



National Audit Office

DEPARTMENT FOR EDUCATION AND SKILLS

Extending access to learning through technology: Ufi and the learndirect service

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Ufi and the learndirect service

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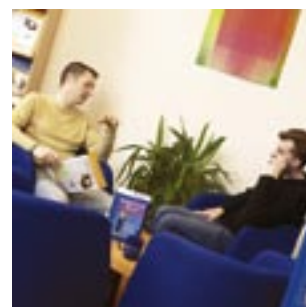
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EXECUTIVE SUMMARY



1 Seven million adults in the UK have no formal qualifications. And as recently as 2003, an estimated 26 million people of working age did not meet one or both standards of literacy and numeracy that the Department for Education and Skills (the Department) considers necessary for school leavers in today's economy. While many UK employers educate and train their workforce to the standards of their best competitors, others provide little training. Our workforce productivity lags behind that of countries where the workforce has higher levels of skills.

2 Many adults with low levels of skills, who failed to learn at school, are reluctant to engage with formal learning, for example at further education colleges. The Department created Ufi in 1998 to develop people's skills and work with employers to increase employees' capabilities (**Figure 1**). In seven years it has grown from an idea to an organisation providing 500,000 learners a year with the opportunity to improve their skills at either one of 2,400 learndirect centres, or work or from their home computer (**Figure 2 overleaf**). Of the 2,400 learndirect centres, 1,600 are main centres that provide a wide range of learndirect services, while a further 800 are link centres that provide access to basic services and refer people on to main centres. Since 1998 to the end of July 2005, Ufi and the learndirect service have received £930 million of education funding, including £218 million expenditure in the academic year¹ 2004-05.

¹ Years are academic years unless otherwise stated.

1 learndirect and UK online can help learners and employees to improve their skills

Individuals

How can learndirect help me improve my skills?



Employers

How can learndirect help my employees improve their skills?



- If you phone the learndirect Advice Line or visit the learndirect website, you can receive information and advice on learning opportunities
- If you visit the learndirect website you can purchase learndirect courses and use them from your home or at work
- If you visit a learndirect centre your skills needs can be assessed and you can be enrolled on an appropriate course. You can then access the course and support services from the centre, your home or at work
- If you visit a UK online centre you can receive help and training on how to use a computer and the internet
- If you are a business, a specialist learndirect centre will send an adviser to identify your company's training needs and provide your employees with supported learning at their centre or on your company's premises
- If you are a large employer learndirect Solutions Ltd can tailor learning to meet your needs

Source: National Audit Office

2 Ufi and the learndirect service – the facts at your fingertips

Key services

Advice to the public on careers and learning opportunities

- National telephone Advice Line
- learndirect website

Learning opportunities, tools and materials, made available through innovative technology

- 500 courses on the web, in maths and English, home and office IT, specialist IT, and business and management

Network of centres to enable people to get access to learning opportunities

- 2,400 learndirect centres
- 6,000 UK online centres

How it delivers

Ufi comprises three private companies:

- Ufi Charitable Trust, a company limited by guarantee registered as a charity;
- Ufi Ltd, a trading subsidiary, whose purpose is to support the objectives of the charity by trading under the brand name 'learndirect'; and
- learndirect Solutions Ltd, a subsidiary whose purpose is to deliver commercial services outside Ufi's public sector remit.

Ufi Ltd contracts with learndirect hubs, generally run by private companies owned by local training providers, to administer learndirect centres in geographical areas and particular industrial sectors. learndirect hubs contract with a range of public, private and voluntary sector providers to run learndirect centres.

Ufi Ltd is also responsible for the administration and development of the network of UK online centres run by a broad range of organisations. Ufi Ltd only funds a small number of these centres.

Key statistics

learndirect brand name	Awareness of learndirect among adult population (summer 2005)	74 per cent
	Awareness of learndirect services for businesses among employers (summer 2005)	37 per cent
learndirect e-learning	Total number of learndirect learners (to end of July 2005)	1.7 million
	Total number of learndirect course take-ups (to end of July 2005)	4.0 million
	Percentage of learners who have not done any learning in last three years (summer 2005)	65 per cent
	Percentage of learners progressing on to other learndirect courses (summer 2005)	59 per cent
	Percentage of learners qualified below level 2 progressing to a level 2 qualification (winter 2003)	9 per cent
	Small and medium-sized enterprises ¹ that have used learndirect (to end of July 2005)	0.2 million
	Total number of courses taken by learners from small and medium-sized enterprises (to end of July 2005)	0.6 million
learndirect information and advice services	learndirect National Advice Line calls (to end of July 2005)	7.3 million
	learndirect website information and advice sessions (to end of July 2005)	18.1 million
	Percentage progressing on to learning (July 2004-June 2005)	63 per cent
UK online	Number of users a year (January – December 2004)	0.5 million
	Number of new users a year (January – December 2004)	0.2 million
	Percentage progressing on to further learning (to end of January 2005)	19 per cent

Summary financial information for 12 month period ended 31 July 2005

Learning and Skills Council funding paid to hubs for courses delivered by learndirect centres				£107 million	
Ufi Ltd	£ million	Assets	£ million	Liabilities	£ million
Income all income comprising mainly grants from the Learning and Skills Council, including funding paid to hubs, but also including commercial income	246	Fixed assets	4	Short-term creditors	(38)
Expenditure	246	Current assets	36	Long-term creditors	(2)
Average monthly number of permanent Ufi employees	370				

NOTES

1 Enterprises, including the self-employed, with fewer than 250 employees.

Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

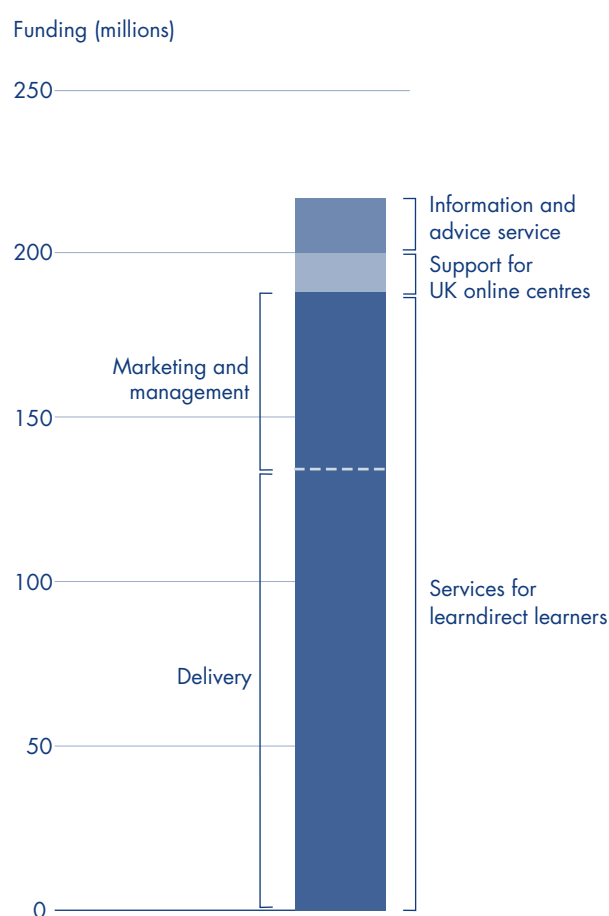
3 Ufi now has the largest number of students of any educational organisation outside China. It is one of the largest e-learning networks in the world and there are no similar organisations – most other e-learning networks in the UK and elsewhere are associated with university education. It has three main strands of business:

- **advice to the public** through the National Advice Line Service and website. Calls can be simple enquiries from people wanting to find out where they can train, for example as a plumber, or from parents wanting to improve their information technology (IT) skills to support their children in school. Equally calls may lead to complex consultations with people wanting to re-enter the labour market, who may be uncertain of the skills they need for a particular career or want to know how long it would take to gain the skills. Alternatively, people can carry out their own searches and access information using the learndirect website. In accordance with the conditions on which Ufi receives education funding, advice from the National Advice Line Service and website must be impartial.
- **learning opportunities made available through technology.** Over 70 per cent of courses can be accessed using internet-based technology and people take up courses ranging from how to use different IT products to courses on customer care.
- **centres so that people can access learning opportunities.** Businesses, voluntary organisations, colleges and community centres run learndirect centres on behalf of Ufi. There are centres in shopping malls, schools, colleges, football clubs and prisons. The learndirect network works alongside further education colleges, with many centres providing a place to learn for people who are reluctant or unable to attend their local college.

4 In 2003, Ufi took on responsibility for co-ordinating the network of 6,000 UK online centres located across the country in libraries, internet cafes, community centres and village halls. These centres offer a range of services linked to IT and learning, and encourage people to use the internet to find information and advice. They do not offer the range of supported learning available at learndirect centres. Around 90 per cent of the population in England live within 40 minutes' walk of a learndirect or UK online centre.

5 Ufi and the learndirect service now receive the majority of their funding from the Learning and Skills Council for activities in England. The £218 million spent in the academic year 2004-05 (**Figure 3**) for activities in England equated to 2.6 per cent of expenditure on the further education sector.² In addition, Ufi receives funding for specific projects directly from the Department for Education and Skills and the European Social Fund.

3 Ufi and learndirect spent £218 million in further education funding for activities in England in 2004-05



Source: National Audit Office

NOTE

Delivery costs include expenditure on learning centres, ICT and courses. Marketing and management costs include Ufi and hubs. Funding for the information and advice service includes marketing costs for the Advice Line. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

2 Ufi also received a further £1.5 million for activities in Northern Ireland and Wales.

6 Our examination focused on learndirect in England. Appendix 1 sets out the arrangements in England, Wales, Northern Ireland and Scotland. In Wales, Education and Learning Wales fund Ufi Cymru which has been run as a separate financial unit. In Northern Ireland, the Department for Employment and Learning is withdrawing from learndirect from March 2006. The Scottish Executive established the Scottish University for Industry to run learndirect in Scotland.

7 We drew on a range of methodologies including consultation with stakeholders and interest groups, a survey of learndirect centres, and focus groups with learners and small and medium-sized companies (Appendix 2 has more detail). Respondents provided a diverse range of views about the recent changes and future development of learndirect. This diversity of views suggested to us that in responding to our recommendations, Ufi will need to work especially closely with its partners to help them 'buy into' the changes it decides to make.

Findings

8 The Skills Strategy,³ published in July 2003, set out proposals to tackle the skills gap between the UK and its main economic competitors. It marked the start of changes to refocus public investment in learning and skills into priority areas, in particular a universal entitlement to funded learning equivalent to a first full level 2 qualification.⁴ Appendix 3 provides details of qualification levels.

9 Ufi has focused from the start on employers, and continues to do so. However, the other strand of its strategic direction – widening participation in adult learning – has also evolved to reflect the Skills Strategy, and there is now an increased emphasis on learner achievement and qualifications. In common with other learning providers such as further education colleges, Ufi is expected to contribute to the Department's Public Service Agreement targets for increasing the numbers of adults obtaining qualifications at level 2 and in literacy and numeracy,⁵ either by studying with learndirect or another education provider.

What has worked well

10 **The Department set up Ufi, which is unique in the world, as a company under the public-private partnership model so that it could focus firmly on its objectives. Ufi has achieved much in the seven years since 1998.** It has:

- established and developed the learndirect national telephone Advice Line and website, which provide comprehensive information to help people decide what, where, and how they want to learn – the supporting database holds details of over 950,000 courses;
- commissioned partners to set up a uniquely extensive network of accessible centres where people can go to learn – in April 2005, there were some 2,400 learndirect centres, of which 1,600 were main centres providing a wide range of learndirect services, and a further 800 were link centres providing access to basic services and referral to main centres, and Ufi also oversees the 6,000 UK online centres; and
- developed a wide range of courses and support to meet diverse needs of learners and employers.

11 **Ufi has pushed the boundaries of learning methods by making innovative use of technology to help make learning much more flexible.** Ufi has developed courses and the technology to enable learners to learn in 'bite size' chunks at home, at work or at a learndirect centre. People can learn at a pace that suits them and at times that fit in with work and personal commitments. The combination of learning materials and tutor support result in a positive learning experience for many learners, which is improving further as Ufi learns from people's experience of its products. Developing learning to support some groups of people, such as those with sight problems, has taken longer but good progress is being made.

12 **learndirect is a well known and visible brand.** Ufi has applied consumer marketing techniques to develop a good understanding of what people need and want, and direct its marketing activity. In summer 2005, awareness of learndirect stood at 74 per cent of the adult population. Over half of people with a literacy or numeracy need and those who have not undertaken learning for some years are aware of learndirect.

3 *21st Century Skills: realising our potential – individuals, employers, nation*, cm 5810, 2003.

4 A full level 2 qualification is equivalent in standard and breadth to five GCSEs at grades A*-C or a National Vocational Qualification (NVQ) at level 2.

5 Reducing by at least 40 per cent the number of adults in the workforce who lack NVQ level 2 or equivalent qualifications by 2010, with a milestone of one million adults in the workforce to achieve level 2 between 2003 and 2006; and improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007.

13 The level of provision to learners in learndirect centres was 110 per cent of planned provision in 2004-05, funded partly from overhead savings. This represented a considerable improvement on earlier years, when services to learners fell short of the Learning and Skills Council's planned performance for learndirect. In the financial year 2001-02, learndirect centres delivered only two-thirds of the planned services, and therefore retained 67 per cent of the planned funding. Services were 76 per cent of plan in the financial year 2002-03 and 95 per cent in the 16 month period from April 2003 to July 2004.

14 Ufi, learndirect and UK online have attracted learners who might otherwise not have taken up learning.

- learndirect provided around 6 million advice sessions in 2004-05, 1 million by phone and 5 million via the website. Just under half of all callers to the National Advice Line Service, and a third of website visitors, have not done any learning in the last three years. Over half of callers to the National Advice Line Service have gone on to undertake training or learning.
- 0.5 million people are using UK online centres every year. Many had never used the internet before, almost two-thirds are from the 2,000 most deprived and geographically disadvantaged communities in England and 80 per cent are from key disadvantaged target groups.⁶
- 1.7 million people have taken over 4 million courses through learndirect. Two-thirds of learners (at summer 2005) had not done any learning in the last three years. learndirect is attracting increasing numbers of learners with lower than level 2 qualifications (pre-level 2 learners: see Appendix 3) – in 2004-05, 60 per cent of learners were pre-level 2. Currently, over 70 per cent of learners are completing courses and over 50 per cent are achieving their goals.

15 UK online centres can support other government services. A pilot to explore the potential of UK online centres to support delivery of e-government services demonstrated their ability to engage large numbers of socially excluded users quickly and successfully.

Where more progress is needed

16 Setting up and maintaining an extensive, innovative operation like Ufi has required substantial investment.

In 2004-05, £54.2 million (29 per cent of the budget to support learndirect learners) was spent on marketing and management in Ufi and on the learndirect hubs (Figure 3). Now that Ufi is more established, these high overhead costs can be reduced. Ufi has started to cut costs, for example by reducing the number of geographic hub operators from 51 in 2003 to 29 by August 2004, leading to an overall cost saving of around £6 million a year. Ufi altered its funding model from August 2004, and modelling indicated that, on average, learndirect centres were delivering the same activity for 8 per cent less funding.

17 Further reductions should be possible. For example, the Ufi and learndirect network 'supply chain' has four tiers: Ufi's central office, its regional offices, learndirect hubs, and learndirect centres. Substantial cost savings could be achieved by rationalising this structure and realigning each level better with key processes so as to remove duplication. Ufi has established an 18-month change programme to be completed by August 2006. The programme will identify the best structure and processes that are 'fit for purpose' given the organisation's strategic objectives.

18 Ufi has not generated substantial commercial income as envisaged in its original objectives. The Department intended that Ufi should become at least partially self-funding, but by the end of July 2005 it had received only £12 million of income from providing tailored learning to businesses, including Connexions and NHSU helplines. Ufi plans to increase its income from the sale of courses at learndirect centres, and to the small and medium-sized enterprise market. Since August 2004, Ufi's commercial operations have been delivered through a separate subsidiary, learndirect Solutions Ltd. The change was made to clarify the boundary between public and commercial activities and to have a commercial arm with the flexibility to develop and grow its private sector activities.

6 People with a literacy and numeracy need; unemployed; ethnic minorities; disabled; single parents; and over 65s.

19 Ufi could do more to exploit its products and brand, for example by marketing learndirect materials more widely to employers for workforce development or to schools. learndirect materials are not widely used outside of the learndirect network. Ufi pilots with schools, further education institutions and work-based learning providers found that many are not equipped to make the best use of learndirect materials. Ufi is developing new course licence models to allow colleges and other providers to build learndirect materials into their learning programmes related to the National Employer Training Programme and Apprenticeships.

20 It is uncertain whether parts of the learndirect network will continue to be sustainable across the country. Many learndirect centres and hubs see the contract and performance changes introduced in August 2004 as broadly beneficial, but raise questions about the long-term sustainability of the network in some locations, particularly in rural areas and centres dealing with marginalised and disadvantaged learners who require high levels of support.

21 Initial assessment of learners' needs is a vital element of learndirect's service if learners are to get full benefit from their learning, but the quality and thoroughness of the initial assessment in 2003-04⁷ varied between centres. The assessments need to continue to improve to become more consistently high quality, so that all learners get a clear picture of what the learning involves for them, what support they can expect, and how a particular course will meet their needs.

22 The work that learndirect does with employers is successful, but could be increased substantially from the current level of 4.1 per cent of small and medium-sized enterprises. Employers who have used learndirect services are positive about their experience and the impact it has had on their business. 180,000 small and medium-sized enterprises have used the services. However, awareness of learndirect business services among small and medium-sized enterprises is lower than awareness of learndirect among the population at large: 37 per cent in a recent survey. In addition, employers who know about learndirect are not always aware of the full range of services on offer. Our focus groups with employers found there is a particular perception that learndirect is only for people who have literacy, numeracy or IT needs.

23 The proportion of people using learndirect and UK online who progress on to other learning could be higher. Ufi captures data on progression to other learning and progression rates through surveys. A recent survey that tracked people for up to two years after their initial contact with learndirect indicated that 9 per cent of learndirect learners below level 2 gained a full level 2 qualification over the two years.⁸ One in five UK online users has taken up learning. Ufi has introduced a learning and assessment tool *First Time Online*, being rolled out to the UK online network, which helps learners get ready to progress to learning with a post-16 education provider. Ufi's strategic plan for 2005-10, published in summer 2005, sets out how Ufi plans to increase its contribution to the Department's Public Service Agreement targets on level 2 qualifications and adult literacy and numeracy. The plan envisages increasing literacy and numeracy test passes delivered through learndirect, increasing the number of learners progressing on to level 2 courses with other providers, and delivering level 2 qualifications through learndirect.

⁷ The Adult Learning Inspectorate completed inspections of the initial assessments in 2003-04. The Inspectorate wanted to allow time for the funding and quality assurance arrangements introduced in August 2004 to settle down, so it did not carry out inspections in 2004-05.

⁸ *Tracking learning outcomes: evaluation of the impact of Ufi*, Research Report RR569, Department for Education and Skills, 2004.



RECOMMENDATIONS

24 Ufi and the learndirect service have become a major force for innovation in the education sector. **Figure 4 on pages 10 and 11** draws out those aspects of Ufi's experience that we believe provide the most useful lessons to other parts of the public sector on managing innovation.

25 Our recommendations to Ufi, the Department and the Learning and Skills Council are set out below. To consolidate and reinforce its position Ufi will need to continue to take actions in five key areas:

- reducing costs;
- maximising the benefits of the infrastructure and tools it has created;
- making sure that services are sustainable;
- expanding work with employers; and
- improving consistency of learner assessment and persuading more learners to continue learning.

i Ufi should take action to reduce the costs of its four-tier delivery chain. By identifying and removing both duplication and unproductive administration in the chain, Ufi may be able to remove one or more of the intermediate tiers – the regional offices or learndirect hubs, or slim each of the tiers substantially. The change would free up more funding for activity directly related to learners and could also improve communication throughout the learndirect network.

ii Ufi should do more to ensure learndirect centres which deliver more learning than planned, and as a consequence use up funding early in the year, are not then obliged to turn people away during the last months of the year. The learndirect network as a whole is delivering marginally more learning than planned. As an open access service, some centres may provide substantially more courses than planned on literacy and numeracy and to pre-level 2 learners, and therefore risk not having sufficient funding and having to turn away potential learners later in the year. Reluctant learners may be lost to learning if they are told 'come back later'.

iii The Department and Ufi should champion the use of UK online to deliver e-government services with other departments and agencies. In 2004 a pilot successfully demonstrated the potential of UK online centres to support e-government. The Department should promote this potential use of the service to other departments and agencies, so that they can extend e-government to people who might otherwise not use it.

iv Ufi should examine how it can support types of centre – rural and those dealing with disadvantaged learners – if they become unsustainable under the current funding arrangements. Some centres face the risk that the funding regime combined with their narrow customer base or rural location may not provide sufficient funding to survive, which may in turn affect learndirect's ability to provide opportunities to the most deprived communities or those with small, scattered populations. Ufi should identify centres at risk of becoming unsustainable. It should explore with the Department and the Learning and Skills Council how they could improve their viability, for example through creative solutions such as small centres taking on the kind of e-government work piloted through UK online.



v The Department should enable other learning providers to exploit learndirect materials in other educational settings. Ufi's increasingly high quality learning materials have the potential to be used more widely across the education sector. The Department should help potential users to explore and disseminate ways of using materials effectively in their different educational contexts, for example by incorporating material into the toolkit for Key Stage 3 advisers working in schools with 14 to 15 year-olds, or Apprenticeships.

vi Ufi should raise awareness of learndirect services for businesses and extend services to more small and medium-sized enterprises. While learndirect is sufficiently flexible to meet many employers' needs and has a wide range of courses, many employers think that it is only for people with low levels of literacy, numeracy and IT skills. Ufi's national campaigns for learners have been effective. It should plan a campaign, through relevant, cost-effective channels, to promote what learndirect can offer to companies. The campaign should be co-ordinated with other public sector organisations communicating with employers. It should also work with learndirect providers to help them draw on current effective work with businesses so as to extend what they can offer to businesses in their area.

vii Ufi should require learndirect providers to continue to improve their quality and consistency of assessment of learners' needs and work closely with learners to help them move on to appropriate learning, whether with learndirect or another education provider. Learner assessment and moving learners on to appropriate learning are both key learndirect services. Ufi should set high expectations with all learndirect centres for provision of these services and commission periodic surveys to ensure that the expectations are being met.

viii The Department and the Learning and Skills Council should ensure that the framework within which Ufi operates will nurture Ufi's ability to innovate. Ufi is, quite rightly, expected to contribute to achieving the Department's Public Service Agreement targets in return for public funding and its funding arrangements are aligned with those of other further education providers such as colleges. However, a key rationale for Ufi is innovation. The emphasis on specific achievements together with the new funding arrangements may put at risk Ufi's continued ability to be creative. While Ufi is responsible for highlighting where the framework inhibits innovation, the Department and the Learning and Skills Council monitor Ufi's performance. All three need to be alive to the risk to innovation, as well as the potential long-term impact of Ufi being seen as duplicating the existing network of colleges rather than as a realistic, flexible alternative for learners. Ufi, the Department and the Learning and Skills Council intend to consider these matters as a regular item at meetings of the group of senior representatives that oversees the relationship between the three organisations.

4 Lessons for managing innovation from experience of Ufi

Ufi and learndirect experience

A 'fit for purpose' structure

- The Department established a separate organisation, Ufi Ltd, to act as a catalyst for change in lifelong learning.
- The Department selected the public-private partnership model so that Ufi should be new and different but at the same time operate prudently and for the public benefit. It has since set up a separate company to take forward commercial services.
- Ufi and the learndirect network's four-tier structure has helped to support the developing service, but its costs can be reduced and are not sustainable in respect of the maturing service. Ufi has saved costs by reducing the number of learndirect hubs.

Skills that match the current need

- Ufi assembled teams from widely different backgrounds, bringing together people with a diversity of skills and experience.
- Some key skills were bought in rather than developed in-house – for example the IT infrastructure. Ufi later found that not having these skills limited its capacity and started to build the skills within its organisation.
- Ufi has needed to address new changes and challenges by changing the skills of its staff and by substantially altering contracts, for example with hub providers.

Building a reputation for accessible, high quality, cost-effective services

- Ufi spent substantial resources and effort on marketing and researching the target population and how to reach potential learners in environments where they are most receptive. Ufi used television sponsorship to reach large audiences.
- In the early years, learndirect services have required substantial investment. The services have involved a large amount of piloting and testing to get them right.

Lessons for managing innovation

- Having a separate organisation can provide the environment for creativity and innovation that may not be easy to replicate by having it as part of an existing department or agency.
- The public-private partnership model can combine innovation and prudence. However, it does not necessarily provide the conditions for developing commercial services, which require flexibilities that cannot be achieved within a structure that has to follow public sector rules.
- A structure that supports a developing service may be costly and not the best in the longer term. Substantial cost savings may be possible within the structure, but more fundamental changes should be considered in a timely way.
- A diverse staff collectively has the confidence to try out new ways of meeting policy objectives such as widening participation in e-learning.
- Outsourcing key skills can help at the start, because it reduces the range of skills that have to be built up. It may not be the best option in the long-term. Options should be reviewed periodically and ways found to transfer skills into the organisation as necessary.
- Where a new organisation starts up and matures, it should expect to have to make major changes in its staffing, including the skills of senior staff, and in its providers.
- Any innovative development should be based on thorough research of the target population. For a new concept, the up-front marketing costs may need to be substantial.
- Quality should be paramount in developing innovative services, particularly where people need to be persuaded to change their behaviour to use something like IT for the first time. Their first experience must be good – if it is not they may be turned off for life.

Ufi and learndirect experience

Building a reputation for accessible, high quality, cost-effective services

- Ufi had to introduce its ICT system to deliver courses and support quickly – without the system there would have been no service. In this instance it had to compromise quality and improve it later. Ufi made it clear that the system was not in its finished state, so as not to raise expectations that it could not meet.
- Ufi has more recently been reducing the cost of learndirect services.
- Ufi has been piloting wider uses for the UK online network in promoting e-government, particularly among groups of people who would otherwise be unlikely to participate.

Working through others

- Ufi is itself a partner of the Department and the Learning and Skills Council. The Department allowed it relative freedom to innovate in the early years but increasingly expects it to contribute substantially to achieving government targets.
- Similarly, as the learndirect network has matured, Ufi has increasingly used funding and re-tendering as means to influence performance, particularly in terms of enabling learners to complete courses and reach their learning goals. It has had to strike a balance between making its expectations of partners clear and allowing them sufficient room for continued innovation.
- Ufi has worked with a range of partners, including those that are well placed to reach reluctant learners who may lack confidence in their ability to learn.

Supporting effective change management

- Ufi has undertaken research and surveys to monitor performance and impacts, and has used the results in making changes. In addition, wider evaluations of Ufi and its impact have drawn lessons to support decisions about strategic change.
- Ufi established working groups to monitor the impact of major changes introduced in August 2004. Feedback from the groups led to adjustments.

Lessons for managing innovation

- Quality may have to be compromised for some elements of service in order to 'get the show on the road'. It is important to be open about the shortcomings and plan to address them as soon as possible.
- Cost is an increasingly important consideration as an organisation matures and the 'innovation' argument for a cost difference with comparable services becomes less persuasive. Organisations should expect to reduce costs and develop an early strategy for doing so.
- Exploring how the benefits of a service infrastructure can be extended is just as important as working to identify cost savings. Organisations should look well beyond their own boundaries in searching for possible new uses.
- All publicly funded organisations, including bodies set up for innovation, will have to contribute to specific government objectives at some stage. The content and timing of new expectations should be planned and agreed as far as possible in advance of the need for them to take effect.
- Selecting the right partners and contractors is a key success factor, and organisations need to plan for some 'turn over' as expectations change or as some perform relatively poorly. The organisation and its partners and contractors need shared goals, but how to reach them should be left as flexible as possible to allow for innovation.
- Some people may best be reached – and indeed may only be reached – through good collaborative working with partners such as community and voluntary groups.
- Any innovative development should be tracked using planned reviews and surveys that can inform the development as it goes along. Strategic changes in particular should be based on comprehensive evaluations and reviews of the current position.
- Any major changes should be accompanied by a process to identify and deal with problems quickly – the process should involve people directly experiencing the changes.

PART ONE

Introduction



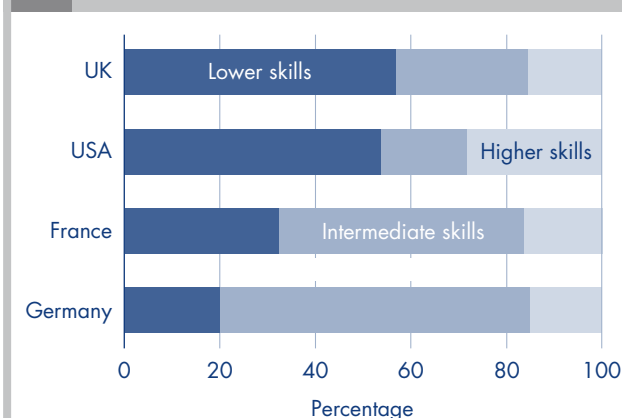
1.1 This part of the report explains why Ufi and the learndirect service were created and how they have evolved to reflect new government priorities. We also set out how we approached this examination of Ufi and the learndirect service.

The relatively low level of skills in the UK's workforce contributes to relatively low productivity

1.2 A successful economy demands continuous development of new and different skills. For some years professional, technical and managerial jobs have increased, while there has been a decrease in unskilled and semi-skilled employment arising from increasing competition from emerging economies such as China. Also many traditionally low-skilled jobs increasingly involve using technology, and so require higher skills than previously. The Department for Education and Skills (the Department) projects that these trends will continue.⁹

1.3 In the UK, workforce productivity lags behind that of other major industrialised countries such as the USA, Germany and France.¹⁰ Our workforce has low levels of skills compared with workers from such countries (Figure 5) and, for example, almost 12 per cent of the productivity gap between France and the UK has been shown to be due to differences in skills levels.¹¹

5 The UK's workforce has a relatively high proportion of lower skilled workers



Source: Britain's relative productivity performance: updates to 1999, O'Mahoney and De Boer, 2002

NOTE

The higher skills level is equivalent to a university degree or above. The intermediate skills level is equivalent to vocational qualifications and the lower skills level is equivalent to general schooling

⁹ *Skills for all: proposals for a national skills agenda*, National Skills Taskforce, 2000.

¹⁰ *International Comparisons of Productivity*, National Statistics, 2005.

¹¹ *Britain's relative productivity performance: updates to 1999*, O'Mahoney and De Boer, 2002.

1.4 Seven million adults in the UK have no formal qualifications. The Department estimates that 26 million people aged from 16 to 65 in the working population in England do not meet level 2 standards¹² in either or both literacy and numeracy. An estimated 17.8 million have literacy skills and 23.9 million numeracy skills below this level. We examined the Department's work on adult literacy and numeracy in our report *Skills for life: improving literacy and numeracy*.¹³

1.5 Many UK employers educate and train their workforce to the standards of their best competitors. Equally many – including large numbers of small and medium-sized enterprises – provide little training. Reasons include: lack of spare resources to cover the time staff require to train; fear of trained staff being poached; and a lack of access to information on available training. To address the weaknesses in the way young people and adults are equipped with the skills they need, in March 2005, the White Paper *Skills: Getting on in business, getting on at work*¹⁴ built on the Department's Skills Strategy¹⁵ of 2003. Both strategies plan to increase substantially the proportion of adults who have a full level 2 qualification, which is equivalent in standard and breadth to five or more GCSEs at grades A*–C.¹⁶

Ufi was established as an innovative mechanism to stimulate demand for lifelong learning

1.6 In 1998, the Department established Ufi Ltd to act as a catalyst for change in lifelong learning, in England, Northern Ireland and Wales. Ufi aimed to work with partners to boost individuals' employability and employees' productivity by:

- inspiring existing learners to develop their skills further;
- winning over new and reluctant learners; and
- transforming people's access to learning in everyday life and work.

The Scottish Executive established the Scottish University of Industry to run learndirect in Scotland.¹⁷

1.7 The Department intended Ufi to be an innovative and mould-breaking force in the education and skills sector, and that it should adopt approaches that marked it out from existing providers. It considered that Ufi should be entrepreneurial, creative, prepared to accept risk, and commercially focussed. It also intended that Ufi should become at least partially self-funding, thereby reducing dependence on public sector funds.

1.8 In 1996, the Institute for Public Policy Research published *University for Industry: Creating a National Learning Network*, which formed the blueprint for Ufi. The Department selected the public-private partnership model to support the policy goal that Ufi should be new and different but at the same time operate prudently and for the public benefit. The Department established a company structure in 1999 which Ufi then cleared with the Charity Commission, leading to the structure shown in **Figure 6**:

- Ufi Charitable Trust – a company limited by guarantee registered as a charity; and
- Ufi Ltd – a trading subsidiary, limited by shares wholly owned by the parent company, whose purpose was to support the objectives of the charity by trading and generating income under the brand name 'learndirect'.

1.9 The Department paid Ufi an annual grant to fund activities set out in its annual financial plan. In addition, Ufi received funding from the respective funding bodies for adult learning in England, Wales and Northern Ireland¹⁸ for people undertaking learning relating to government priorities such as literacy and numeracy learning. The Department expected Ufi to generate additional income from sales of products and services.

1.10 Ufi and the learndirect service received £930 million in further education funding between the start, in 1998, and the end of July 2005. In the academic year 2004-05, Ufi spent £218 million on activities in England which equates to 2.6 per cent of expenditure on the further education sector in England.¹⁹

¹² Equivalent to a good pass at GCSE: see Appendix 3.

¹³ *Skills for life: improving literacy and numeracy*, 2004-05 (HC20).

¹⁴ *Skills: Getting on in business, getting on at work*, cm 6483, 2005.

¹⁵ *21st Century Skills: realising our potential- individuals, employers, nation*, cm 5810, 2003.

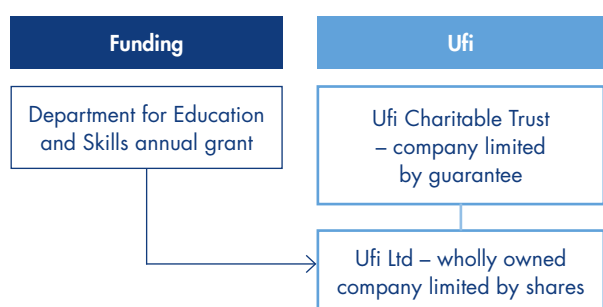
¹⁶ Appendix 3 provides details of qualification levels.

¹⁷ Appendix 1 provides details of learndirect in Scotland.

¹⁸ In England, the Learning and Skills Council; in Wales, Education and Learning Wales; and in Northern Ireland, the Department for Employment and Learning.

¹⁹ Ufi received a further £1.5 million for activities in Northern Ireland and Wales.

6 Ufi's original structure



Source: National Audit Office

Ufi has developed a large network of centres and services

1.11 Figure 7 shows the timeline for developing Ufi's services, as discussed in the following paragraphs. Ufi planned to break down barriers to learning by:

- using new technology to make it possible for people to learn at their own pace, and in convenient locations;
- working with partners to develop a nationwide network of learning centres and an extensive portfolio of courses; and
- developing an information and advice service on careers and learning opportunities.

7 The organisation of Ufi and the learndirect network have evolved over time

Ufi	Information and advice	Centres
1998 Ufi established as two companies: a charitable trust and Ufi Ltd	Set up Advice Line for courses	
1999 Ufi established regional offices to support hubs		Set up hubs and piloted 68 development centres
2000	Set up website advising on courses in the UK	Established approximately 1,000 centres
2001		
2002	Started to add advice lines for business sectors	Premier Business Centres introduced to provide courses and support for small and medium-sized businesses
2003		Took on responsibility for UK online centres
2004 Ufi Ltd split to form Ufi Ltd working with the public sector and learndirect Solutions Ltd working with the private sector	Started to add advice lines for minority languages	Network of 2,400 centres reorganised into large, medium and link centres ¹

Source: National Audit Office

NOTE

- ¹ The new network structure includes Premier Business Centres and some UK online centres

1.12 Ufi has developed from start-up to an organisation with some 370 staff. Between 1998 and autumn 2000, it focused on building a network of learndirect centres, raising awareness of the learndirect brand, and developing the information and communications technology (ICT) and a course portfolio to support services to learners. In November 1999, the network started with contracts for 68 centres as a pilot service, and by October 2000 Ufi had commissioned a nationwide network of approximately 1,000 learndirect centres. In 1999, Ufi set up offices in each of the nine English regions, and in Wales and Northern Ireland to support the network and to develop regional agendas (**Figure 8**).

1.13 In 1998, Ufi established a National Advice Line Service to provide impartial information about learning and help people decide what, where and how they want to learn. In 2000, it set up a website with a searchable database of courses in the UK. Ufi has since enhanced the National Advice Line Service with additional advice lines for specific business sectors from 2002, and for some minority languages from 2004.

1.14 The learndirect centres are generally run by local learning providers. They are administered by “hubs” comprising:

- geographic hubs that administer centres in their geographical area;
- sector hubs that deliver learndirect services to a particular industrial sector, such as the automotive sector; and
- single organisation hubs that deliver learndirect services to one organisation.

Ufi has reduced the number of hub operators over time from 51 to 29, sometimes to improve organisational efficiency and sometimes to remove poorly performing hub operators.

1.15 Hubs contract with a range of public, private and voluntary sector organisations to run learndirect centres (formed into private companies). The network of learndirect centres has grown to some 2,400. In 2002, Ufi introduced Premier Business Centres to focus on delivering services to small and medium-sized enterprises. Premier Business Advisers help businesses identify their training needs, and services can be delivered at these

centres or on business premises. Ufi also introduced virtual learndirect centres, to support remote learners learning from home or at work, and e-commerce centres to support learners who buy courses from the learndirect website (**Figure 9**).

1.16 Before a learner enrolls at a learndirect centre, the centre staff assess the learner’s needs, including literacy and numeracy, ICT and pre-level 2 needs, and provide advice on choosing the right course. Once enrolled, centre staff help the learner to make the best use of the services offered. Some courses are offered to eligible learners free (for example numeracy and literacy, English for speakers of other languages, and courses leading to a first level 2 qualification). Other courses vary in price, and the centres have their own pricing policies.

1.17 In April 2003, the Department gave Ufi responsibility for the administration and development of the UK online network. There are 6,000 UK online centres in England. They offer a broad range of services linked to ICT and learning, and encourage people to use the internet to find information and advice, gain access to services and further their learning, for example through accessing learndirect provision. The majority were set up between 1999 and 2002 using money from the Big Lottery Fund²⁰ and the Capital Modernisation Fund.²¹ The remaining centres were existing ICT centres that applied for the UK online brand name. This network is separate from the learndirect network, although about 800 UK online centres are also learndirect centres. Ufi has little direct control over UK online centres unless they receive Ufi funding.

Ufi and the learndirect network’s funding and structure were changed in August 2004

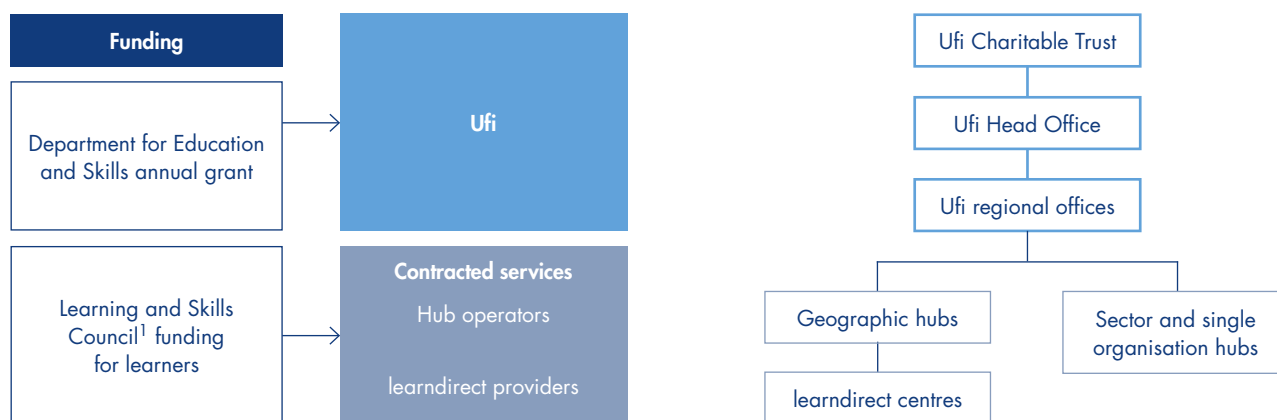
1.18 A number of changes were introduced by the Department, the Learning and Skills Council and Ufi in August 2004, to improve Ufi’s ability to deliver its objectives and to reflect the priorities of the Department. Part of Ufi’s original focus was on widening participation in adult learning. Along with other learning providers, it is now placing more specific emphasis on enabling learners with literacy and numeracy needs to make progress and on learners who lack level 2 qualifications, which are both areas of emphasis in the Skills Strategy.²²

²⁰ Distributes money from the National Lottery.

²¹ Set up as part of the Comprehensive Spending Review in 1998 to support government departments’ capital investment projects to improve key public services or public infrastructure.

²² *21st Century Skills: realising our potential – individuals, employers, nation*, cm 5810, 2003.

8 Ufi and contracted services for learndirect

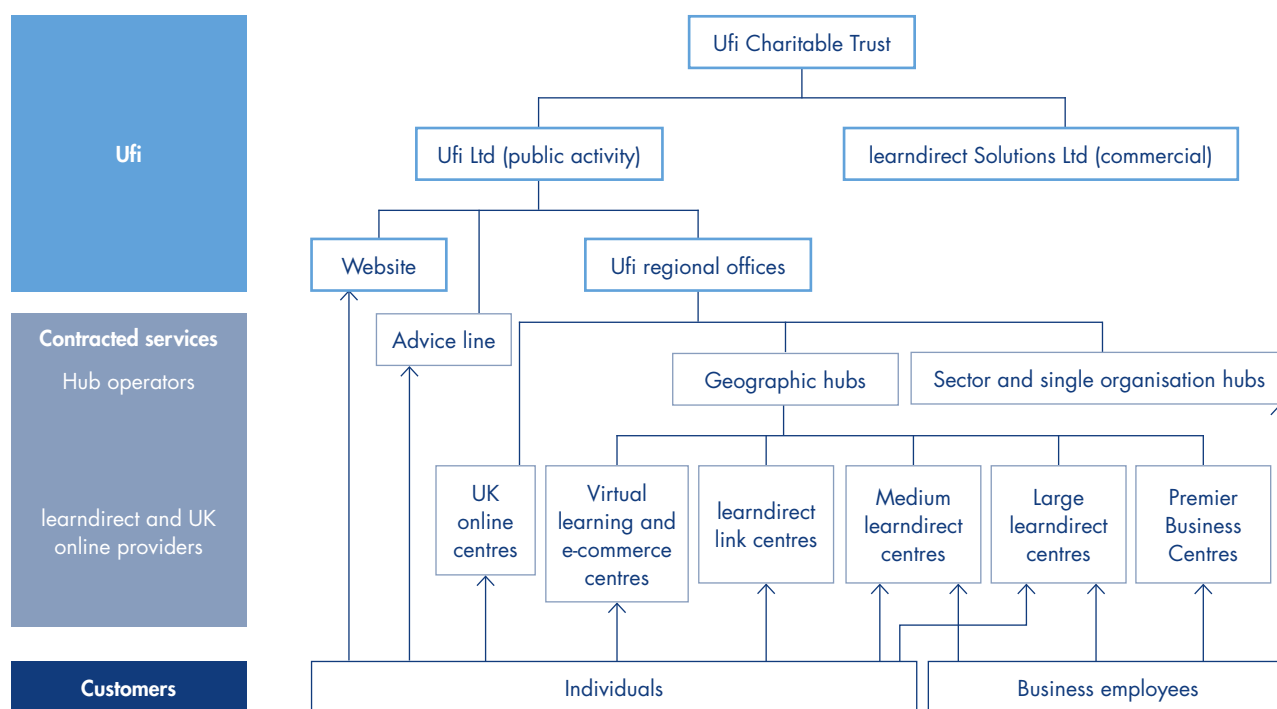


Source: National Audit Office

NOTE

1 And respective funding bodies for adult learning in Northern Ireland and Wales

9 Ufi and learndirect in 2005, including information and advice services



Source: National Audit Office

NOTE

Premier Business Centres may either be large, medium or virtual centres

1.19 From August 2004, Ufi receives all its main funding from the Learning and Skills Council in England and from the respective funding bodies for adult learning in Northern Ireland and Wales.²³ Previously Ufi received funding from the funding bodies and the Department, which led to confusion around accountability and transparency.²⁴

1.20 A new funding model introduced by Ufi ties English hubs and centres' funding to numbers of people who complete courses and achieve course objectives (Appendix 1 provides more detail of the model). Key performance indicators in Ufi's 2004-05 contracts with hubs and hubs' contracts with centres drive centres to focus on priorities such as pre-level 2 learners, people with literacy and numeracy needs and employees of small and medium-sized enterprises (**Figure 10**). Separate funding models apply in Northern Ireland and Wales (Appendix 1).

1.21 Ufi re-classified learndirect centres into three types to focus on their core customers, and remove funding from financially unviable centres:

- large centres – funded centres that offer the full range of learndirect services, including qualifications and test centres;
- medium centres – funded centres that offer a more limited range of the most popular and recently released courses that support qualifications and delivery of key targets; and
- link centres – unfunded small centres with strong community links that provide course samplers and a referral service to a local medium or large learndirect centre.

Premier Business Centres may either be large or medium centres and some UK online centres are also learndirect centres.

10 Ufi and learndirect's key target groups

Target group	Issue	Impact
People with literacy and numeracy needs	26 million adults lack either or both numeracy and literacy skills considered necessary for school leavers in today's economy	<ul style="list-style-type: none"> ■ £10 billion a year cost to the economy ■ People with low basic skills more likely to be lower paid, suffer from health problems, or involved in crime
People who lack basic ICT skills	Without these skills people risk being isolated in a world increasingly linked through ICT	<ul style="list-style-type: none"> ■ Employment skills deficit – 60 per cent of existing and 90 per cent of new jobs require ICT skills ■ Time wasted due to inadequate computer skills ■ Risk of exclusion as use of ICT increases in a range of contexts and situations
People without level 2 qualifications	Around 7 million adults (29 per cent) in the workforce do not have a level 2 qualification	<ul style="list-style-type: none"> ■ Low skills lead to fewer employment opportunities and low wages ■ People trapped in low skill/low wage
Small and medium-sized enterprises	4.1 million enterprises employing around 12.5 million people. Many do not provide adequate training to employees due to lack of resources, fear of poaching, poor management and leadership and lack of access to information on training	<ul style="list-style-type: none"> ■ Suppress the supply of skilled workers ■ Firms may suffer from lower productivity than competitors ■ Employers may adopt production techniques that require fewer skilled workers, weakening demand for skills, and reinforcing the decision to adopt a low-skill form of work organisation

Source: National Audit Office

²³ In Wales, Education and Learning Wales; and in Northern Ireland, the Department for Employment and Learning.

²⁴ *Review of the relationship between DfES and Ufi*, Pricewaterhouse Coopers and Quentin Thomas, commissioned by the Department for Education and Skills, 2003.

1.22 Ufi has separated out its commercial operations, which are now delivered through a separate subsidiary, learndirect Solutions Ltd. When public and commercial activities were run through a single company, Ufi Ltd, the boundary between them was confused. Also, Ufi Ltd could not borrow commercially nor generate reserves from its publicly funded activities, and was unable to invest sufficiently to develop and grow its private sector activities.

How we approached our examination

1.23 We undertook an examination of Ufi and the learndirect service to identify:

- whether Ufi has established a sustainable infrastructure; and
- whether it is delivering substantial improvements in skills and access to learning that justify the public expenditure.

Our examination also sought to identify ways of developing and delivering innovative services, which will be applicable across the public sector. The main methods used are illustrated in **Figure 11**. Our methodology is set out in more detail in Appendix 2.

1.24 Ufi's Directors assess the effectiveness of the internal control arrangements and report on their assessment in the Ufi financial accounts. Ufi's statutory external auditors consider these statements as part of their audit and,

therefore, we have not reperformed this assessment. As the auditors of the Learning and Skills Council's financial statements, we are aware of, and have drawn the Council's attention to, the risks that learndirect centres may falsely create learner activity in order to increase their income. In our annual audit of the Learning and Skills Council's financial statements, we have been able to place reliance in the Council's assurance arrangements including the funding audits carried out by Council's appointed funding auditors. Where the funding auditors identified errors, the Council took action to recover the funding paid to the learndirect centres involved and adjusted the accounts.

1.25 From 2004-05 responsibility for commissioning funding audits of learndirect centres passed from the Learning and Skills Council to Ufi. In summer 2005, Ufi notified us that it had identified weaknesses in the internal controls used by some hubs and learndirect centres. Ufi is conducting investigations to determine if these weaknesses have led to some centres receiving funding to which they were not entitled. Ufi will then recover any such funding from the centres. In September 2005, Ufi also notified us that an individual associated with a learndirect centre, IT2Home, in Darnall, Sheffield was under investigation by the Police and that the centre had been suspended as a result. As these matters are currently under investigation we have not covered them in this report. Following the completion of the investigations, we may report separately on the outcome.

11 Study methodology

Part 1: Introduction

- Literature review
- Interviews with stakeholders

Part 2: Developing innovative e-learning services

- Literature review
- Electronic survey of learndirect centres
- Case studies
- Focus groups with small and medium-sized enterprises
- Interviews with stakeholders

Part 3: Achieving access to learning and improving learners' skills

- Case studies
- Focus groups with individual learners
- Focus groups with small and medium-sized enterprises
- Interviews with large employers
- Review and analysis of performance data

Part 4: Costs and cost-effectiveness

- Literature review
- Review and analysis of cost and performance data
- Electronic survey of learndirect centres
- Interviews with stakeholders

Source: National Audit Office

PART TWO

Developing innovative e-learning services



2.1 This part of the report sets out how Ufi researched potential learners and users and developed highly innovative e-learning services. It discusses quality, learner satisfaction and awareness among potential users of learndirect. It also examines sustainability of Ufi and the network for delivering its services.

Ufi has developed a range of services based on extensive research on users and potential users

2.2 Ufi has commissioned extensive research on adult learners, which has looked at barriers to learning, learners' characteristics and what motivates them to learn, and their views on the services provided. Much of the research draws on learners already in contact with learndirect, such as those who ring the National Advice Line Service, undertake a learndirect course, or take up learning with other organisations (**Figure 12**). In addition, Ufi has commissioned research in areas such as:

- people with literacy and numeracy needs – how they cope without the skills and what might persuade them to take up a course to help them improve; and
- businesses of all sizes and their employees – their attitudes to e-learning and how it can contribute to workforce and business development.

12 Major surveys and evaluations of the impact of learndirect

- **Bi-monthly survey of awareness of learndirect** – learndirect brand and advertising awareness, and understanding of the learndirect offer (both helpline and learndirect learning)
- **Six-monthly follow-up survey of callers to learning Advice Line** – impact that the information and advice given by the helpline has on attitudes to training or learning
- **Quarterly survey of website visitors** – profile of visitors, what they do on the website and satisfaction with the website
- **Bi-monthly survey of learner satisfaction** – learner satisfaction with various elements of learndirect's service
- **Annual in-depth satisfaction survey of learners and network staff** – learner satisfaction and short-term impacts of learndirect learning
- **Survey of small and medium-sized enterprise awareness of learndirect** – awareness of learndirect, wider workforce development issues, and interest in and current/planned take-up of e-learning; four surveys have been conducted
- **New learners, new learning: a strategic evaluation of Ufi, 2003** – Ufi's performance against its strategic objectives; commissioned by the Department
- **Tracking learner outcomes: evaluations of the impact of Ufi, 2004** – follows on from the strategic evaluation and tracks the progress of people for up to two years following their initial contact with learndirect services; commissioned by the Department

Source: National Audit Office

2.3 Ufi has used the research results to help establish and continuously develop the following main services for learners and businesses:

- advice to the public on careers and learning opportunities;
- learning opportunities, tools and materials, made available through innovative technology; and
- a network to enable people to get access to the advice and learning opportunities.

Ufi has developed an advice service that users value

2.4 Ufi contracts with Broadcast Support Services to provide its UK-wide National Advice Line Service – 0800 100 900 offering general learning and careers advice, and 0800 101 901 offering learndirect course information. A database of courses that supports the National Advice Line Service holds details of over 950,000 courses from some 7,000 different providers such as universities, colleges, voluntary organisations, learning centres and training providers, and people can access the database directly on the learndirect website or from around 70 other websites that link to the database. The website also has over 700 job profiles and an online careers guidance tool (learndirect Futures), which helps people match their skills and interests to opportunities in the workplace. In April 2005, the learndirect website²⁵ was the UK's second largest educational website in terms of the number of web 'hits', behind BBC Schools.

2.5 The National Advice Line Service, open seven days a week from 8 am to 10 pm, aims to provide tailored advice by working on three levels:

- at the first level, information advisers are trained to provide basic information from the database and to decide whether callers need more specialised advice;
- at the second level, learning advisers are trained to provide non-database information and advice, for example on how to train as a teacher; and

- at the third level, lifelong learning advisers are trained to deal with more complex enquiries, for example someone wanting to train to be a nurse and fit this around looking after their children after school. People who need to talk to an adviser face-to-face are referred to their nearest local source of information, advice and guidance.

2.6 The National Advice Line Service is accessible by providing both careers and course advice in Welsh, Punjabi, Sylheti, Somali, Urdu and Gujarati. People with hearing difficulties can access the service through e-mail or Minicom, and people with visual disabilities can request material in Braille, large print or on audio tape.

2.7 A third of all calls come via the help lines of a range of partner organisations, including the BBC and ITV, six sector skills councils, the Learning and Skill Council's Apprenticeship campaign, the Department's 'Get On' (Gremlins – literacy and numeracy) campaign, and the National Institute for Adult Continuing Education. Partners and other organisations involved in lifelong learning consider that the National Advice Line Service provides an important service to help increase the numbers of people taking up learning opportunities. Many also believe there is scope to extend the service's role into course enrolment and payment.

2.8 Surveys of users of the National Advice Line Service show high satisfaction ratings – nine out of ten surveyed users agreed or strongly agreed that the quality of the service was good.²⁶ Having separate numbers for general advice and learndirect courses helps ensure impartiality, and 85 per cent of surveyed users felt they were given impartial advice. Surveys of users of the website show lower satisfaction ratings than for the National Advice Line Service – two-thirds of surveyed users²⁷ were quite satisfied or very satisfied with the website. The differences in satisfaction are partly due to methodological differences – the website users are surveyed via a pop-up questionnaire on the website as they use the web and Advice Line users via a phone survey some time later.

25 The learndirect website comprises three separate websites: learndirect, learndirect-advice and learndirect-business. Ranked individually they are the 5th, 9th and 11th largest educational websites respectively, in terms of the number of web 'hits'.

26 Research carried out by BMG research for Ufi, March 2004 – a sample survey undertaken every six months; the sample size for this particular survey was 6,300 users.

27 learndirect V-survey quarter 18, Virtual Surveys Limited, 2005.

2.9 People able to access the course database directly have the most up-to-date information because the database on the website is updated daily. The version of the database used by the advisers manning the phone lines is updated only once a week. Ufi plans to further improve advisers' access to information by updating this database daily by the end of 2005.

Ufi and the learndirect service have made learning opportunities, tools and materials available through innovative technology

Ufi has developed a range of courses

2.10 Ufi has developed almost 500 courses for individual learners and employers on home and office IT, specialist IT, literacy and numeracy, business management and languages. Up to July 2004, over two-thirds of courses taken up were in IT (69 per cent), with literacy and numeracy courses accounting for 20 per cent and business and management courses 11 per cent. This profile changed in 2004-05, with IT courses accounting for 43 per cent, literacy and numeracy courses 42 per cent and business and management courses 15 per cent. More than 70 per cent of courses are delivered exclusively online, and 44 per cent provide support towards achieving a qualification. Of the courses that are available free, 28 per cent are directly linked to qualifications.

2.11 Evaluations of learndirect courses²⁸ have found that the combination of learning materials and tutor support result in a positive learning experience for many learners. The courses were also found to plug gaps in provision. According to the Adult Learning Inspectorate,²⁹ the quality of learndirect courses is improving, particularly in respect of courses that have been recently introduced or rewritten, and many learners found the learning rewarding. Improvements have included moving away from a format that mirrored paper-based courses to a more interactive format, and increasing focus and effort on the most popular products.

2.12 People in our focus groups said that they were sometimes frustrated that they would have to go through a whole course to reach a specific part that they wanted to learn. Ufi has been working to break some courses into shorter, more specific modules. Combined with the ability to learn at home, at work or at a learndirect centre, the modules provide flexibility to allow learners to learn at a pace, time and place that suits them.

2.13 Ufi's guidelines for developing accessible, usable e-learning courses are among the most stringent in the UK. Newer courses and developments are increasingly able to meet the diverse needs of a wide range of learners. For example:

- the Institute of Leadership Management's *Practical Manager* series of 80 courses has a range of functions including a built-in screen reader (which speaks the text that appears on the screen or entered by the user) and a screen magnifier for people with visual impairment;
- *First Time Online* courses enable new and potential learners to experience using IT;
- literacy and numeracy learners can take their national tests online; and
- *Learning through Work* enables working people to achieve recognised university qualifications without taking time off. Learners can build customised programmes around existing skills and knowledge and focus on work-related learning.

2.14 The time taken to develop a new product is an issue for learners, employers and Ufi. Currently it takes about a year to develop a complex course to the point where people can use it online. Ufi has introduced new product and development practices to help reduce the time taken to develop new courses.

²⁸ For example, *Evaluating the effectiveness of learndirect materials and learner support for learners with skills for life needs*, Institute of Education, University of London, 2003; *The ELLIS pilot: Researching the appropriateness of the ELLIS packages in Ufi/learndirect centres to support the learning of English for speakers of other languages*, University of Sheffield, 2002.

²⁹ *Annual Report of the Chief Inspector 2003-04*.

2.15 There is a widespread view that learndirect materials could be more widely exploited. Local Learning and Skills Councils are encouraged to identify opportunities for using the material for workforce development in their area. Pilot work by Ufi with schools, further education institutions and work-based learning providers, has found that many potential partners cannot make the best use of learndirect material, for example because e-learning is quite different from traditional classroom based models. Ufi is developing new course licence models to allow colleges and other providers to build learndirect material into their own learning programmes for learning related to the National Employer Training Programme and Apprenticeships.

Ufi has developed a range of support to help learners

2.16 The system that Ufi has developed to make its courses available online and provide support to learners has improved over time – in 2005, 82 per cent of users were satisfied with the technology compared to 69 per cent in 2004. The facility was available 99.9 per cent of the time over the 12 months to July 2005, and in 11 of the 12 months it was continuously available. However, ease of access can vary. For example, many learners do not have a broadband connection at home and some have a relatively old, low specification computer, so can find it difficult to connect to the system at home – this was a particular problem emphasised by people in our focus groups. The network of physical centres therefore remains an important resource for many learners. The system's functionality also needs to be further developed to support new products, and Ufi is planning to replace it by 2006 with a system that should better meet the needs of different groups of learners, such as people with visual impairments.

2.17 Learners can get support from the following people and facilities:

- a tutor, based in learndirect centres or available online, to help learners complete their course and achieve learning goals;
- online tools to enable learners to contact their tutor, plan and manage their learning;
- forums and chat areas where learners can talk to other learners (and tutors) by posting messages; and
- a 24-hour telephone and e-mail helpline.

2.18 Some groups need more specialist help. Ufi is supporting the learndirect and UK online network to make their staff more aware of the needs of disabled learners. For example, Ufi has commissioned a course, the Access Technology Foundation Certificate, from the British Computer Association of the Blind to train staff in how visually impaired learners use the technology and how to support them. By March 2005, more than 300 staff had attended the course. Ufi is also testing new devices for using the same learning materials for different groups of learners, for example it is working on:

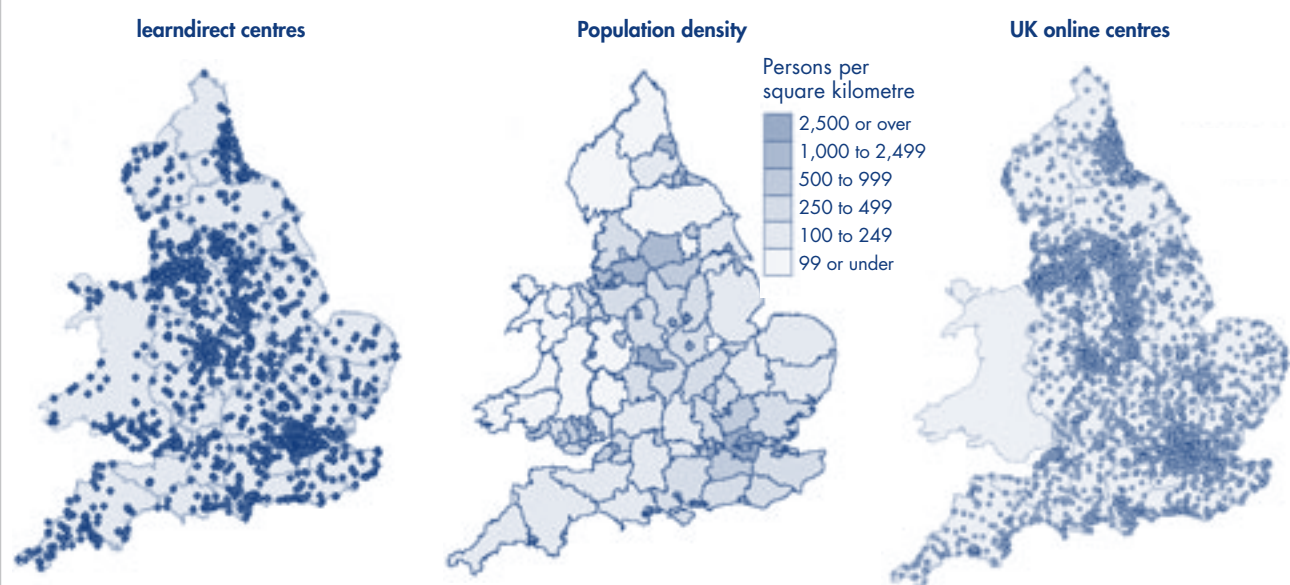
- pilot wireless technology with the Royal National Institute for Deaf People and deaf communities in London, Sheffield and Manchester; and
- material suitable for use on KickstartTV, broadcast on the Community Channel, which is an initiative by the Learning and Skills Council to help adults improve their numeracy and literacy skills.

2.19 Ufi is responsible for managing and maintaining the Department's 'Cybrarian project', which is being developed for people who do not, or cannot, use the internet. People who face barriers such as lack of skills or confidence, or physical or cognitive disabilities, will be able to customise their internet use, for example by changing font size or colour, or being able to move around the internet using their voice. The Cybrarian project is planned to be piloted as a website called 'myguide.gov.uk' by the end of 2005.

Ufi has established a large network of learndirect centres for remote access

2.20 By April 2005, there were some 6,000 UK online centres and 2,400 learndirect centres (**Figure 13**). UK online centres offer a broad range of services linked to ICT and learning. They provide free or subsidised internet access, support on using the internet, and encourage people to take-up learning opportunities elsewhere. learndirect centres provide access to and support for learndirect courses and also encourage people to take up learning opportunities. Ufi, through its network of hubs, has control over learndirect centres, but is only responsible as a contractor for the administration and development of the network for UK online.

13 Ufi has a large network of centres across England and Wales



Source: Data from Ufi and Office of National Statistics

NOTE

There are no UK online centres in Wales.

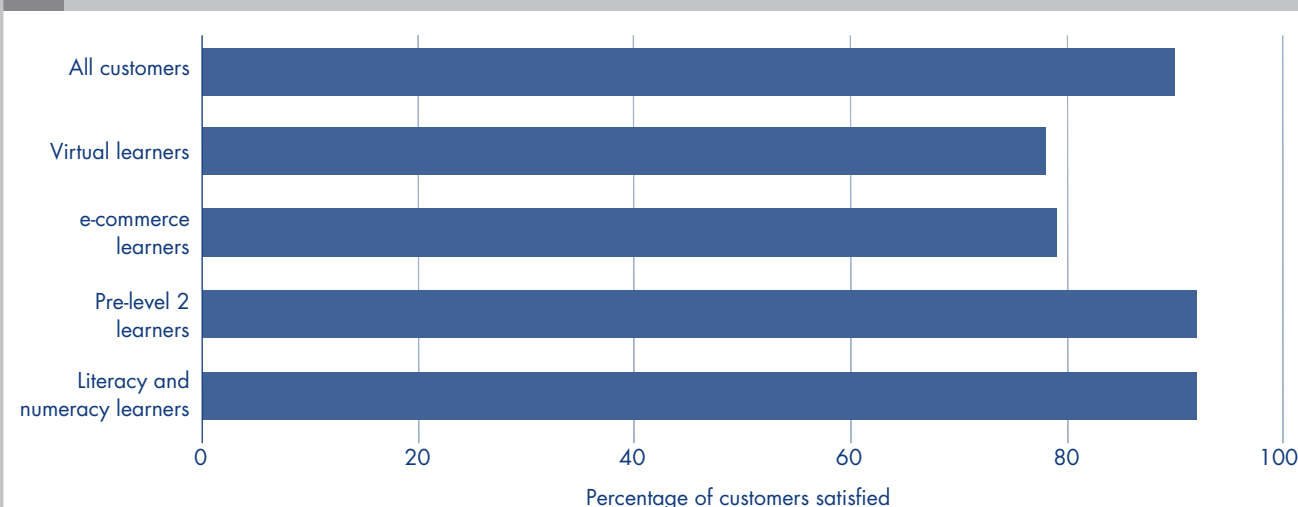
2.21 learndirect centres are in a wide range of locations, including high streets, shopping malls, pubs, colleges, libraries, football clubs and a travelling funfair. Locations for UK online centres are similarly diverse, including libraries, internet cafes, colleges, community centres and village halls. The UK online centres are usually rooted in communities, with over half located in the 2,000 most deprived wards in England. In 2003, 99 per cent of people lived within ten kilometres of a UK online or learndirect centre, and 89 per cent within three kilometres.

2.22 When the Adult Learning Inspectorate first inspected learndirect provision in 2002, it judged five of the first 10 hubs to be inadequate. Ufi used the results of these inspections to support a firm approach to managing weaker hubs. In the 10 inspections carried out in 2003-04, one hub was judged inadequate. Few areas of learning were graded good or outstanding. Quality assurance procedures and the quality and thoroughness of the initial assessment of learners were particular areas of weakness. In order to improve quality Ufi plans to:

- increase the proportion of tutors holding appropriate qualifications at level 3 and above from 41 per cent in 2004-05 to 100 per cent by 2010;
- improve the expertise of staff to support literacy and numeracy learners;
- improve the consistency of course design; and
- reduce the proportion of inspection grades classified as inadequate from five to two per cent.

2.23 Customer satisfaction is improving. In 2005, 90 per cent of customers are satisfied (very satisfied or quite satisfied) with the services they received (**Figure 14 overleaf**), compared to 83 per cent in 2001-02. People in our focus groups stressed the importance of the quality of the initial learner assessment. If a learner takes up the wrong course – it may be too easy, too difficult or not the right focus for the learner – the learner is much less likely to complete the course.

14 learndirect services achieve a 90 per cent satisfaction rate



Source: National Audit Office analysis of Ufi data, 2005

2.24 Virtual and e-commerce learners show lower levels of satisfaction than other learners (**Figure 14**). A key contributing factor is thought likely to be the different demographic profile of virtual and e-commerce learners which causes them, on average, to have relatively high expectations of the service.

Awareness of learndirect is good among potential learners but low among employers

2.25 Ufi has researched characteristics such as the media and leisure habits of potential groups of learners and put out messages designed to tackle their specific barriers to learning. It has an annual campaign of advertising, sponsorship and direct marketing that includes high-profile television advertising (**Figure 15**). Its marketing to potential learners has been very successful and in summer 2005 awareness of learndirect stood at 74 per cent of the adult population. Over half of people from two of the Department's key target groups – people with literacy or numeracy needs and people who are 'switched off' to learning – are aware of learndirect (**Figure 16**).

2.26 By contrast, awareness of learndirect business services among small and medium-sized employers is lower – 37 per cent in a recent survey – and there is a general lack of awareness and engagement with e-learning among employers.³⁰ Our focus groups and in-depth interviews with small and medium-sized businesses that both had and had not used learndirect also indicated lack of knowledge about learndirect courses. Many perceive learndirect as only for people who have literacy, numeracy or IT needs.

The learndirect network may not currently be sustainable in some locations

2.27 Turnover of learndirect centres is high – more than 1,700 have closed since the network was established. In 2003-04 more than 500 centres stopped delivering learndirect, half in the two months preceding the introduction in August 2004 of a new funding model, contract and performance arrangements (paragraph 4.13 and Appendix 3) in order to increase efficiency by removing centres with very low activity levels. These centres may continue to deliver other services, as in the case of public libraries. New centres have been opened in order to maintain a network of over 2,000 centres.

³⁰ Research into the use of ICT and e-learning for work-based learning in the skills sector, final report, Becta ICT research, 2005.

15 Ufi has undertaken extensive marketing to develop awareness of learndirect

Scenes from the 2005 television campaign



Source: Ufi

2.28 The high turnover is not necessarily detrimental to the network. Poorly performing centres may close and give the hubs scope to establish new centres where a need is identified. Two-thirds of learndirect centres that responded to our survey felt their 2004-05 targets reflected local geographic and sector needs.

2.29 The funding, contract and performance changes introduced in August 2004 are broadly viewed as beneficial, including by hubs and some centres. We found a number of concerns, however, that could affect the long-term sustainability of the network in some locations.

- Only 20 per cent of respondents to our electronic survey of learndirect centre managers felt their funding would cover costs and 45 per cent had experienced cash flow problems as a result of the funding and contract changes. Organisations responsible for centres, for example colleges, were providing subsidies to nearly 60 per cent of respondents. Fourteen per cent of respondents were actively considering closing their centre.
- Some hubs and centres are concerned that they are close to the limit of financial viability. They worry that funding issues start to have an undue influence on learning. For example, 45 per cent of our survey respondents had increased or were considering increasing group learning.
- Over 50 per cent of survey respondents felt there are too many key performance indicators to manage effectively. Many of the people we consulted believe that universal targets are driving specialist centres towards activity that is not their strength.

16 learndirect has relatively high recognition, including among reluctant learners and people with low levels of literacy and numeracy

Awareness (per cent)	All adults	People 'switched off' to learning	People with literacy and numeracy needs
learndirect	74	56	53
Open University	87	64	68
Adult education centres	64	68	48
BBC Learning Zone	58	26	35

Source: Bi-monthly survey of learndirect awareness commissioned by Ufi

2.30 Two types of centre appear to be emerging: larger often multi-centre hubs that are able to maximise funding opportunities (**Case Study 1**) and smaller, local centres. Our survey and discussions with third parties indicated that some smaller centres are struggling, particularly those in rural areas and centres dealing with marginalised and disadvantaged learners who require high levels of support.

2.31 Ufi has to manage a lot of changes across a big network in a business that relies on continuing innovation. We found that Ufi needs to manage change more effectively. For example, 70 per cent of learndirect centre managers responding to our survey felt they had experienced 'initiative overload'. Some changes have not been communicated effectively, for example, when Ufi removed small and medium-sized enterprise learners from their list of priority learners in August 2005. The announcement led to fears by some Premier Business Centres that they were going to be closed down, and a further communication was needed to reassure the centres that this was not the case. More generally, the Partners Portal, a website run by Ufi to provide information and support to learndirect hubs and centres, does not provide effective communication. Despite recent improvements, staff in hubs and centres have problems both finding the information they require and separating out information that is important.

CASE STUDY 1

Apollo Services Ltd manages a learndirect centre in Nottingham. Besides its main site on a local industrial estate, it provides learndirect services at range of locations including:

- a city centre jobcentre – learndirect services are offered to jobcentre customers as well as individuals who use the asylum and refugee centre, which shares the site. English language courses are popular among the learners at this site.
- a local branch of PC World – services are aimed at three groups: individuals and businesses purchasing computer hardware and software who were interested in IT related courses, workers from other units on the retail park where the store is located, and residents from the local area.
- a local housing association project for young people with alcohol and substance abuse problems – courses on budgeting and housing as well as literacy and numeracy courses are very popular with these learners.
- a local Salvation Army day care centre for the elderly – the facilities were also available to parents whose children attended the adjoining nursery, and to staff who worked at the centre.

Ufi itself needs to change

2.32 Ufi's own structure also needs to change now that it is responsible for a mature rather than a start-up business. A value for money review of Ufi in 2005, commissioned by Ufi and the Learning and Skills Council and conducted by Develin and Partners, concluded that Ufi:

- operates largely in 'silos' with little communication between different functions;
- needs to align roles and responsibilities more closely to processes;
- needs to improve the alignment of its processes with the hubs and centres delivering its services;
- though it has a highly skilled workforce, requires better information on the competencies of its own staff; and
- places high reliance on external consultants and does not do enough to ensure that they transfer their skills to Ufi staff before they complete their assignment.

2.33 Under its new Chief Executive, appointed in January 2005, Ufi has established an 18-month change programme to be completed by August 2006. The programme will re-organise Ufi and redesign its processes to make sure that they work more effectively to enable Ufi to meet its objectives.

PART THREE

Achieving access to learning and improving learners' skills



3.1 This part of the report examines the progress that Ufi, learndirect and UK online have made in broadening access to learning for individual learners and employees and in improving their skills.

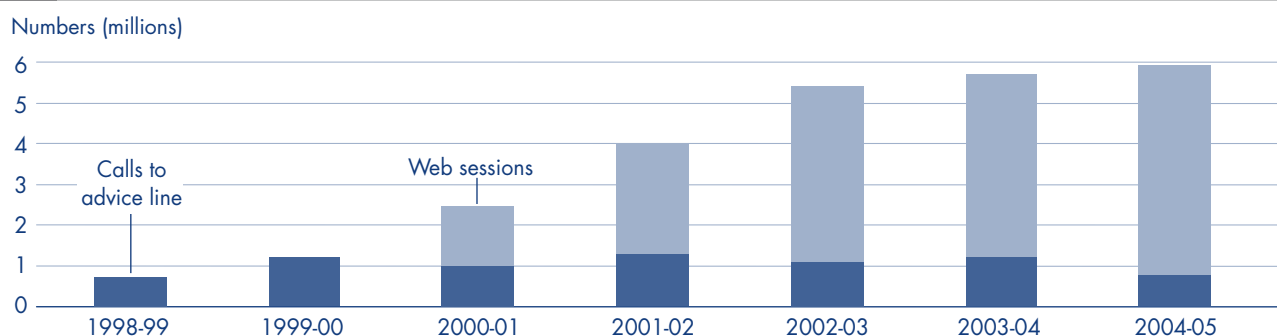
Information and advice services have widened access to learning

3.2 By July 2005, information and advice services had provided over 25 million advice sessions through the website and by telephone. Whilst overall sessions continue to grow, the number of calls is falling (1.3 million in 2001-02 compared to 0.8 million in 2004-05) as web sessions increase (2.7 million in 2001-02 compared to

5.2 million in 2004-05). By using marketing to increase the public's awareness, Ufi plans to increase sessions to 7.7 million by 2007-08.

3.3 The learndirect website became available from October 2000. Since then the number of web sessions has increased each year. A web session occurs when a person visits the website and interacts with it. For example, if a person reads a piece of information on the website, it would not count as a web session, but if they searched the database of courses to draw down information or e-mailed an adviser for information, the interaction would be counted as a web session. Survey results³¹ indicate a third of website visitors have not done any learning in the last three years and almost a third are only pre-level 2 qualified.

17 The National Advice Line Service and website provide nearly 6 million advice sessions per year



Source: National Audit Office analysis of Ufi data

NOTE

Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

31 learndirect V-survey quarter 18, Virtual Surveys Limited, March 2005.

3.4 There have been 7.3 million calls to the National Advice Line Service since 1998-99. Recent research³² shows that a quarter of callers are repeat callers. The majority of calls are for information on courses. In 2004, the three most frequent requests were for information on plumbing, electrical installation and teacher training. In 2004-05, 25 per cent of callers were from London. Only 5 per cent of callers were from the East Midlands and the North East respectively.

3.5 The National Advice Line Service attracts a relatively large number of calls from 'hard-to-reach' learners – over half of callers (58 per cent) had not undertaken any learning in last 3 years compared to less than 25 per cent of the wider population.³³ The Department for Education and Skills (the Department) set a target for 2003-04 of 0.5 million calls from people who are pre-level 2 qualified, reflecting its emphasis on learners without a level 2 qualification. Ufi achieved only 63 per cent of the target in 2003-04, and 54 per cent of the 2004-05 target of 0.45 million. Ufi has now agreed a new target of 0.3 million with the Learning and Skills Council for 2005-06.

3.6 A survey, in winter 2004, indicated that over 60 per cent took up learning within six months of their call, and over two-thirds of these learners were undertaking learning leading to a qualification. For callers qualified below level 2 the number undertaking training or learning was very slightly lower, at 56 per cent. Ufi does not undertake any follow-up work with website users because it does not collect personal details of people who visit the website.

UK online centres are helping people who have never used the internet before

3.7 UK online centres are attracting over half a million people a year, many from disadvantaged and 'hard-to-reach' groups (**Case Study 2**):

- 80 per cent are from key target groups: people with a literacy or numeracy need, from ethnic minorities, over 65s, disabled, and single parents;
- almost two-thirds live in one of the 2,000 disadvantaged communities in England;
- 43 per cent are new users; and
- over half completed an introductory session on the internet.

³² Ufi Ltd Helpline customer feedback July 2004-June 2005, BMG research report, 2005.

³³ National Adult Learning Survey, Department for Education and Skills, 2002.

³⁴ Evaluation of CMF funded UK online centres, Hall Aitken, 2003.

CASE STUDY 2

North West London Online manages a network of 175 computers in 12 UK online centres in Brent. The centres provide a wide range of services including skills assessments, employment support, information, advice and guidance services and a range of tutor-led courses and training covering IT and literacy and English for Speakers of Other Languages.

Centres are in diverse locations close to mosques, hospitals and in community centres. Two-thirds of the people using the centres are from black ethnic minorities, one in ten is disabled, and many are unemployed. The organisation's success in attracting 'hard-to-reach' groups reflects its understanding of the facilities and support they need. For example, at the Pakistan Community Centre, women-only courses have been run to meet cultural requirements. People are provided a familiar and un-intimidating environment in which to learn that feels part of the community.

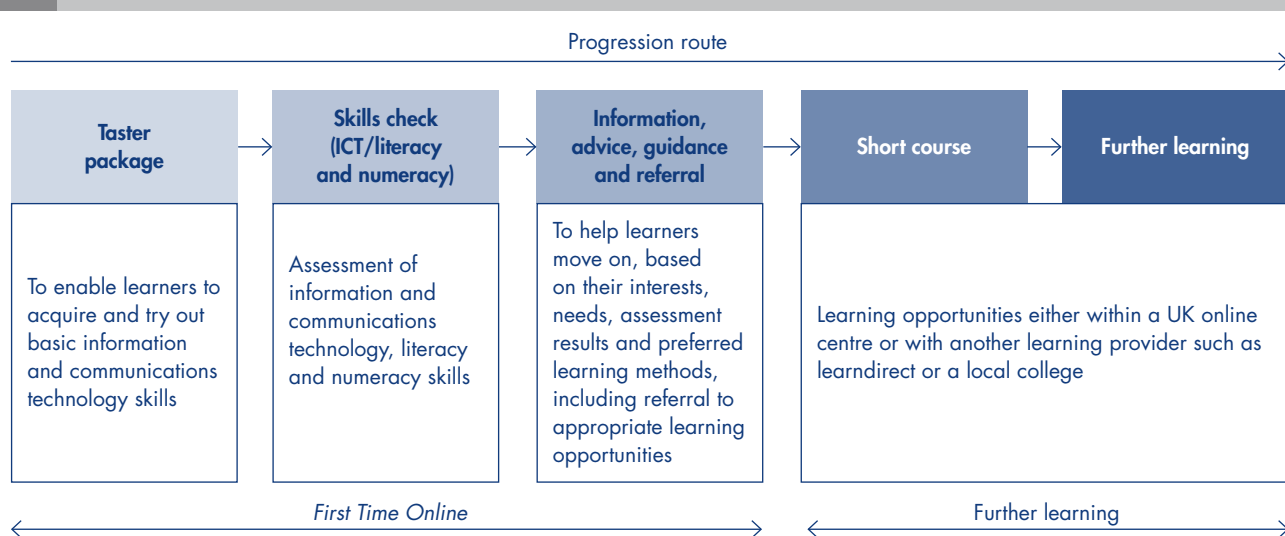
North West London Online has recently embarked on a programme of workforce development. Customised training courses have been devised and delivered to local companies based on the nearby industrial estate and to public organisations such as Brent Council.

3.8 The half a million users a year do not include people who use UK online centres in libraries, which account for over 40 per cent of the network. In 2003, library-based centres recorded 11.7 million internet user sessions and more than 100,000 IT training courses.

3.9 An independent evaluation³⁴ in 2003 found that the majority of people using the centres had not had the confidence to use computers before and/or had no access to the internet. Most felt they were learning skills they would not have gained otherwise.

3.10 Up to January 2005, 19 per cent of UK online users had taken up further learning with other providers. Ufi plans to increase referrals from UK online centres to the post-16 education sector to 30 per cent by increasing the number of people taking up *First Time Online*. This learning and assessment package helps learners prepare to progress to another post-16 education provider, which may be learndirect (**Figure 18**). Ufi is rolling out *First Time Online*, with over 1,000 UK online centres using it by July 2005. An associated training programme to improve the skills of centre staff commenced in January 2005 with over 800 staff achieving part 1 (of 3) of a level 2 certificate in Adult Learner Support by July 2005 (with an aim of 3,000 by July 2006).

18 First Time Online aims to help people to move on to learning in the post-16 education sector

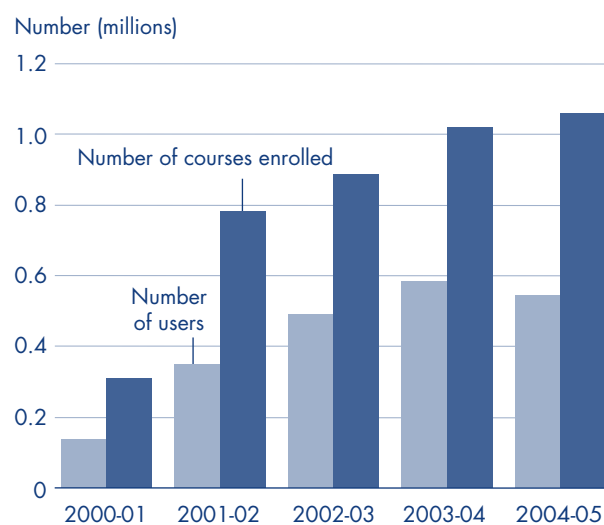


Source: National Audit Office

learndirect is reaching large numbers of learners, including many in high priority groups

3.11 Over 1.7 million people have taken over 4 million learndirect courses. The number of learners and courses taken has increased year on year (**Figure 19**). Ufi has exceeded targets for learner numbers and course take-up in 2004-05. Reflecting the Department's priorities, there are separate targets, agreed with the Learning and Skills Council, for enrolments by pre-level 2 qualified learners and literacy and numeracy learners. Ufi has substantially exceeded targets for both in 2004-05 – by 220 and 85 per cent respectively. Take-up of learndirect varies geographically from 2.1 per cent of the population in the South East and Eastern regions to 4.1 per cent in the East Midlands (**Figure 20 overleaf**).

19 Over 1.7 million people have taken over 4 million learndirect courses, up to July 2005

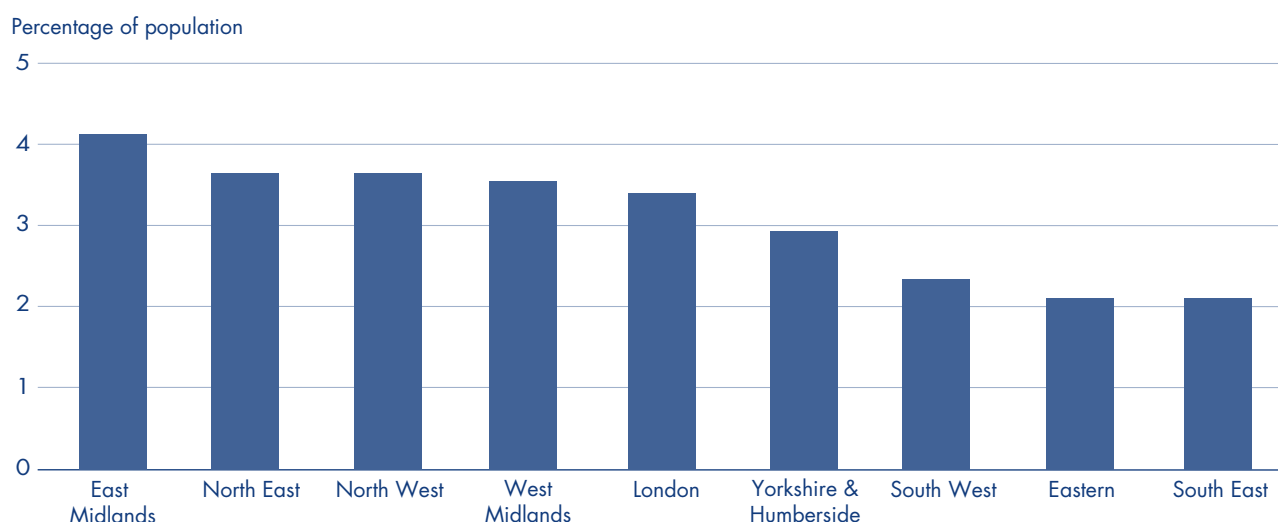


Source: National Audit Office analysis of Ufi data

NOTE

Counting the number of users in each year overestimates the total number of individual learners as some users are counted twice if their learning occurs over 2 years. An adjustment for these learners gives a total of 1.7 million learners. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

20 The percentage of the people who have undertaken a learndirect course varies widely between regions



Source: National Audit Office analysis of Ufi data from August 2000 to July 2004

NOTE

The above table also includes learners with sector hubs, based on their home postcode. learndirect learners are located by their home post code, (i.e. sector learners register in the region in which they live, not the region in which the sector hub is located).

3.12 In 2002-03, survey results³⁵ indicated that 41 per cent of learners were pre-level 2 qualified (**Figure 21**), and in 2004-05 around 60 per cent of learners enrolling stated that they were pre-level 2 qualified. Of the total 1.7 million learners, around 16 per cent were either unemployed or returning to work after time out of the workplace. learndirect has been successful in attracting learners from ethnic minorities – the percentage of ethnic minority learners is higher than the percentage in the population. Survey results also indicate almost two-thirds of learners had undertaken no learning in the last three years and a quarter would not have undertaken any learning without learndirect.

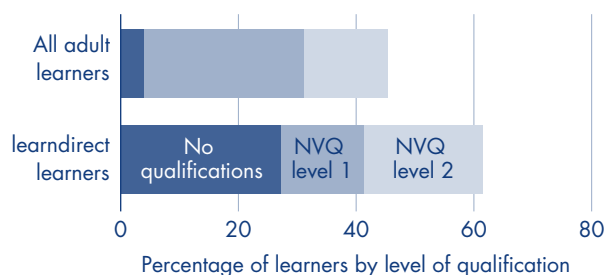
Achievements and course completions by learners are increasing

3.13 Learners report major personal and practical benefits as a result of learning with learndirect, including self-confidence and motivation, personal and social skills, and increased employment prospects (**Figure 22**). Since April 2003, learndirect has helped 38,000 learners to pass their first literacy and numeracy test and delivered over 80,000 unit test passes³⁶ for Vocationally Related Qualifications.

³⁵ 2004 learner satisfaction survey, carried out by BMG Research.

³⁶ A Vocationally Related Qualification comprises a number of units or modules.

21 learndirect has attracted relatively high levels of pre-level 2 learners



Source: National Audit Office analysis of Ufi survey data and the 2002 National Adult Learners Survey

NOTE

The remaining learners hold qualifications at NVQ levels 3, 4 and 5.

3.14 The percentage of learners completing courses is improving – course completions increased from 44 per cent in 2001-02 to over 70 per cent in 2004-05. learndirect centres now receive 13 per cent of funding when learners either gain an accredited qualification, or achieve their personal learning goal such as producing a CV using a computer if enrolled on a word processing

22 Benefits of learning with learndirect

Personal benefits

- Increased social skills
- Increased self confidence
- Improvement in job-related and IT skills
- Employment benefits – new job, promotion, pay rise
- Able to help children with homework
- Recognition of own learning capability
- Motivation to do further learning
- Wider awareness of learning opportunities

Practical benefits

- Learning at own pace
- Managing own learning
- Option to learn at home, at work or at a centre
- Flexibility – being able to fit round other priorities
- Less pressurised learning environment
- Provides bridge to more formal learning

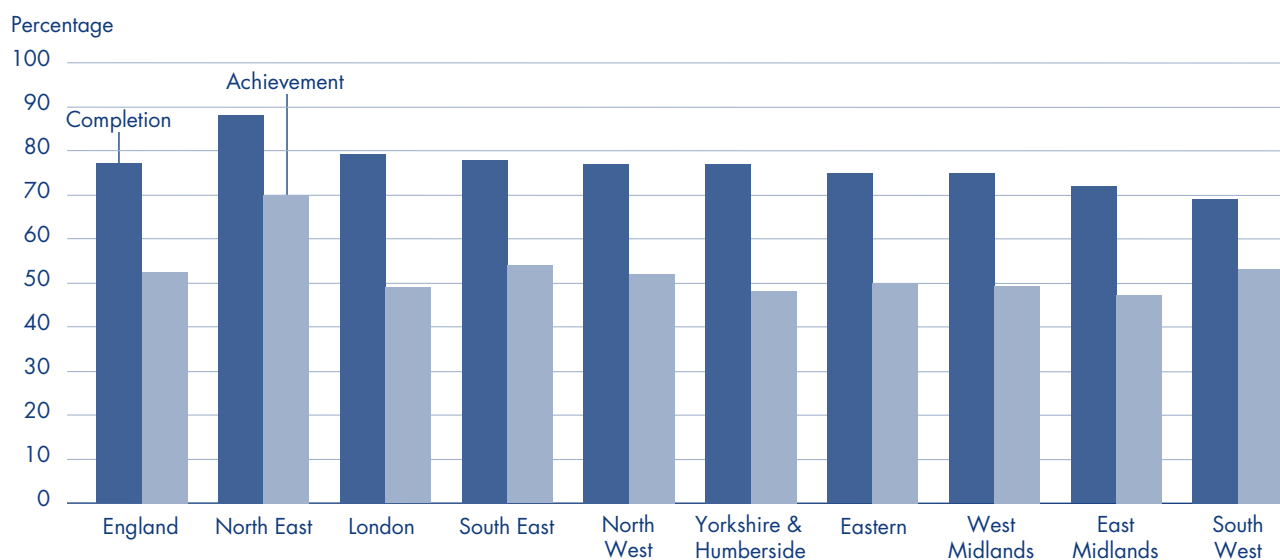
Source: Focus groups and interviews with learndirect learners conducted by NOP World for the National Audit Office

course. In 2004-05, over 50 per cent of learners achieved their objectives, and the percentage varies regionally from 47 to 70 per cent (**Figure 23**).

3.15 In 2004-05 the percentage of learners completing courses varied between the different types of course and learner (**Figure 24 overleaf**). In addition, regional variations exist within the percentage of learners completing courses displayed in Figure 24. For example, the gap between the highest and lowest regional percentages of learners completing courses was 23 per cent for small and medium-sized enterprise learners, 16 per cent for pre-level 2 learners and 11 per cent for literacy and numeracy learners.

3.16 There are a range of reasons why learners do not complete learndirect courses (**Figure 25 overleaf**). Some are outside the control of learndirect centres, for example where a learner's personal circumstances change. Others are within their control, for example the quality of initial assessment, the quality of staff support, and technical difficulties, particularly for people using their home computer.

23 Overall over 70 per cent of learners completed their courses and over 50 per cent achieved their objectives in 2004-05



Source: National Audit Office analysis of Ufi data

NOTE

Achievement is defined as achieving a personal learning goal or an accredited qualification. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

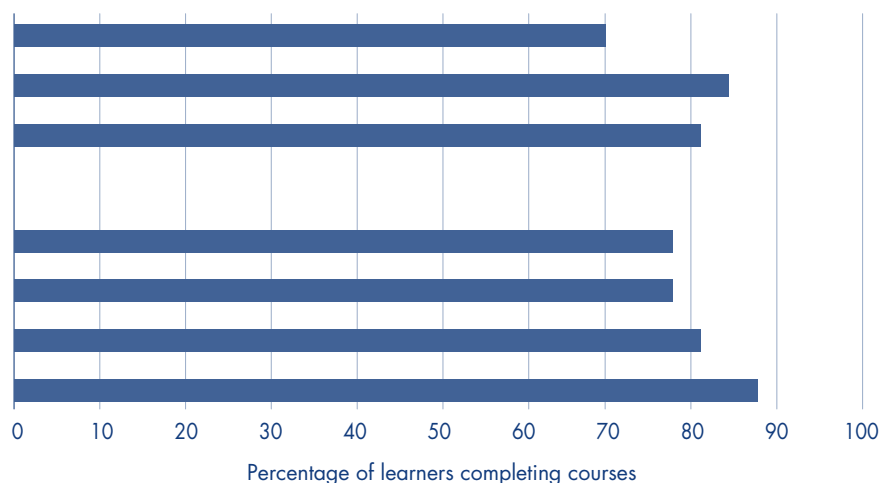
24 Completion rates between different types of learner and course varied between about 70 and 90 per cent in 2004-05

Courses

Home and office IT courses
Business and management courses
Literacy and numeracy courses

Learners

Small and medium-sized enterprise learners
Pre-level 2 learners
Literacy and numeracy learners
Sector learners



Source: National Audit Office analysis of Ufi data

NOTE

Completion rates for non priority learners are not included and are lower than the average completion rate. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

25 There is a range of reasons why learners do not complete their courses

Difficulties with online learning

- Preference for classroom-based learning
- Isolation - lack of support from other learners
- Lack of IT skills
- Frustration because of technical difficulties, particularly with access from home computer

Perceived lack of support

- Staff at learning centres may not be easy to approach and have limited time
- Lack of awareness of learndirect support services
- Inability to access online/helpline services

Referral to wrong course

- Course too easy/challenging leading to loss of interest
- Initial assessment not undertaken/overlooked

Change in personal circumstances

- Moving house
- Longer journey times
- Limited time due to personal situation
- Change of job
- Move from unemployment to work

Lack of personal motivation

- Less inclination/pressure to improve skills because of unclear goals or compulsion (e.g. referred by Jobcentre Plus)

Cost

- Free/inexpensive so no financial disincentive to dropping out

Source: Focus groups and in-depth interviews conducted by NOP World for The National Audit Office

3.17 Ufi and learndirect are continuing to invest in the skills of tutors, who play a key part in helping learners to raise their aspirations and keep motivated. We identified a number of good practices that tutors use to help learners overcome the barriers they face to completing courses by:

- providing continual encouragement, feedback and support, especially to learners who are not confident in their ability to learn or their IT proficiency;
- developing a good rapport, understanding learners' personal circumstances where they may affect their ability to study, and helping them to find ways of overcoming practical or personal barriers;
- regular monitoring of progress and contact with learners to encourage them to stick to learning at an appropriate pace and to identify any problems early;
- providing extras to make learning fun (for example, a session on how to use a web camera); and
- providing workshops where learners can meet each other to discuss their experiences or learn as a group.

3.18 Getting the initial assessment of the learner's needs right is essential. The assessment must be centred on the learner – including making sure the learner understands what the commitment to learning means for them, the support services available, and how a particular course or courses can meet their needs. Investment in a good initial assessment is especially important for potential learners who have not undertaken learning for a long time – they are possibly the most vulnerable to being 'turned off' to learning if they are put on a course that is not suited to their needs.

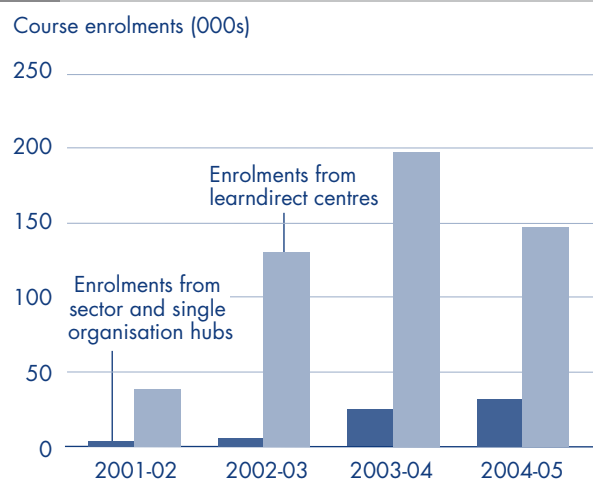
learndirect is working successfully with four per cent of small and medium-sized employers but could do more

3.19 Some small and medium-sized enterprises and large employers use learndirect services – they use sector-specific advice lines, learndirect centres, including Premier Business Centres, learndirect sector hubs and learndirect Solutions Ltd.

3.20 Over 18,000 people have contacted learndirect's sector-specific advice line services³⁷ for information, advice and guidance since they began in 2002. Since April 2002, approximately 180,000 small and medium-sized enterprises (4.1 per cent) have used learndirect, with employees taking almost 600,000 courses. Sector and single organisation hubs accounted for approximately a sixth of this take-up in 2004-05, with the learndirect network accounting for the balance (**Figure 26**). Over 70 per cent of learners completed their courses.

3.21 For 2004-05, Ufi introduced take-up and completion targets for small and medium-sized enterprise learners for every learndirect centre, in order to drive up the contribution that the centres make to this area of activity. Many centres took on additional resources to achieve the targets. Nationally centres' performance on take-up was 16 per cent under target and the completion target was exceeded by 25 per cent. Regional performance for take-up targets varied between 51 and 144 per cent of target, with six out of nine regions missing their target. Our survey of learndirect centre managers indicated that the small and medium-sized enterprise targets, for both take-up and completion, were the most likely to be missed.

26 There have been almost 600,000 enrolments from small and medium-sized enterprise employees



Source: National Audit Office analysis of Ufi data

NOTE

The data represents a combination of data captured on the learndirect system, records stored by hubs on their own systems and a survey of the learning population. The percentage split between sector and single organisation hubs and learndirect centres is taken from data captured on the learndirect system and applied to all the data.

Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

³⁷ The lines cover six industrial sectors: automotive; active leisure and learning; audio visual; building services; retail; and science, engineering and manufacturing technologies.

3.22 In total, cumulative take-up of courses through sector and single organisation hubs stood at more than 450,000 by July 2005. Delivery relies heavily on two hub operators – a sector hub operator Assa Training and Learning (**Case Study 3**), and a single organisation hub operator, the Army. The two operators have been responsible for over half of the courses delivered by single organisation and sector hubs. In 2004-05, the take-up of courses through sector and single organisation hubs exceeded the target, with the two operators accounting for around 60 per cent of the course take-ups.

3.23 Small and medium-sized enterprises that have used learndirect are very positive about their experience and the impact it has had on their business. In general, small and medium-sized enterprises thought that using learndirect had a positive effect on the training culture of the organisation, that learndirect broadened access to free and flexible training in organisations, introduced staff to IT and raised staff aspirations to improve job performance and initiate further training.³⁸

CASE STUDY 3

Assa Training and Learning is one the largest learndirect hubs and operates in four industrial sectors: automotive components; automotive skills; science, engineering and manufacturing; and visual communications. It has a network of 20 learning providers who can offer learndirect services on employers' premises or at one of a number of learning centres.

Currently, around 40,000 learndirect courses are taken with Assa Training and Learning each year, and it has the highest completion rate of any hub at 90 per cent. It believes its success reflects strong engagement to understand the needs of the sectors it works in and providing a professional, flexible and seamless service. As well as delivering learndirect courses, Assa Training and Learning offers work-based National Vocational Qualifications at level 2, foundation and advanced apprenticeships schemes and tailored training from management development to basic skills. It delivers around 8,000 National Vocational Qualifications a year.

Assa Training and Learning takes learners with no formal qualifications and uses the learndirect portfolio as a stepping stone to National Vocational Qualifications. For many employees who have not done any learning for a long time, putting them straight onto a National Vocational Qualification can be intimidating. Using the flexible learndirect portfolio helps people to become confident in their ability to take on a National Vocational Qualification.

3.24 Ufi has developed strategic relationships with larger employers including Barclays Bank, the NHS, the RAC, the Royal Navy, the Royal Air Force and Army. Most have established learndirect centres within their organisations. For Barclays Bank, learndirect Solutions Ltd has developed a tailored learning solution, and learndirect is now a key component in Barclays' strategy to bring flexible and effective learning to local staff (**Case Study 4**). Other large employers, for example Nissan, have taken up learning services through the learndirect network. Ufi plans to develop further relationships with larger employers through the Employer Training Pilots³⁹ and the planned National Employer Programme, which is to be based on the Pilots.

CASE STUDY 4

Since 2002 Barclays, which employs almost 60,000 people in Britain, has formed close links with learndirect as part of its strategy to deliver learning and workforce development through 'Barclays University'.

Barclays University wanted to make learning an integral part of employees' lives, and realised that in order to achieve the desired shift in culture, learning opportunities would have to be highly accessible, convenient, flexible and enjoyable. learndirect centres were well placed to bring learning to managers and staff in local offices.

More than 100 learndirect centres have a dedicated Barclays University personal computer which Barclays' employees use to access a variety of e-learning delivered by learndirect, including courses on regulatory topics such as money laundering, on key business processes, and on personal development and management skills.

By the end of 2004, over 40,000 courses had been taken by Barclays' employees through the Barclays University/learndirect partnership.

³⁸ Focus groups and in-depth interviews with small and medium-sized enterprises that have used learndirect, conducted by NOP World for the National Audit Office.

³⁹ Employer Training Pilots were established to test different approaches to support for small companies that otherwise might not be able to provide or be able to afford training, to enable them to release staff for training to improve skills.

Some learndirect learners are moving onto learning in the post-16 sector but more could do so

3.25 Ufi's mission and strategic direction has changed with time. Ufi was set up to widen participation in adult learning, by winning over new and excluded learners. The Skills Strategy⁴⁰ placed an increased focus on learner achievement and qualifications. Subsequently Ufi's focus, as with other learning providers, has changed in order to contribute more effectively to the Department's Public Service Agreement targets on adult level 2 qualifications and adult literacy and numeracy⁴¹ that reflect the Skills Strategy. These factors have combined to increase the importance of helping people to move on to learning in the post-16 sector, whether by continuing with learndirect or learning with another education provider.

3.26 Some of learndirect's contractors have integrated work to help learners progress onto new learning into their core activities (**Case Study 3**). However, data on progression are not captured routinely, and the extent to which people using learndirect progress onto other learning is available only through surveys. A recent survey that tracked people for up to two years after their initial contact with learndirect indicated that 9 per cent of learndirect learners qualified below level 2 gained a full level 2 qualification over the two years.⁴² No separate survey has been done for small and medium-sized enterprise learners. The Department plans to introduce a Unique Learner Number from 2007, which should simplify tracking of learners' progress. Currently a range of learner identifiers are used by different providers. A unique learner identifier would provide the means to follow a learners participation and achievement across different providers over time.

3.27 Survey results show that the percentage of learners intending to continue onto future learning after they have finished their learndirect course increased from 83 per cent in winter 2001-02 to 89 per cent in winter 2004-05, although learners who intend to continue may not actually do so.

3.28 Ufi plans to increase learndirect's contribution to the literacy and numeracy target and help learners to progress to level 2 qualifications covering a wide range of subjects (**Figure 27 overleaf**) by:

- increasing its contribution to literacy and numeracy test passes from 8 per cent of the annual total of 250,000 (19,000) to 23 per cent (58,000) by 2010. This will involve increasing the percentage of literacy and numeracy learners taking tests from 25 to 43 per cent and improving the pass rate from 70 to 84 per cent;
- increasing the number of pre-level 2 learners progressing to level 2 courses with other providers from around 34,000 to 65,000 learners per year by 2010. This will involve doubling the percentage of pre-level 2 learners progressing, to 19 per cent, assuming the number of pre-level 2 learners falls slightly; and
- delivering 8,000 full level 2 qualifications annually by 2010.

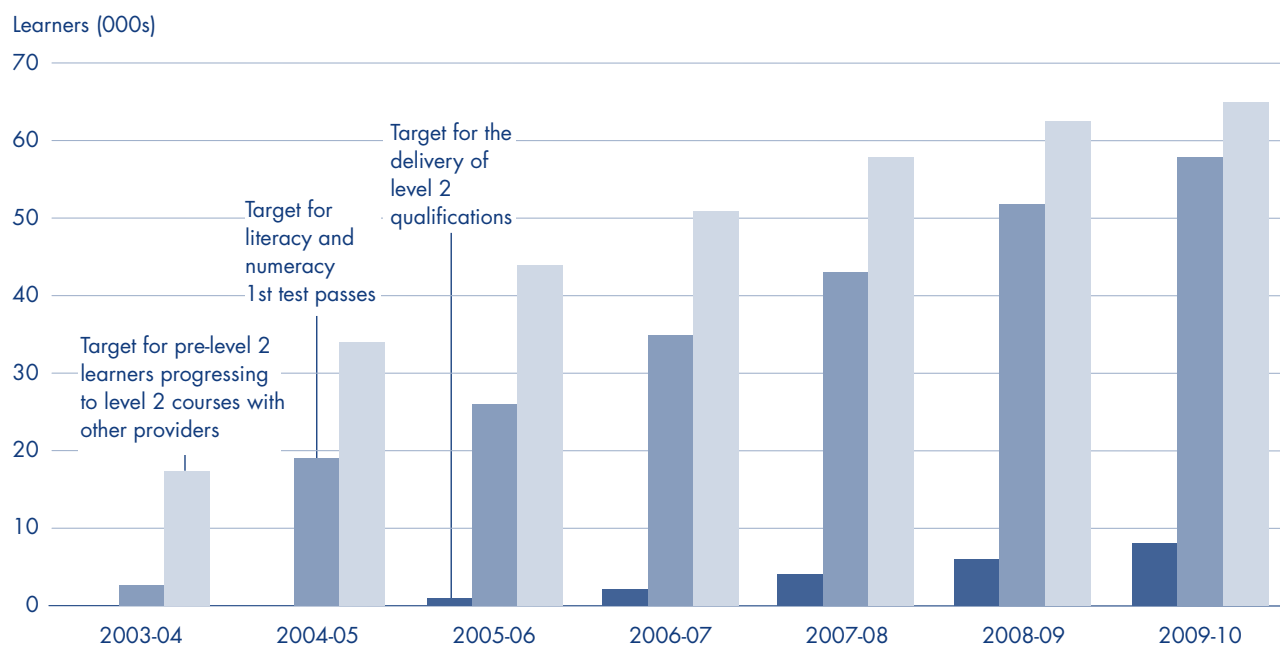
3.29 As part of these plans, all learndirect providers will be required to offer e-assessment for literacy and numeracy and vocational qualifications. In addition, some providers will offer level 2 provision. Progression routes will be clearly identified so that learners can be encouraged to learn with the providers most able to meet their needs. learndirect's own portfolio of courses is to be developed to support full National Vocational Qualifications. Information Technology Qualification and Business Improvement Techniques are likely to be among the first National Vocational Qualifications provided through learndirect.

40 21st Century Skills: realising our potential – individuals, employers, nation, cm 5810, 2003.

41 Improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007; and reducing by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006.

42 Tracking learning outcomes: evaluation of the impact of Ufi, Research Report RR569, Department for Education and Skills, 2004.

27 Ufi has set targets to increase its contribution towards level 2 qualifications and literacy and numeracy test passes



PART FOUR

Costs and cost-effectiveness



4.1 This part of our report analyses public expenditure on Ufi and the learndirect service and examines their cost-effectiveness. It discusses potential extended uses for UK online.

Ufi and the learndirect service have received a significant proportion of further education funding since 1998

4.2 By the end of July 2005, Ufi and the learndirect service had received £930 million from further education funding since November 1998, and expect to receive a further £205 million in 2005-06 – representing 2.4 per cent of the budget for further education over the period (**Figure 28 overleaf**). In 2004-05, Ufi spent £218 million on activities in England, which equates to 2.6 per cent of expenditure on the further education sector in England.⁴³

4.3 Prior to August 2004, the Department for Education and Skills (the Department) funded Ufi and the development of the network, while the Learning and Skills Council for England funded the hubs and the respective funding bodies for Northern Ireland and Wales⁴⁴ funded providers for each person taking up

eligible learning. The Learning and Skills Council's funding of learners increased as the learndirect network became established. From August 2004, Ufi has been predominantly funded by the Learning and Skills Council in England, Education and Learning Wales, and the Department for Employment and Learning in Northern Ireland. Ufi has two contracts with the Department for specific projects,⁴⁵ but no longer receives funding for the development of the learndirect network.

4.4 The Learning and Skills Council has reduced education funding for Ufi by 16 per cent to £205 million for 2005-06 compared to the 2004-05 budget of £243 million. Ufi expects to absorb the majority of the reduction through improvements in efficiency and reductions in overhead costs. It expects funding for learndirect centres to remain at a similar level to 2004-05. Ufi has not waited until 2005-06 and started to implement overhead cost reductions in January 2005, for example by freezing recruitment of staff.

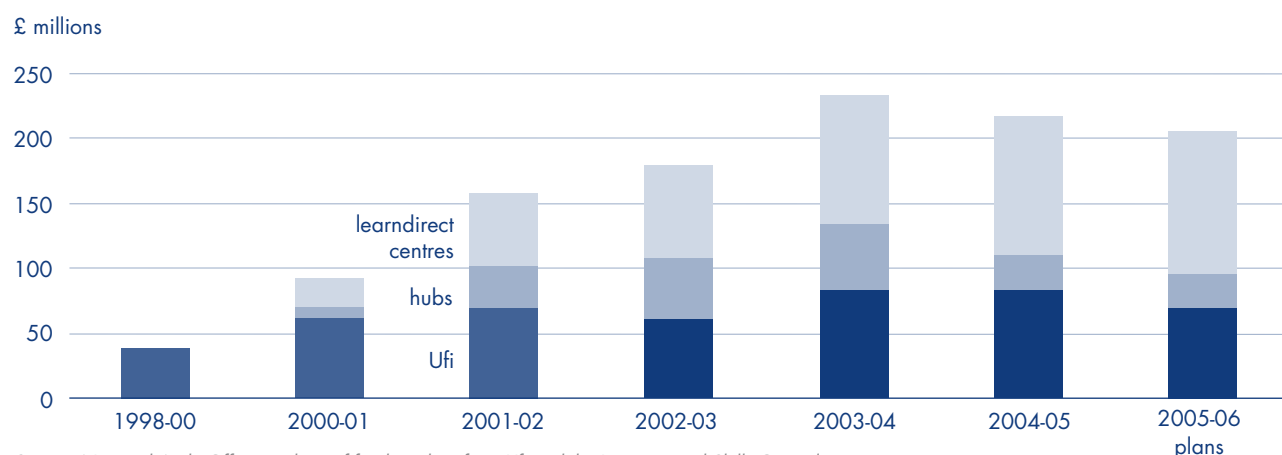
4.5 Ufi also receives income from a number of other sources including grants from other departments and the European Social Fund (£11 million by the end of July 2005), and commercial income from providing tailored learning to businesses (£12 million by the end of July 2005).

⁴³ Ufi also received a further £1.5 million for activities in Northern Ireland and Wales.

⁴⁴ In Northern Ireland, the Department for Employment and Learning and in Wales, Education and Learning Wales.

⁴⁵ To design and implement a UK Register of Learning Providers and to investigate the possibility of Ufi competitively procuring, rolling out, managing and maintaining the Cybrarian project (see paragraph 2.19).

28 Ufi and learndirect had received £930 million in education funding by the end of 2004-05



NOTE

1998-2000 covers 17 months to 31 March 2000. 2000-01, 2001-02 and 2002-03 are financial years. 2003-04 covers 16 months to July 2004, a change from financial to academic year. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

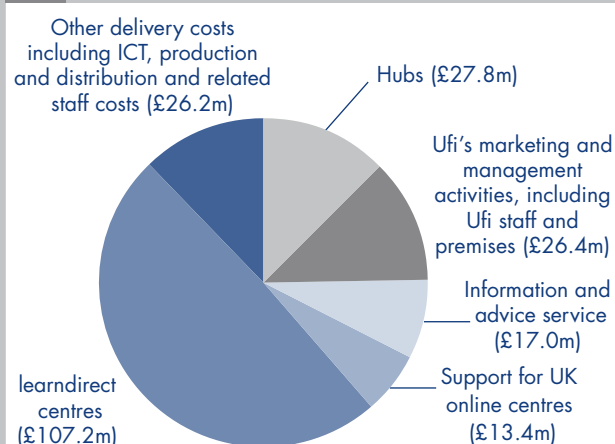
Ufi and the learndirect service's overhead costs are high but reducing

4.6 Of the £218 million expenditure for 2004-05 (Figure 29):

- 49.2 per cent (£107.2 million) went to learndirect centres and 12.8 per cent (£27.8 million) to hubs;
- 6.1 per cent (£13.4 million) supported the UK online network;
- 7.8 per cent (£17.0 million) supported the information and advice service (Advice Line and website);
- 12.0 per cent (£26.2 million) went on other delivery costs, including ICT, production and distribution of materials and related staff costs; and
- 12.1 per cent (£26.4 million) paid for Ufi's management and marketing activities including Ufi staff and premises.

4.7 Excluding the £30.4 million spent on UK online and the information and advice service, the remaining £187.6 million (86 per cent) of expenditure in 2004-05 was spent mainly on services to learndirect learners. As the organisation of Ufi matures, Ufi has been able to increase the proportion of its public funding spent directly on learners. Nevertheless in 2004-05, 29 per cent of the £187.6 million was spent on marketing and management

29 Ufi and learndirect received £218 million in further education funding in 2004-05

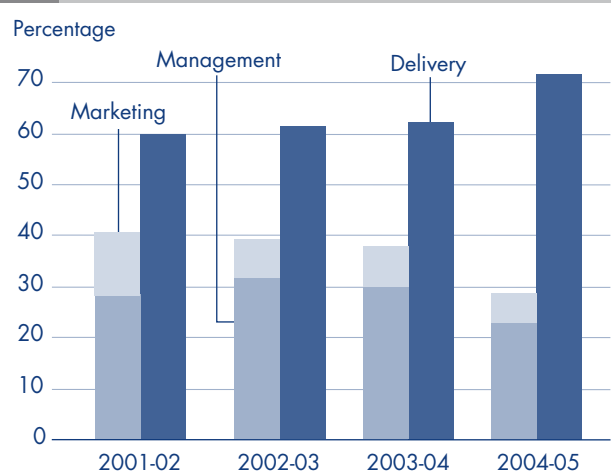


NOTE

Funding for the information and advice service includes £4m for marketing the Advice Line. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

in Ufi and the hubs. The remaining 71 per cent was spent directly on developing and delivering courses, and providing ICT. **Figure 30** shows the profile of reducing management and marketing costs since 2001-02.

30 The percentage of expenditure spent on management and marketing is reducing



Source: National Audit Office analysis of Ufi funding data

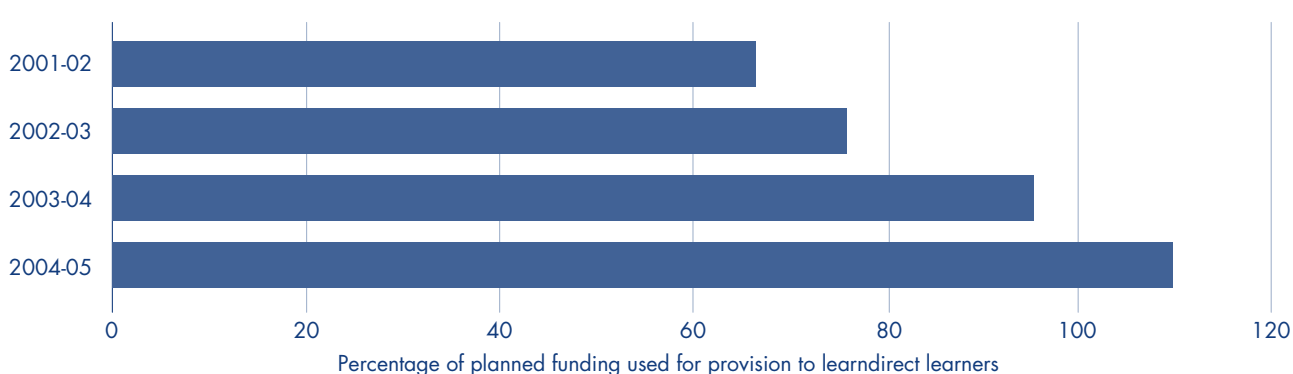
NOTE

Delivery costs include expenditure on learning centres, ICT and courses. Marketing and management costs include Ufi and hubs. 2001-02 and 2002-03 are financial years, 2003-04 covers the 16 month period April 2003 to July 2004. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

4.8 Marketing costs have been high (by July 2005, 10 per cent of Ufi's total income) while Ufi has been developing brand awareness of learndirect. Ufi evaluates the effectiveness of all its major marketing campaigns. As measured by the cost per response, they are better than comparable benchmarks, generating a response at lower cost than similar public sector promotions and similar costs to private sector promotions. For example, the learndirect Advice Line campaign in 2002-03 generated over a quarter of a million telephone calls at a cost of £9 per call, compared with £53 for the adult literacy and numeracy (Gremlins) campaign, and £35 for the Modern Apprenticeships (now Apprenticeships) campaign (both of which had a more specific target audience) and around £10 for insurance companies and direct holiday companies.⁴⁶

4.9 Figure 31 illustrates how services to learners fell short of the Learning and Skills Council's planned performance for learndirect in the early years, but are currently at around the planned level. Each year the Learning and Skills Council allocates a certain level of funding for provision to learndirect learners. Prior to 2004-05, funding was paid in advance, based on planned performance, and clawed back if not used. In the financial year 2001-02, learndirect centres delivered only two-thirds of the services, and therefore retained 67 per cent of the planned funding (Figure 31). Services came closer to plan in subsequent financial years (76 per cent in 2002-03 and 95 per cent in 2003-04), and for 2004-05 were 110 per cent of the plan, partly funded from overhead savings.

31 Services to learners fell short of plans in the early years



Source: National Audit Office analysis of Ufi and Learning and Skills Council data

NOTE

Unused funding was clawed back by the Learning and Skills Council and used for provision elsewhere in the post-16 education sector. 2001-02 and 2002-03 are financial years. 2003-04 covers the 16 month period from April 2003 to July 2004.

Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

46 Central Office of Information survey for Ufi examining response costs of private sector promotions, 2002.

Cost-effectiveness measures are helping to reduce costs

4.10 In 2003, Ufi commissioned Cap Gemini Ernst and Young to analyse the cost of delivering learndirect at all points in the delivery chain – Ufi, hubs and learning centres. Ufi implemented a number of changes as a result of this review, and two in particular have led to reductions in cost:

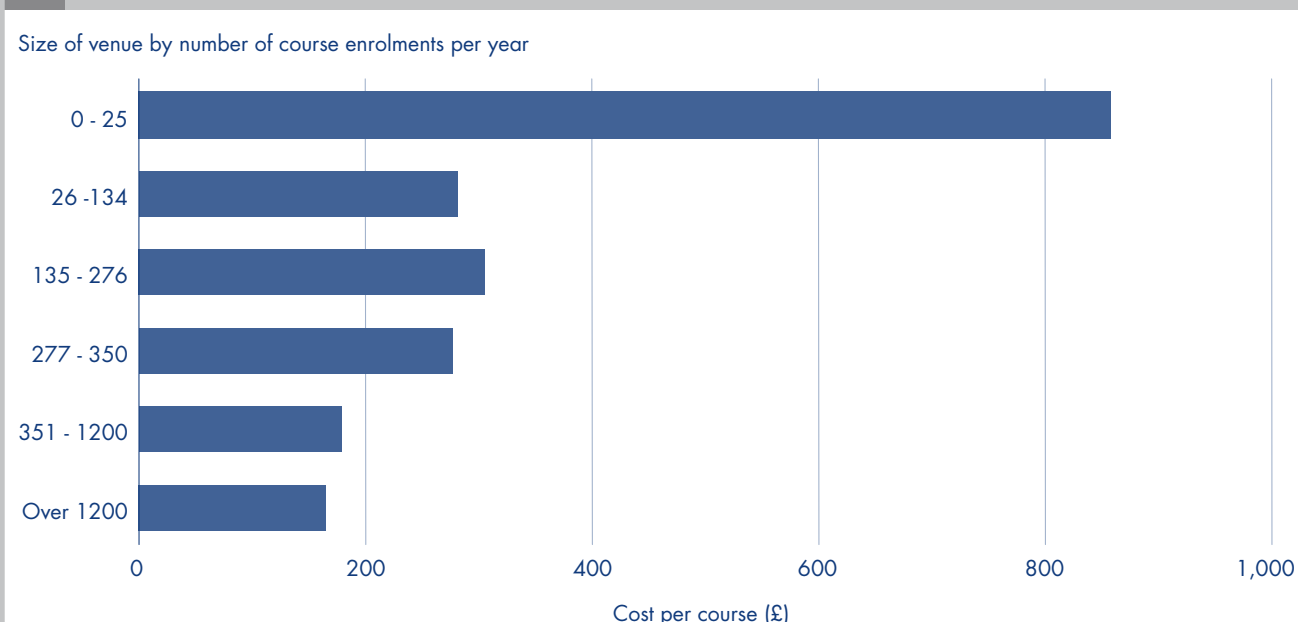
- a reduction in the number of geographic hubs; and
- improvements in efficiency in low-volume learning centres.

4.11 During 2003-04, the number of hub operators was reduced from 51 to 29, leading to an overall cost saving of around £6 million a year. The reductions took account of findings by Cap Gemini Ernst and Young that while some hubs provided an extensive service to learning centres, others provided a limited core service that raised questions about the value of the hub.

4.12 Cost per course varies considerably between different sizes of centre (**Figure 32**). In the financial year 2002-03 those enrolling the most students, accounting for about 45 per cent of courses taken up, had an average cost per course of approximately £175. Centres enrolling the least students, accounting for about three per cent of courses taken up, had an average cost of £800 per course, and these centres were often unable to provide learndirect courses to a high quality. Ufi has since classified learndirect venues into three types. Large and medium centres are both funded. Smaller link centres⁴⁷ receive no direct funding but act as a referral point for learners to try out courses, and the link centre may receive a percentage of funding when a learner is referred to, and enrolled at, a funded centre.

4.13 The new funding model introduced in August 2004 (Appendix 3) has resulted in learndirect centres delivering the same services for less money. Almost 70 per cent of learndirect centre managers responding to our survey felt they were delivering the same or more services for less. In late 2004, modelling by Ufi indicated that, on average, centres were delivering the same activity for 12 per cent less funding. Ufi considered this reduction in funding was too severe for centres to cope effectively and altered the funding model in December 2004 to reduce it to 8 per cent.

32 Cost per course varied widely between different sizes of centre in 2002-03



⁴⁷ The classification of link centres cannot be related to the size of venue as this relationship varies geographically.

4.14 There are a number of ways to measure cost-efficiency, including average costs per course, per learner, and per completed course (**Figure 33**). As learndirect enrolls more learners and as completion rates improve, cost-efficiency is improving. Not all courses are the same length, and they therefore require different amounts of support. Course weightings aligned to the length of courses provide a more accurate picture – short courses x1, medium courses x2 and long courses x4. The weighted cost of total completion was £179 in 2005, which Ufi plans to reduce to £160 by 2010. Figure 33 shows the costs per unweighted completion since the data for completions by course length are not available for earlier years. The improvement in cost per unweighted completion in 2005 is a result of improved completion rates arising from the introduction of the new funding model in August 2004.

4.15 While the Learning and Skills Council funds other education providers, it does not collect data on the average cost to the provider for each learner for particular courses. Learning providers make returns about learning records at an individual level but not about associated costs. The Learning and Skills Council makes payments to providers according to the type of learning, because different types of learning can attract different funding levels. The provider is responsible for ensuring that its costs can be met from the standard rates. Therefore there is

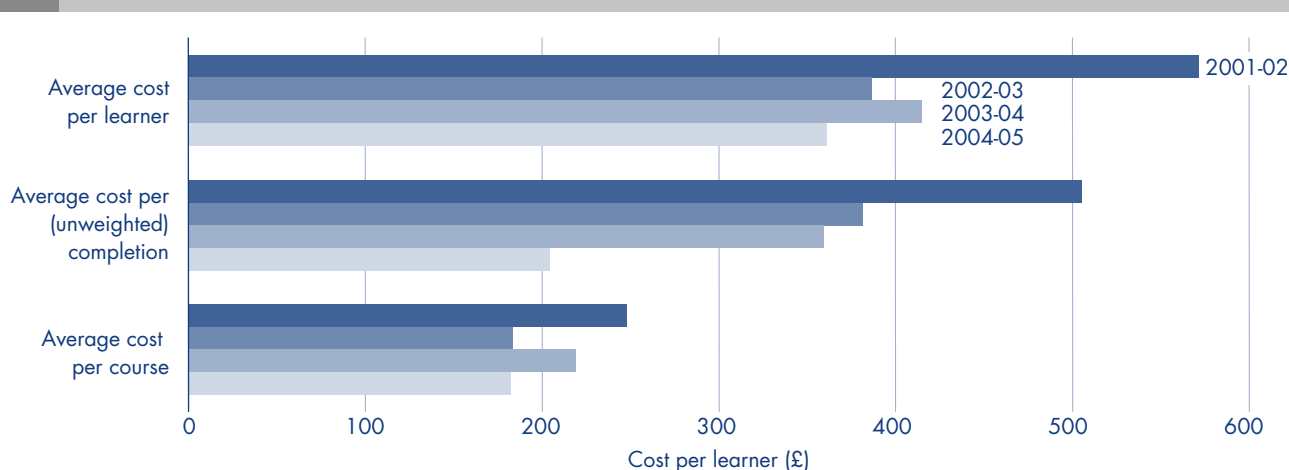
no comparable cost data available from other educational providers and we have been unable to benchmark Ufi's costs against those of other providers.

4.16 Ufi has a staged strategy to bring the delivery and maintenance of its IT systems in-house that started in March 2004 with a change in supplier for the delivery and maintenance of IT systems, when some of the services were brought in-house. Ufi estimates the changes are leading to savings of around £2 million a year and considers that they bring additional benefits in retaining core knowledge and skills in its organisation. It expects further savings of £1 million a year from August 2005 when it plans to provide the whole service in-house.

More fundamental changes would reduce costs further

4.17 The four tiers of Ufi and the learndirect network – Ufi's central and regional offices, the learndirect hubs and learndirect centres – provide an opportunity to reduce overheads further. A recent value for money review⁴⁸ of Ufi and the learndirect network found that activities of each tier are not well integrated, causing duplication and inefficiency. For example, Ufi's central and regional offices each have teams working on widening participation and workforce development.

33 The average cost per learner, per completion and per course is reducing



NOTE

Cost per completion is unweighted because the data for completions by course length are not available for years prior to 2004-05. 2001-02 and 2002-03 are financial years. 2003-04 covers the 16 month period from April 2003 to July 2004. Data for the academic year 2004-05 may be adjusted following the audit work for Ufi for 2004-05.

48 Commissioned by Ufi and the Learning and Skills Council and completed by consultants, Develin and Partners, in late 2004 - early 2005.

4.18 Most people and organisations involved in learndirect agree that some rationalisation is required. There is, however, no consensus on how this should be achieved – whether by removing one tier, such as the hubs or the regional offices, or by more clearly assigning functions between the four tiers. Ufi has established an 18-month change programme, to be completed by August 2006, which will likely involve some reorganisation of both the central functions and the learndirect delivery chain.

Ufi remains largely dependent on public funding

4.19 One of Ufi's original objectives was to generate substantial income in addition to public sector funding. Up to 31 July 2005 Ufi had, however, generated only £12 million in commercial income, including Connexions and NHSU helplines. Ufi plans to increase commercial income through:

- private sector activities;
- collection of fees from learndirect centres; and
- course sales to small and medium-sized enterprises.

4.20 Ufi established learndirect Solutions Ltd in August 2004 to provide services to large employers on a purely commercial basis, operating outside Ufi's public sector remit. Under the original organisational structure Ufi could not borrow commercially or generate reserves from its publicly funded activities to provide sufficient investment to develop commercial activities. Current business is small but profitable, with a turnover of £1 million.

4.21 The Learning and Skills Council has a long-term goal for further education providers to increase the income they receive from other sources. For many courses, depending upon the type of learner and the nature of the learning, the Learning and Skills Council assumes that the college receives a fee in part payment from the learner or their employer. Prior to August 2005 it funded colleges on the assumption that this fee was 25 per cent, which

rose to 27.5 per cent from August 2005 and which will continue to rise to 35 per cent by August 2008. In practice colleges vary the amount that they charge, taking local circumstances into account. Ufi does not hold data on the percentage of income that learndirect centres generate from fees, but is developing a system to capture data from 2005-06. It will apply the same fee level assumptions as the Learning and Skills Council in respect of the learndirect network.

4.22 Ufi has developed services for employees of small and medium-sized businesses, but these have been almost entirely publicly funded except for a current annual fee income of over £250,000. This compares with total expenditure by small and medium-sized enterprises on business training estimated at £3.8 billion a year, spent mainly with local training companies. Ufi has set an aspirational target of £40 million a year by 2010 for fee income from small and medium-sized businesses. To help achieve this increase – and overall growth in work with businesses – Ufi is introducing the 'learndirect business offer', which will test products and prices during 2005 and identify those products and facilities that businesses will want to use. The testing includes:

- a user-friendly e-commerce facility, to be available on the learndirect website by autumn 2005, which will accept credit and debit card payments to buy courses directly from Ufi;
- offering a portfolio of courses that can only be bought this way, which is likely initially to have 15 to 20 courses covering IT skills and to help businesses comply with legislation, to be followed by more sophisticated courses later;
- offering an agency agreement to both existing learning centres and a number of organisations that provide services to small and medium-sized enterprises such as banks, which can earn commission by introducing small and medium-sized enterprises to the e-commerce service; and
- testing promotional campaigns, both at a local level and in industrial sectors.

Departments and agencies could make more use of UK online

4.23 Electronic service delivery is a fundamental part of public service reform. Even so, despite growth of home internet access, over half of all adults do not have access to the internet.⁴⁹ In addition, almost a third of the population (32 per cent) say that they lack the confidence and skills to use the internet.⁵⁰ UK online centres were established to bridge these gaps. The majority were set up between 1999 and 2002 using money from the Big Lottery Fund⁵¹ and Capital Modernisation Fund.⁵² Some centres already existed and applied for the UK online brand name. Ufi administers and develops the UK online network with the aim of securing the long-term sustainability of centres that meet a local need. Ufi, however, has little direct control over centres except where they receive Ufi funding, for example for learners to undertake courses.

4.24 Between January and August 2004, the Department collaborated with Ufi in a pilot to explore the potential of UK online centres to support the delivery of e-government services. The pilot examined options to engage UK online users in nine different areas of e-government (**Figure 34**) in around 70 centres, which supported design, testing, delivery and promotion of around 40 different e-government services under the nine themes. Partners in the pilot included other government departments and agencies and NHS Direct.

4.25 In 2005, the Department evaluated the pilot⁵³ and commissioned research to examine the potential for increasing the take-up of e-government services through UK online centres.⁵⁴ The research identified the following benefits:

- **Centres provide access to socially excluded groups who are high users of many public sector services.** Just under a third of all users in the pilot were unemployed, over a quarter were from ethnic minority groups, and around 28 per cent were from the 2,000 most deprived wards in England.
- **Centres are able to promote e-government.** Centre staff were the most effective means of promoting e-government to users, followed by referrals from staff in partner organisations and word of mouth. Centres used innovative ways to attract people, from family face painting events to lunch clubs for older people.
- **Centre staff can engage and support people and thereby increase take-up of e-services.** Simply giving people access to the technology was not enough. Staff were needed to help them use it, for example by linking e-government activity to other activities such as ICT or internet courses or guidance sessions.

34 Nine e-government pilots have shown the potential for UK online centres to act as delivery channels for e-government services

The nine pilots for areas of e-government

- Benefits for older people
- Benefits for working age people
- Citizenship
- Community engagement
- DirectGov
- e-procurement
- Family e-learning
- Job search
- Rural e-services

The benefits of using UK online centres as a delivery channel for e-services

- Reach key client groups
- Can target specific groups and locations
- Boost e-government service take-up
- Encourage government 'self-service'
- Embed e-services in e-learning
- Existing user base for e-services
- Friendly and trustworthy environment
- Support for users

Source: National Audit Office

49 *The digital divide in 2025: An independent study conducted by BT, Future Foundation, 2004.*

50 MORI Omnibus survey, February 2004.

51 Big Lottery Fund is the joint operating name of the New Opportunities Fund and the national Lottery Charities Board, which made grants under the name of the Community Fund.

52 The Capital Modernisation Fund was set up as part of the Comprehensive Spending Review in 1998 to support capital investment projects to improve key public services or public infrastructure.

53 *Evaluation of the UK online e-government Pathfinder project*, Jon Down, 2005.

54 *UK online centres and e-government*, SQW limited and MORI Social Research Institute, Research Report 632, Department for Education and Skills, 2005.

- **E-government complements UK online centres' core business.** People can be encouraged to step onto a virtuous circle of using the technology and the internet, accessing e-government services, and taking up learning online.
- **Centres can play a key role in the joined-up delivery of central and local public sector services.** For example, in the Jobsearch pilot the number of people successfully using the Worktrain and Jobcentre Plus websites led to local Jobcentre Plus offices offering centres intermediary agreements.

4.26 The pilots clearly demonstrate the ability of UK online centres to engage large numbers of socially excluded users quickly and successfully in e-government services. They introduced 3,600 people to e-government services and around half said they would definitely use e-government again. There were three principal reasons for the positive reaction: easy access to information; relevance of information; and convenience of the services. Extrapolating the results across the UK online network indicates that UK online centres may have the potential to introduce more than 1 million new users a year to e-government services in the short term.

4.27 While the pilots concluded that cost savings should be possible, they did not investigate the level of savings that could be achieved. They did, however, identify three business models that could support departments' work to increase take-up of their e-services:

- **Low intervention** – UK online centres show people specific e-services and/or build them into activities such as internet sessions or guidance sessions, and help them with ICT skills, internet access and an awareness of e-government. Departments, agencies and local authorities would provide materials and guidance to support the centres and, where appropriate, contact points that they can refer people to.
- **High intervention** – centres encourage and support people proactively in their use of public sector e-services. For example, in the pilots for citizenship and benefits for older people, centres provided help with specific information, printing out and completing forms and reading the text on websites. Departments and agencies would work closely with the centres, provide specific training and might fund some staff salaries.
- **Specific outcomes** – centres undertake to work with people for a specific e-service such as the Winter Fuel Allowance or a new Tax Credit. The relationship would be contractual between the department or agency and the centres.

4.28 Ufi is working with DirectGov and the departments that took part in the pilots to identify which model best suits their particular e-government services. The Department is considering how to promote UK online to other departments and agencies not involved in the pilots.

APPENDIX 1

Funding learndirect across the UK

England

1 Ufi distributes funding for learndirect courses to learndirect hubs, which in turn use the funding to purchase educational services from learndirect centres. The amount is based on a standard amount for a particular course, paid in two stages (three for long courses), which depends on the percentage of learning outcomes achieved (**Figure 35**). A final payment of 13 per cent of the total is made if the learner achieves a selected qualification or their personal learning goals.

2 The basic amount is adjusted for a number of factors. For example, an uplift of 20 per cent of the basic cost of the course is available in respect of a priority learner on a priority course. In 2004-05, priority learners fell into four categories: learners with literacy or numeracy needs enrolled on a literacy or numeracy course, pre-level 2 learners, learners from small and medium-sized enterprises and learners from certain business sectors. Priority courses were mainly those leading to a qualification. Both the learner and course criteria would have to be met for the uplift to apply. In 2005-06, there are only two categories of priority learner: learners with literacy and numeracy needs enrolled on a literacy or numeracy course, and pre-level 2 learners.

3 In addition, an area uplift, between 1 and 20 per cent of the basic cost of the course, is available to reflect increased costs in different geographic areas. For example, in parts of London the uplift is 20 per cent, whereas in Oxfordshire it is 7 per cent. A disadvantage uplift is also available to reflect the additional costs of supporting learners from disadvantaged backgrounds, including ex-offenders (12 per cent), the homeless (14 per cent), or people from a deprived ward (variable, but averages 12 per cent).

Wales and Northern Ireland

4 Other funding models are used in Wales and Northern Ireland. Ufi Cymru has been run as a separate financial unit reflecting the fact that its income is sourced in Wales. Ufi Cymru is funded through the sale of licences to partnerships of colleges for the use of learndirect materials and support. Funding for learning is paid directly to the provider by Education and Learning Wales. Education and Learning Wales is to merge with the Welsh Assembly Government in April 2006.

35 Funding model for learndirect in England

Course	Interim payments	Payment on course completion	Payment on achievement of either a personal learning goal or an accredited qualification
Short (3 to 15 hours) and Medium (15 to 60 hours)	25 per cent on completion of 50 per cent of learning outcomes	62 per cent	13 per cent
Long (over 60 hours)	25 per cent on completion of 30 per cent of learning outcomes and 25 per cent on completion of 60 per cent of learning outcomes	37 per cent	13 per cent

Source: Ufi

5 The Department for Employment and Learning funds learndirect in Northern Ireland. The funding supports learners undertaking learndirect courses and the Northern Ireland regional office of Ufi Ltd. The Department for Employment and Learning in Northern Ireland has decided to withdraw funding for learndirect from March 2006. Although the Department recognised the contribution made towards widening access to education, it felt Ufi had not demonstrated how it was assisting the Department's policy objectives in Northern Ireland. Ufi is exploring the possibility of continuing to offer learndirect services in Northern Ireland through other means.

Scotland

6 In Scotland, the Scottish University for Industry is responsible for providing the 'learndirect scotland' service, which is different from that provided by Ufi in England (**Case Study 5**). The Scottish University for Industry was established by Scottish Ministers to promote employability and social inclusion for individuals and competitiveness for companies by means of: stimulating demand for lifelong learning by businesses and individuals; providing information and advice to enable learners to find out about the range of opportunities and support available in Scotland; improving access to learning through working with partners to overcome barriers to learning, and developing capacity in the learning market through working with partners to encourage innovation and address market gaps.

7 learndirect scotland branded learning centres do not receive mainstream funding from learndirect scotland. The centres have a diverse range of funding and ownership structures including private, voluntary and public sectors. All centres are offered generic infrastructure support from learndirect scotland, regardless of their core funding source. However, any additional funding secured from the Scottish Executive is often made available to learndirect scotland branded centres to support specific sectors and thematic activities, for example, excluded individuals, learners from small and medium-sized enterprises and innovative learning pilots.

CASE STUDY 5

The Scottish University for Industry was established by the Scottish Executive to promote employability and social inclusion for individuals, and competitiveness for companies, through encouragement of lifelong learning. The Scottish Executive considered establishing the Scottish University for Industry as a not-for-profit trust, and limited company with charitable status, as had been done with Ufi. However, to the Scottish Executive, neither of these mechanisms appeared appropriate for the blend of commercial and public service activities actually undertaken. Instead it retained flexibility through the formation of a two company, group structure. The Scottish Executive recognised the benefits of this when Scottish Ministers became sole members of the holding company, and the Scottish University for Industry became an executive Non-Departmental Public Body with private limited company status in April 2005.

This change in status to executive Non-Departmental Public Body was prompted by the Scottish Executive's belief that the original commercial structure had become increasingly inappropriate. It felt that the original focus on profit generation compromised the Scottish University for Industry's core activities. In addition, it felt that the drive to generate income compromised learndirect scotland's position as an independent broker of learning opportunities in Scotland.

The Scottish University for Industry operates under the brand 'learndirect scotland'. It does not own or manage any learning centres but enters into agreements with learning centre providers to offer high quality learning in a learner centred environment. Learning centre providers are allowed to use the name in exchange for agreeing to abide by learndirect scotland's rigorous quality standards, as articulated in the 10 point 'pledge to learners'. There are 481 learndirect scotland branded centres of which 244 are in socially excluded areas. Centres are managed by a range of learning providers, including further education colleges, community groups, libraries, companies, private sector bodies, voluntary sector bodies and trade unions.

The Scottish University for Industry maintains a national database of learning opportunities and offers impartial information and advice on learning to people and businesses. The learndirect scotland advice line receives around 80,000 calls annually.

APPENDIX 2

Methodology

Introduction

1 We adopted a variety of methods in our examination of Ufi and the learndirect service to examine:

- whether Ufi and the learndirect service are achieving relevant and sustainable innovation;
- how successful Ufi and the learndirect service have been in increasing and broadening access to learning;
- how successful Ufi and the learndirect service have been in enhancing skills;
- the cost-effectiveness of Ufi and the learndirect service; and
- good practice in the development and delivery of innovative initiatives.

We did not assess the governance and internal control arrangements reported within the financial statements which Ufi's auditors assess as part of their audit of the statements.

Consultation with stakeholders and key interest groups

2 Throughout the planning and fieldwork stages we consulted widely with stakeholders and key interest groups. The consultation largely took the form of semi-structured interviews. The groups we consulted included:

Adult Learning Inspectorate
 Association of College Management
 Association of Hub Operators
 Association of Learning Providers
 BBC
 British Educational Communications and Technology Agency
 Confederation of British Industry
 Federation of Small Businesses
 Help the Aged
 Institute of Employment Studies
 National Institute for Adult Continuing Education
 Open University
 Small Business Service
 Workers' Educational Association

3 We asked these groups for their views on:

- the five key issues in paragraph 1 of this appendix;
- good practice in e-learning and helping hard-to-reach learners back into learning; and
- engaging businesses, especially small and medium-sized enterprises, in e-learning.

4 We collated and analysed the issues discussed during interviews to ensure breadth of coverage.

Review of research on Ufi and e-learning

5 We analysed research carried out or commissioned by Ufi on the needs of its potential customers and the impact of its services. This analysis also helped us to identify the benefits and barriers to e-learning, and customers' views of e-learning services and learndirect. We reviewed other research on e-learning to help highlight topics of interest for our electronic survey, focus groups and interviews.

6 We drew on internal and external reviews of Ufi and the learndirect service including:

- a review of the relationship between DfES and Ufi, carried out by Pricewaterhouse Coopers and Quentin Thomas, 2003;
- a value chain analysis of Ufi and the learndirect service, commissioned by Ufi, and conducted by Cap Gemini Ernst and Young, 2003; and
- a value-for-money review of Ufi, commissioned by Ufi and the Learning and Skills Council and conducted by Develin and Partners, 2005.

Secondary data analysis

7 We analysed a range of national, regional and local data from Ufi and the Learning and Skills Council including: information and advice service statistics; performance statistics for the network, including learndirect hubs, learndirect centres and UK online centres; financial data and marketing data.

Electronic survey among learndirect centres

8 We carried out an electronic survey among learndirect centres to identify the key issues faced by the centres in delivering learndirect services. The survey questions were informed by interviews with third parties, pilot visits to two learndirect centres and one geographic hub, and a focus group with five learndirect centre managers. The survey was sent to 2,000 centre managers. We received 415 responses covering 773 learndirect centres that delivered services to approximately 50 per cent of the current learner population. Our analysis of survey responses identified a diversity of views and lack of consensus on many issues, and the results of the survey therefore did not substantially influence many of our specific findings, conclusions and recommendations.

However, the diversity of views has implications for Ufi's future management of change, in that it indicates that Ufi may often be unable to devise solutions that are supported by a clear majority view of its main providers.

Focus groups and interviews with learners

9 We commissioned NOP World to conduct three focus group discussions and five individual in-depth interviews with learners who had used learndirect. One focus group was with learners who had used and completed literacy and numeracy courses, another with learners who had used and completed learndirect business and IT courses, and the third with learners who had used but not completed learndirect business and IT courses. The five in-depth interviews were held with learners who had used but not completed learndirect literacy and numeracy courses. A total of 19 people took part.

10 The topic guide for the focus group discussions and depth interviews covered a range of subjects including: previous learning experiences; knowledge of and reasons for choosing learndirect; views on the learndirect service including areas of satisfaction and dissatisfaction, and what could be improved; reasons for completing or not completing courses; the impact of learning with learndirect and future plans to learn.

Focus groups and interviews with small and medium-sized enterprises

11 We commissioned NOP World to conduct two focus groups with small and medium-sized enterprises that had not used learndirect and 10 individual in-depth interviews with small and medium-sized enterprises that had used learndirect services. A total of 23 people took part. Participants were all responsible for co-ordinating the training provision within their organisation.

12 The topic guide for the focus group discussions with small and medium-sized enterprises that had used learndirect covered a range of subjects including: knowledge of and reasons for choosing learndirect; views on the learndirect service including areas of satisfaction and dissatisfaction, and what could be improved; the impact of learndirect on their business and future plans for training.

13 The topic guide for the in-depth discussions with small and medium-sized enterprises that had not used learndirect covered a range of subjects including: training needs of these organisations; awareness and understanding of online learning and learndirect; the potential benefits and drawbacks of using learndirect.

Interviews with large employers

14 We conducted structured interviews with two large employers that have used learndirect – Barclays Bank and the RAC. The topic guide for these interviews covered a range of subjects including: the training needs of the organisation; reasons for choosing learndirect; views on learndirect provision; and impact on the business.

Case studies

15 Between January and April 2005, we conducted a series of case study visits to a number of organisations to provide a flavour of the range of services available through learndirect, identify the key issues faced by organisations delivering learndirect services, highlight innovative approaches and draw out good practice. The case studies selected were:

- two sector hubs and two geographic hubs;
- five learndirect centres including one large centre, one medium centre, one link centre, one virtual centre and one Premier Business Centre;
- a UK online centre;
- the learndirect National Advice Line Service;
- the Learning through Work initiative;
- the National Tutor Service; and
- the Scottish University for Industry.

16 During our visit to the National Advice Line Service we observed staff taking calls and the procedures they used when providing information and advice. During our visits to learndirect and UK online centres we took the opportunity to talk to learners about their experiences.

Benchmarking

17 In order to draw on experience in other countries, we reviewed existing research and conducted internet based reviews of e-learning organisations globally.

Compared to other providers globally, however, learndirect is unique in terms of its:

- commitment to both social and economic development agendas;
- scale of operations and network of community-based learning centres; and
- delivery of e-learning opportunities to people with few or no existing qualifications – the majority of other e-learning providers focus on the higher education market.

18 While the Learning and Skills Council funds other education providers, it does not collect data on the average costs per learner for courses. Learning providers make returns to the Learning and Skills Council about learning records for individual learners but not about associated costs. The Learning and Skills Council makes payments to providers according to the type of learning, as different types of learning can attract different funding levels. Consequently there is no comparable cost-efficiency data available from other educational providers and we have been unable to benchmark Ufi's costs against those of other providers.

Consultation with Ufi, the Department for Education and Skills and the Learning and Skills Council

19 We discussed our study with Ufi, the Department for Education and Skills and the Learning and Skills Council. During the scoping stage of the study we discussed our issue analysis, which is a key document outlining key research questions, with all three organisations. These discussions helped to ensure that we had identified key issues from the perspective of these organisations. In compiling our issue analysis, we had visited a geographic hub and two learndirect centres, as well as discussing and considering the perspectives of key stakeholders and interest groups.

20 During the study, we consulted with all the Executive Directors of Ufi, and a number of teams within Ufi's central office including the research team, risk management team and statisticians. We also consulted with the head of Ufi's regional office in London.

APPENDIX 3

Qualifications and levels

1 In 2000, the Qualifications and Curriculum Authority established the National Qualifications Framework, which sets out the levels at which qualifications can be recognised. Its website has a searchable database, OpenQUAL (www.qca.org.uk/openquals), of all qualifications in the National Qualifications Framework.

In September 2004, the Qualifications and Curriculum Authority introduced a revised framework and associated criteria. The main change was that the number of levels in the framework increased from six to nine (entry level to level 8). Entry level to level 3 have remained the same and levels 4 and 5 have been revised (**Figure 36**).

36 The levels and equivalent qualifications

Qualification level		Description	Examples of qualifications ¹
Original level	Revised level		
Entry Level	Entry Level	Entry level qualifications recognise basic knowledge and skills and the ability to apply learning in everyday situations under direct guidance or supervision.	Entry level certificates in adult literacy and numeracy
Level 1	Level 1	Level 1 qualifications recognise basic knowledge and skills and the ability to apply learning with guidance or supervision. Learning at this level is about activities which mostly relate to everyday situations and may be linked to job competence.	NVQ level 1 GCSE Grades D-G
Level 2	Level 2	Level 2 qualifications recognise the ability to gain a good knowledge and understanding of a subject area of work or study, and to perform varied tasks with some guidance or supervision. Learning at this level is appropriate for many job roles.	NVQ level 2 GCSE Grades A*-C
Level 3	Level 3	Level 3 qualifications recognise the ability to gain, and where relevant apply, a range of knowledge, skills and understanding. It is appropriate for people wishing to go to university, people working independently, or in some areas supervising and training others in their field of work.	NVQ level 3 A levels
Level 4	Level 4	Level 4 qualifications recognise specialist learning and involve detailed analysis of a high level of information and knowledge in an area of work or study. Learning at this level is appropriate for people working in technical and professional jobs, or managing and developing others.	Certificates of higher education
Level 4	Level 5	Level 5 qualifications recognise the ability to increase the depth of knowledge and understanding of an area of work or study to enable the formulation of solutions and responses to complex problems and situations. Qualifications at this level are appropriate for people working as higher grade technicians, professionals or managers.	Diplomas of higher and further education, foundation degrees, higher national diplomas
Level 4	Level 6	Level 6 qualifications recognise a specialist high level knowledge of an area of work or study to enable the use of a person's own ideas and research in response to complex problems and situations.	Bachelors degrees, graduate certificates and diplomas
Level 5	Level 7	Level 7 qualifications recognise highly developed and complex levels of knowledge which enable the development of in-depth and original responses to complicated and unpredictable problems and situations.	Masters degrees, postgraduate certificates and diplomas
Level 5	Level 8	Level 8 qualifications recognise leading experts or practitioners in a particular field.	Doctorates

NOTE

¹ Examples of qualifications from the National Qualifications Framework and the Framework for Higher Education Qualifications. Further information on the Framework for Higher Education Qualifications and qualifications awarded by higher education institutions is available from the Quality Assurance Agency (www.qaa.ac.uk).

GLOSSARY

achievement	Either a <i>personal learning goal met</i> , or gaining a qualification from a nationally recognised awarding body.
course completion	Where a learner has completed the learning outcomes of a course and so finished the course.
e-learning	The use of computer technology to design, deliver, select, administer, support and extend learning.
enrolment	Where a learner registers for a course by entering their details on the computer system that supports and delivers online learning to learners.
e-commerce centre	A <i>virtual learning centre</i> that provides and supports a selection of courses available on the learndirect website.
geographic hub	Responsible for administering and supporting learndirect centres in geographic hub areas.
hard-to-reach learners	People who are disaffected or reluctant to engage in learning. May include lone parents, people with low levels of literacy and numeracy, or long-term unemployed.
Information and Communications Technology (ICT)	Computing and communications facilities and features that can variously support teaching, learning and a range of activities in education.
large employer	A company or other organisation with over 250 employees.
learndirect centre	Any learning centre that provides and supports learndirect courses. For example, within a college or community centre.
literacy and numeracy learner	A learner assessed by a <i>tutor</i> as having a literacy and/or numeracy need.
National Vocational Qualifications (NVQs)	Qualifications in specific vocational skills relevant to particular jobs ranging from NVQ level 1 (equivalent to GCSE at grades D-G) to NVQ level 5 (equivalent to a postgraduate degree).
personal learning goal	A statement of the 'Specific Measurable Achievable Reasonable Target' (SMART) that a learner makes when enrolling on a course; this statement is approved by their <i>tutor</i> and recorded on the learndirect system.
personal learning goal met	A <i>personal learning goal</i> that the learner and tutor agree has been fulfilled by the learner's activity on a course.
pre-level 2 learner	A learner who has not yet attained a level 2 qualification or its equivalent. See Appendix 3.

priority learner	In 2004-05, priority learners fell into four categories: <i>literacy and numeracy learners</i> with literacy and numeracy needs on a literacy and numeracy course; <i>pre-level 2 learners</i> ; <i>small and medium-sized enterprise learners</i> ; and <i>sector learners</i> . In 2005-06, there will be two categories: <i>literacy and numeracy learners</i> with literacy and numeracy needs on a literacy and/or numeracy course; and <i>pre-level 2 learners</i> .
sector hub	A hub responsible for administering and supporting learndirect centres in a particular occupational sector.
sector learner	A learner who has been enrolled by a hub that serves a particular occupational sector.
single organisation hub	A hub responsible for administering and supporting learndirect centres in a particular organisation.
small and medium-sized enterprises	Enterprises, including the self-employed with fewer than 250 employees.
small and medium-sized enterprise learner	A learner who is noted as being employed by a <i>small and medium-sized enterprise</i> , including the self-employed.
tutor	A suitably qualified person appointed by a learning centre to provide support and guidance to learners.
UK online centre	A centre providing access to computers and the internet as well as advice and courses on using them. May be located in a library or internet cafe, for example.
Virtual learning centre	A virtual <i>learndirect centre</i> that delivers services from an office not open to the public. It provides access to all learndirect services.
Vocationally Related Qualifications	A variety of different awards with a vocational focus that develop skills of practical value in the workplace.