students, where we can find opportunities to reduce paperwork and improve alignment.

Q47. Do you agree with our high-level proposals to improve student data collection?

## Audit and assurance

157. Colleges have told us about the burdens that audit places on them. Assurance of funds is an essential part of the system and gives Parliament and therefore the taxpayer confidence that education and skills funding is allocated and used appropriately. As we introduce the new Skills Fund, we have an

opportunity to review our assurance framework<sup>44</sup> and to reconsider our assurance approach so that it keeps requirements to a minimum, whilst maintaining confidence in the propriety, regularity and assurance of income and expenditure.

158. We want to promote the autonomy of colleges, support a system of continuous self-improvement through a strategic relationship and only intervene when it is necessary. We have asked for ideas for how we could simplify the rules and eligibility criteria for the new Skills Fund. Colleges tell us that these rules create administrative burdens, as well as reducing their flexibility. Introducing a simpler set of rules, with the focus on ensuring compliance with the key elements of the programme, should not affect the quality of delivery, but should result in a reduction in the volume and value of funding errors.

159. Our proposal is based on colleges setting out their governance and controls arrangements in the Accountability Agreements with ESFA and demonstrating that these arrangements and underlying controls are operating properly. These processes would include the approach to governance and the internal controls regarding funds claimed and the use of those funds. We have an opportunity to adopt a simpler approach, drawing on our experience of other sectors, while still being clear about rules and expectations, as well as setting out the regulatory regime and consequences of non-compliance or poor performance.

160. Our current assurance framework combines our own assurance programme and 'local' assurance delivered by internal and external auditors. By flexing our assurance framework, we expect it will result in the reduction in the Agency's assurance programme for the new Skills Fund, provided the requirements of the National Audit Office are met. We will continue to assure public money on the delivery of adult learning activity while recognising a shift in provider focus to delivering national and regional skills priorities, and outcomes. We will conduct a review and report back publicly with proposals.

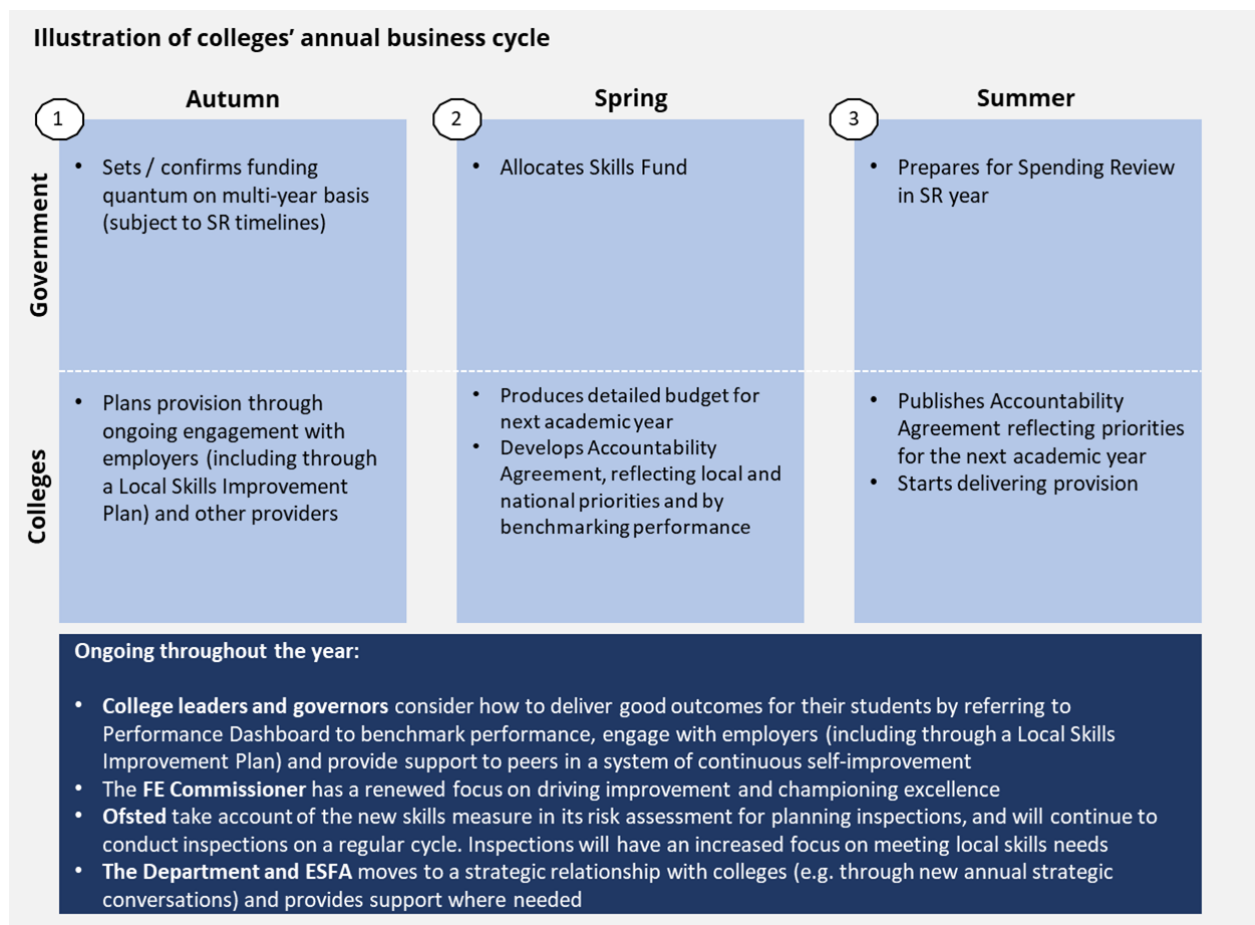
Q48. How do you think we should go about achieving our objective of keeping requirements to a minimum while maintaining confidence in the system?

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<sup>44</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 assurance audits and is complimented by the work of independent third parties such as internal and external auditors who engage directly with colleges.

## The annual business cycle

161. The diagram below sets out how we envisage our proposals in this consultation could be incorporated into colleges' annual business cycle. Some of our proposals are about specific moments in the business calendar, for example where we allocate funding, while other proposals in this document are about how we envisage the different actors in the system thinking and operating throughout the year. We would welcome your views, especially on how we might optimise the sequencing and timing of activity.



## Implementation and next steps

162. The proposals and areas covered in this consultation are wide-ranging and reflect the first steps in the design of a new funding and accountability system where we are keen to get input across a broad range of issues.

163. Following the consultation, we will develop more detailed proposals on how this reformed system will work. In particular, we will need to consider these proposals alongside the outcome of the forthcoming Spending Review; develop detail on the specifics of the funding formula; and consider carefully how reforms can be implemented sensibly in such a way that allows colleges time to respond

to the expectations of them set out in the Skills for Jobs White Paper and that ensures changes in funding year to year are manageable. We envisage consulting on further detail on a range of areas around the funding operation following the Spending Review.

### **Equalities Assessment**

Q49. 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?)

## Annex A: Glossary

- **Adult Education Budget (AEB):** The AEB is 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:** An apprenticeship is 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.
- **Augar Report/Review:** The Post-18 Review of Education and Funding: Independent Panel Report published on 30 May 2019. It makes recommendations on how government can ensure that the education system in England for those aged 18 years and over is: accessible to all; supported by a funding system that provides value for money and works for students and taxpayers; incentivises choice and competition across the sector; and encourages the development of the skills that we need as a country. See GOV.UK for more information.
- **Awarding organisations:** Refers to individual organisations recognised by Ofqual that design, develop, and certificate qualifications but are not themselves education providers.
- **Colleges:** are defined in 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”).

- **Degree Level:** Any qualification at level 6 or 7. Level 6 includes a full undergraduate degree (may be degree with honours/bachelor's degree), or a graduate diploma. Level 7 includes a master's degree, postgraduate diploma, and a level 7 diploma. Apprenticeships can also be delivered at levels 6 and 7.
- **Education and Skills Funding Agency (ESFA):** The ESFA is an executive agency sponsored by the Department for Education. It is responsible for funding education and skills for children, young people, and adults. See the ESFA website for more information.
- **Employer-led standards:** 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):** An employer representative body is defined as a business membership organisation that is independent of Government and whose primary purpose is to serve the needs of employers and businesses.
- **European Social Fund (ESF):** The European Social Fund (ESF) Operational Programme is part of the European Structural and Investment Funds Growth Programme for England in 2014-2020. The Programme's priorities are to increase labour market participation, promote social inclusion and develop the skills of the potential and existing workforce. It contributes to improving youth employment by providing support for young people who are harder to reach and incorporates the Youth Employment Initiative (YEI) money in areas with higher rates of youth unemployment. The UK has now left the European Union and is ending its participation in the European Social Fund at the end of 2023. For more information, please see: <https://www.gov.uk/guidance/england-2014-to-2020-european-structural-and-investment-funds>.
- **Further education college (FEC):** Refers to institutions conducted by further education corporations. Further education colleges offer a variety of courses from entry level through to higher level qualifications.
- **Higher level:** Any qualification at levels 4 and 5. Apprenticeships can also be at higher level.
- **Higher technical education (HTE):** Refers to technical education provided at levels 4 and 5.

- **Higher Technical Qualification (HTQ):** This refers to a level 4-5 Higher Technical Qualification that gains approval from the Institute where its content aligns with the Institute's employer-led standards.
- **Information, advice and guidance (IAG):** Impartial, practical support provided to students enabling them to make suitable educational and employment decisions. This can help minimise potential costs associated with uninformed and unsuccessful choices. Information, advice and guidance to support employers in identifying appropriate training that matches their skills needs.
- **Institute for Apprenticeships and Technical Education (The Institute):** The Institute is an executive non-departmental public body, sponsored by the Department for Education. 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):** These are the outcomes set out in employer-led standards, that demonstrate competence in an occupation. For an approved Higher Technical Qualification, and the T Level qualifications, an individual will attain as many of the outcomes as may be reasonably expected from a course of education.
- **Level (L):** Refers to the 9 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, 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 Department grant funds a small set of designated institutions (designated under [s28 of the Further Education Act 1992](#)).
- **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 ‘devolved authorities’ throughout the document and where we use the term ‘devolved areas’ we mean those areas where there is a combined authority to whom adult education functions have been transferred/delegated.
- **Ney Review:** The report of Dame Mary Ney’s review of financial oversight arrangements for further education and sixth form colleges, with recommendations for improvement, published on 15 July 2020. See GOV.UK for more details.
- **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 requirements.

- **Occupational standards:** The occupational standards (also referred to as employer-led standards) set out the knowledge, skills and behaviours (KSBs) required for an occupation. Occupational standards make it possible to assess 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.
- **Office for Students (OfS):** The OfS is a non-departmental public body and is the independent regulator of higher education in England. See OfS website for more information.
- **Office of Qualifications and Examinations Regulation (Ofqual):** The 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):** The Office for Standards in Education, Children’s Services and Skills 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 delivery education to students.
- **Skills for Jobs White Paper:** Government White Paper titled ‘Skills for Jobs: Lifelong Learning for Opportunity and Growth’, published January 2021 by the Department for Education. This white paper sets out reforms to post-16 technical education and training to support people to develop the skills needs to get good jobs and improve national productivity.
- **Skills and Productivity Board:** The Skills and Productivity Board is an expert committee providing independent, evidence-based advice to ministers at the Department for Education on matters relating to skills and their contribution to productivity.
- **T Level:** A T Level is 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:** Technical education encompasses any education or training, such as qualifications and apprenticeships, that 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 traineeship is a skills development programme that includes a work placement. Traineeships help 16 to 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.



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