



National Audit Office

**DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS
LEARNING AND SKILLS COUNCIL**

Train to Gain: Developing the skills of the workforce

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 879 Session 2008-2009 | 21 July 2009

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Train to Gain: Developing the skills of the workforce

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15 July 2009

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SUMMARY

1 The Train to Gain service was introduced in April 2006 to support employers in improving the skills of their employees, and to contribute to improved business performance. It had cost £1.47 billion by March 2009 and has a budget of £925 million for 2009-10. It comprises:

- a skills brokerage service to advise employers on identifying training needs and sourcing training;
- flexible training, for example delivered in the workplace and at a convenient time; and
- full public funding of training for eligible employees taking specified courses and qualifications, and contributions to some other training paid for by employers.

2 This report evaluates how effectively Train to Gain has been designed and implemented and assesses performance in its first three years. It outlines the background to Train to Gain (Part 1) and evaluates:

- progress in Train to Gain activity and its achievements (Part 2);
- how well the service has responded to employer demand for training (Part 3); and
- how well the supply of training has been managed (Part 4).

3 The former Department for Education and Skills and its successor the Department for Innovation, Universities and Skills (the Department) had overall responsibility for Train to Gain until 5 June 2009 when it

was merged with the Department for Business, Enterprise and Regulatory Reform to form a new Department for Business, Innovation and Skills. The Learning and Skills Council (LSC), a non-departmental public body under the sponsorship of the Department, plans, delivers and funds all the programme's activity with one exception: from April 2009, skills brokerage became part of the Business Link services which are contracted by Regional Development Agencies to provide free business support. **Figure 1 overleaf** illustrates the two main routes for employer contacts with the programme.

4 Prior to April 2009, the LSC contracted with 16 organisations that employ skills brokers to advise employers of skills needs and training, costing £112 million by March 2009. Using their knowledge of business, training and qualifications, brokers act as intermediaries, independent of training providers, and recommend suitable courses and providers.

5 Organisations such as further education colleges, private companies and voluntary organisations provide the training, costing £1.2 billion by March 2009. Most learners train with a college or a private provider. Most providers (64 per cent) have trained fewer than 500 learners through direct contracts with the LSC, and the 14 providers with the most learners account for one fifth of all provision. Sector Skills Councils assess which qualifications should be eligible for public funding.

Main findings

Activity and achievements (Part 2)

6 **Train to Gain represents a major reform in the way that training is delivered to employers and learners in employment.** There has been a substantial increase in the scale of training that seeks to respond to the needs of employers. By April 2009, 1.25 million people had started training and 554,100 learners had gained a qualification. Although learner numbers were below target in the first two years, they have increased rapidly and are expected to exceed the target for the 2008-09 academic year. By April 2009, there had been 143,400 employer engagements with a skills broker. The unit cost per learner has been around £970 and the unit cost of an employer engagement with a broker around £810.¹

7 **While the overall success rate² was 71 per cent in 2006-07, success rates of the largest 100 training providers ranged from 8 to 99 per cent.** Twenty-six achieved less than the proposed 'Minimum Level of Performance' of 65 per cent, although most are achieving more than the minimum.³ Around half of work-based learning (mainly private) providers achieved a 'good' rating in an Ofsted inspection.

8 **Employers and learners report benefits from training and some improvements in business performance.** Some three-quarters of surveyed employers considered that the training gave their employees useful job-related skills. While a majority reported no difference to profit margins or sales, two-thirds reported improved, long-term competitiveness, and around half an increase in productivity. Learners reported benefits including improved work skills, self-confidence and attitude. Around one quarter reported a pay increase, promotion or bonus as a direct result of their qualification. There is some evidence that Train to Gain is meeting its objective to increase employers' own funding of skills training, with nearly half of the employers making some contribution to the costs.

Encouraging employer demand for training (Part 3)

9 **Demand for training was lower than expected in the first two years, partly reflecting limited employer demand for the training that was then eligible for public funding.** Changes to Train to Gain have since widened eligibility for more courses and learners, enabling more employers to use Train to Gain to meet their needs, and there have been specific extensions in the training to support small and medium sized enterprises through the recession.

10 **Skills brokerage has helped to engage 'hard to reach'⁴ employers, and has contributed around one fifth of all Train to Gain learners, less than the 30 per cent expected.** Brokerage is likely to be most useful to employers who understand least how skills training can help them and how to source it, and brokers have exceeded the 51 per cent 'hard to reach' employers target each year. Many of these employers are by nature the most challenging to engage and have relatively few potential learners. The majority of learner starts have therefore been generated by training providers approaching employers directly.

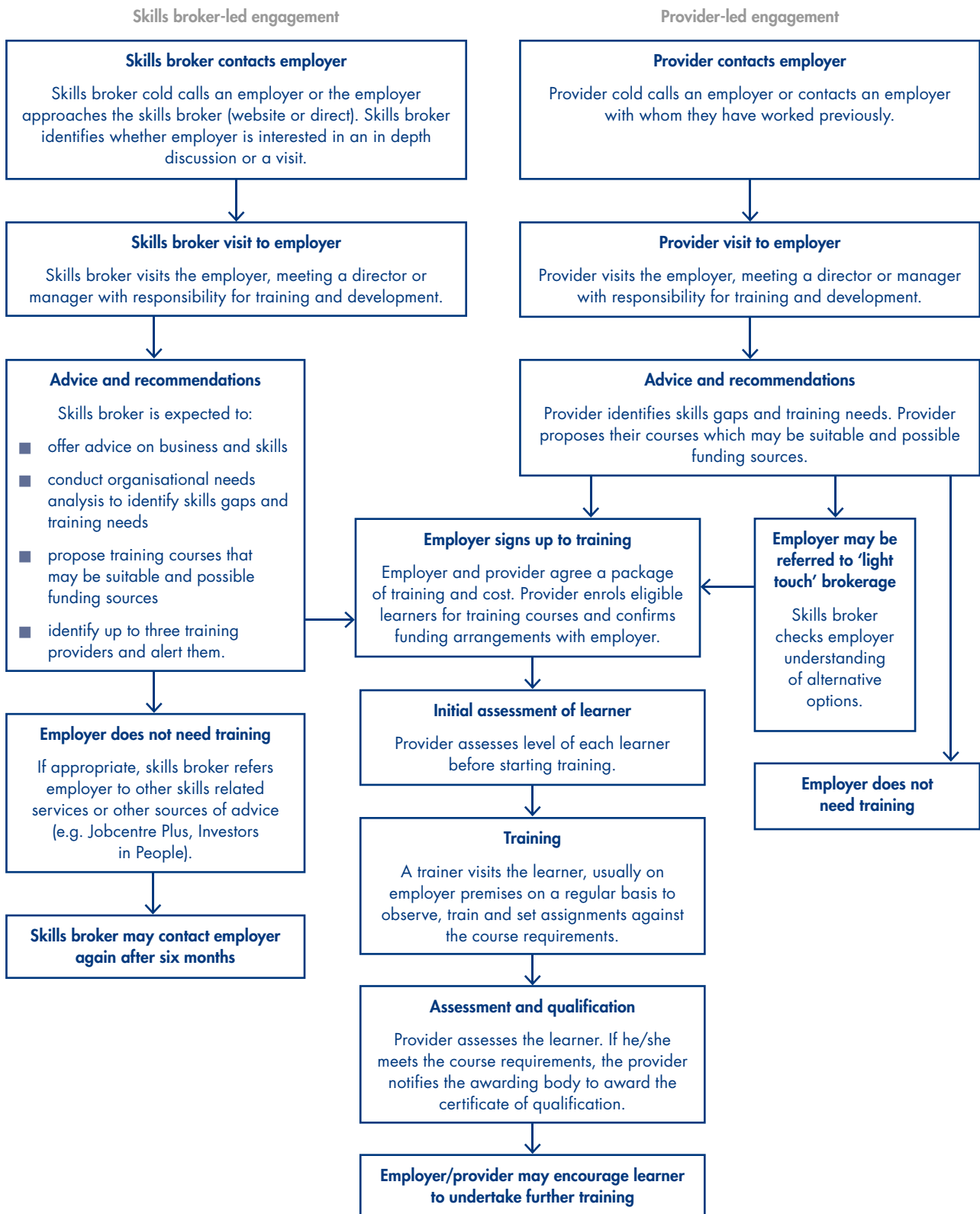
¹ Unit costs are for the period April 2006 to March 2009, based on payments to providers and skills brokers respectively; they exclude administration costs borne by the LSC (which totalled £638 million for all programmes over the three years).

² 'Success rate' is the proportion of learners who were expected to leave in the academic year who achieved the learning aims, represented as a percentage of all learners, excluding those who withdrew within six weeks of starting their course.

³ Providers' success rates for 2006-07 have been used because 2007-08 success rates were still provisional.

⁴ The LSC defines 'hard to reach' employers as those without Investors in People recognition and who have not accessed substantial vocational training leading to a qualification in the previous 12 months.

1 Illustrative employer contacts and the roles of providers and skills brokers



Source: National Audit Office

11 Employer demand accelerated in autumn 2008, and in April 2009 the LSC tightened its contractual controls to mitigate the risk that demand would be higher than could be supported by the 2009-10 budget. Due to delays in completing IT development work to support the demand-led funding model, the LSC did not have reliable management information on Train to Gain activity in the 2008-09 academic year until December 2008, representing a blind-spot at a time when learner numbers and expenditure were rising in response to the widening of eligibility rules. For 2009-10, the LSC has tightened controls to reduce budgetary risks, and it estimates that about one third of the 2009-10 budget was already allocated in relation to the ongoing costs of learners recruited in 2008-09.

12 Recent survey evidence suggests that half the employers (50 per cent) who had arranged training via Train to Gain stated that they would have arranged the same or similar training in the absence of the programme, although this training may not have led to achievement of full qualifications. Nearly half of employers were already doing some training, but reported that Train to Gain had increased the amount or quality of training. The focus on 'hard to reach' employers has had some success in increasing additionality – what the programme achieves over and above training that would have happened without public support – compared with an earlier pilot programme. Any programme to fund training is likely to lead to some public funding of courses for which some employers would have paid and it is possible that some of this funding was used for learners not already qualified at 'level 2', who would be entitled as individuals to receive full public funding for such training.

Managing the supply of training (Part 4)

13 Providers have responded to the requirement for an increased focus on what employers want. Many colleges and other training providers have had to make major changes in how they deliver skills training, because of the focus on flexibility and training in the workplace. Providers involved in Train to Gain rose from over 500 in 2006-07 to over 900 by 2009.

14 Inconsistencies in the LSC's supplier management have caused difficulties for training providers and created additional problems for the LSC to address. Specifically:

- **Communication has lacked clarity and has been inconsistent.** Train to Gain is complex to administer, and changes to funding and rules have meant that paperwork and audit requirements have been subject to frequent changes. Variations in approaches in the LSC's regional offices increased confusion among providers and brokers. For example, there were different expectations on the broker contribution to referrals for training. The LSC has taken some steps to standardise approaches.
- **Contracting with training providers has also been inconsistent.** With contracts operating through the regional offices, providers have worked under different management processes and interpretations of national guidance. Because of the history of under-performance, the regional offices urged providers to deliver as much training as they could. The LSC became aware of the risk of demand exceeding targets towards the end of 2008 and in April 2009 it told providers not to exceed their contract values because of pressure on the budgets for the 2008-09 and 2009-10 financial years. Training providers have commented that, as a result, their confidence and trust in the service was reduced.
- **Detected error rates in funding claims are higher than other longer established programmes.** Eighteen per cent of training providers up to January 2009 had errors of greater than five per cent in their funding claims and 42 per cent of providers did not have robust internal controls. In total, £11 million of funding related to claims made in error, of which the LSC has recovered £8.2million. Identified error levels in Train to Gain (five per cent) are higher than for other LSC programmes (two per cent for work-based learning), which may reflect the newness of Train to Gain and the substantial changes it has undergone in the three years it has been operating.
- **Some providers sub-contract with other providers, which can increase risks.** The LSC places responsibility on providers that are lead contract holders to oversee sub-contractors and minimise the risk of sub-contractors' fraud and error. As it does not have a contractual relationship with these sub-contractors, the LSC does not audit them directly but considers their delivery as part of the audit of contract holders. There is no national list of sub-contractors.

Conclusion on value for money

15 At a cost of £1.47 billion by March 2009, Train to Gain had supported an expansion of employer-responsive training that had reached 1.25 million learners, and had developed a brokerage service with which a majority of employers were satisfied. Train to Gain has led to an increased focus on what employers want, and surveys of employers have provided evidence of improved business performance such as improved long term competitiveness. Learners have benefited from improved work skills, mostly at a basic level.

16 In our view, however, over its full lifetime the programme has not provided good value for money. Unrealistically ambitious initial targets and ineffective implementation have reduced the efficiency of the programme. While the rapid changes to the design of Train to Gain to generate employer demand have presented

a considerable challenge for the LSC, inconsistent management and communication have led to confusion among employers, training providers and skills brokers, and have increased programme risks. Some providers have achieved high learner success rates, but for a minority success rates have been poor. Half of the employers whose employees received training would have arranged similar training without public subsidy, though it is possible that some of these learners (any not already qualified at level 2) were entitled as individuals to receive full public funding for such training.

17 The now strong demand for training needs to be better managed to make the programme sustainable while avoiding overspending. It also provides an opportunity to improve the value for money of Train to Gain by focusing resources on the areas of greatest need and on training with the highest quality providers. Achieving longer term impacts on business performance will partly depend on increasing employers' support and investment in training.

18 The Department and the Learning and Skills Council do not agree with this conclusion. In the Department's and the LSC's view, Train to Gain has proved largely successful in achieving its ambitious goals, meeting the training needs of over one million learners and achieving a success rate of 71 per cent. They consider that satisfaction levels are very high and that there have been significant benefits to businesses and learners. They consider that they have managed additionality, achieving a reasonable level. Measures have been taken to increase the flexibility and improve the management of Train to Gain. As a result, Train to Gain has changed the behaviour of colleges and providers in responding to employer needs.

Recommendations

19 The following recommendations relate to the Department for Business, Innovation and Skills and Learning and Skills Council, and they also apply to the Skills Funding Agency which is planned to take over responsibility in 2010 for delivering Train to Gain.

Financial management and control

- i** It is vital that Train to Gain avoids the pitfalls of the further education capital programme which became severely over-committed. The **Department** and the **LSC** should develop their capacity to manage demand-led programmes by balancing stimulation of demand with effective control and forecasting of expenditure. The **Department** should develop a clearer view of the financial position by conducting robust assessments of the financial implications of skills policy changes, before they are implemented.

It should apply the lessons from Train to Gain to programmes such as the Skills Accounts for individual learners starting in 2010-11.⁵

Supplier management and commissioning

- ii** In setting up the Skills Funding Agency, the **Department** should equip it with sufficient expert commissioning capacity at the outset, together with systems for further developing and sharing these skills. The **Skills Funding Agency** should be better prepared for implementing new programmes, for instance by establishing consistent performance and contract management from the start. It should draw lessons from the LSC's experience of implementing frequent, rapid policy changes.
- iii** The **LSC** needs to build and maintain trust and confidence in its providers by consulting more effectively, and improving the quality, clarity and timeliness of communications of the latest information and advice. While it is already taking steps to improve the consistency and quality of contract management and communication, the **Department** and the **LSC** must be alert to the risk of disruption of these efforts by the major changes required in the transition to the Skills Funding Agency.
- iv** The **LSC** should firmly enforce its Minimum Level of Performance process, withdrawing contracts from all training providers who are unwilling or prove unable to secure appropriate levels of training quality and learner success.

Increasing programme impacts

- v** The **LSC** should use the data from its expanded evaluation to inform future priorities for using Train to Gain funds, for example by assessing the benefits in particular sectors and for particular qualifications and courses. It should assess how far the programme is encouraging employers to increase their own investment in skills training, for example by drawing on data sources being developed by the Sector Skills Councils. The **Department** and the **LSC** should then consider the scope for adjusting the rates paid to providers so that, in addition to the costs of provision, they reflect the degree to which the courses align with priorities.
- vi** The **Department** should review the levels of additional training achieved by different elements of the programme. It should examine ways of raising additionality, such as by further increasing the focus on 'hard to reach' or other employers who are less likely to train, and reconsidering the eligibility for funding of qualifications required by law.

⁵ Skills Accounts will be available to all adults in England from 2010, providing them with a 'virtual' voucher for purchasing learning from a provider of their choice.



PART ONE

Train to Gain objectives and responsibilities

This part of the report covers development of the skills strategy and Train to Gain and the main organisations involved.

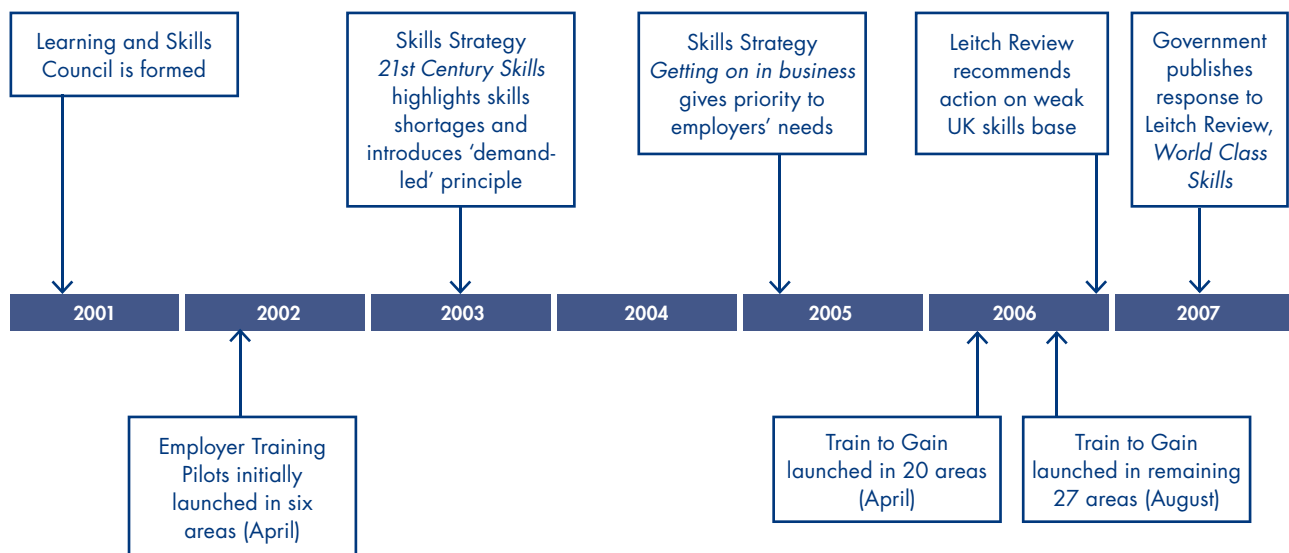
Development of the skills strategy and Train to Gain

1.1 Train to Gain was introduced in April 2006 and became a national service in England in August 2006. It is central to the Government's skills strategy (**Figure 2**) to raise skill levels in the adult population by 2020.⁶

1.2 Train to Gain's objectives are to:

- change the way training is delivered to provide demand-led training to businesses and learners/employees;
- raise the skills levels of the workforce and improve business performance;
- drive up demand for skills training and increase investment made by employers in skills training not supported by public subsidy;
- develop capacity of learning providers to meet employer needs, raising the standards and quality of training;

2 Chronology of the development of the Government's skills strategy, 2001 to 2007



Source: National Audit Office

⁶ The skills strategy interim targets are set out in Public Service Agreement 2, *Improve the skills of the population, on the way to ensuring a world class skills base by 2020*.

- provide a national skills brokerage network and build the capacity of employers to access training without skills brokers over the longer term; and
- respond to the economic downturn and support employers to retrain and re-skill the workforce to compete in the future.

1.3 Train to Gain has two main elements:

- A skills brokerage service to help employers identify training needs and appropriate training, independent of training providers, from basic skills to higher level qualifications.
- Funding for defined categories of training of employees:
 - i **Literacy and numeracy skills** necessary to function and progress at work and in society (known as 'basic skills'), which helps some employees benefit from other training (fully funded).
 - ii **Foundation level skills** through an approved NVQ level 2 (equivalent to five GCSEs at grades A*-C) in one of 11 occupational areas. NVQs are based on national occupational standards and involve assessment and training (fully funded).
 - iii **Higher level skills** (NVQ levels 3 and 4) in one of 11 occupational areas (generally co-funded, though first level 3 courses for employees aged 19-25 are fully funded).
 - iv **Leadership & management training** (available through grant funding).

1.4 In a 2007 survey, 67 per cent of employers reported that they had provided training or development in the previous 12 months (65 per cent in 2005).⁷ Around 14 million staff (63 per cent of the workforce in England) received training, and employers spent £20 billion on on-the-job training. Train to Gain seeks to encourage private investment in training by fully funding lower level qualifications to give individuals the skills they need to be employable, personally fulfilled and able to progress to higher level learning that employers may be more willing to fund.

1.5 Learners take an average of 41 weeks to complete an NVQ level 2, although many take more than a year. During the Employer Training Pilots, NVQs typically involved learners spending around 110 hours to complete

(half the time in contact with the training provider, being trained, assessed and helped to maintain a portfolio of evidence).⁸ The most common Train to Gain courses are:

- NVQ in Health and Social Care (17 per cent of learner starts);
- Certificate in Adult Literacy (8 per cent);
- NVQ in Customer Service (6 per cent);
- Certificate in Adult Numeracy (5 per cent); and
- NVQ in Plant Operations (4 per cent).

1.6 Train to Gain and Adult Apprenticeships both provide on-the-job training for adults in employment, though Apprenticeships are designed for people relatively new in their occupation and for those needing more intensive training.⁹ Apprentices gain an NVQ as well as a Technical Certificate and Key Skills.¹⁰ Different funding rates, eligibility criteria and accountability arrangements apply. Other publicly funded further education is aimed at individuals who learn in their spare time.

Main organisations involved in Train to Gain

1.7 The Department for Business, Innovation and Skills (the Department) has overall responsibility for the further education and skills sector, and for the strategy and policy design of Train to Gain. It oversees and provides part of the funding for the Learning and Skills Council (LSC), a non-departmental public body which will plan, deliver and fund activity until 2010 when it is planned to be replaced by the Skills Funding Agency and the Young People's Learning Agency.

1.8 The LSC's national office manages its national services, including Train to Gain and Apprenticeships. In September 2008, an Office of Government Commerce Gateway Review reported that Train to Gain's 'programme support functions seemed lightweight for a large programme of this kind'. In response, the LSC and the Department have developed a joint national programme office. Since February 2009, a joint Policy and Performance Board has managed Train to Gain performance and strategic direction. At the operational level, a joint Executive Group is responsible for ensuring Train to Gain meets agreed objectives and targets, and the Regional Directors meet each month. Regional offices implement policy, allocate funding to and manage contracts with delivery partners such as training providers.

⁷ Learning and Skills Council (2008), *National Employer Skills Survey 2007*.

⁸ J. Hillage et al, Institute for Employment Studies (2006), *Employer Training Pilots: Final Evaluation Report*. The Department notes that the typical time involved could be different for Train to Gain learners.

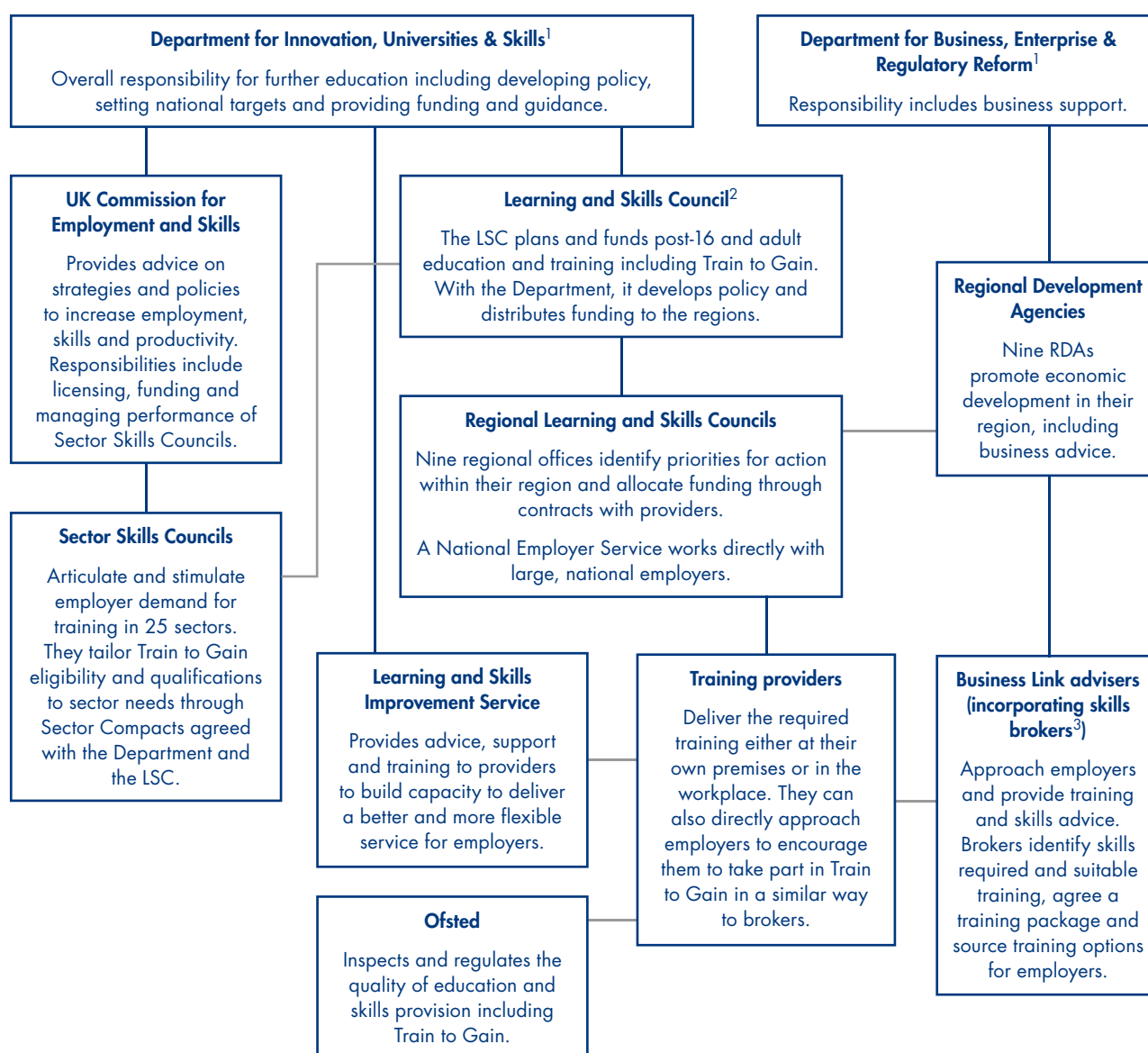
⁹ In the 2007-08 academic year, 27,100 people aged 25 years or over started an apprenticeship.

¹⁰ Key Skills are skills such as communication that support success in education, training, work and life in general, and that can be assessed.

1.9 While the complexity of Train to Gain and its frequent design changes require a high standard of management for the programme, there has been substantial turnover in management positions in the national programme office – for example within a year the holders of two key posts each changed three times. The turnover has made it more

difficult to ensure a consistent management approach, as accumulated knowledge of the programme is lost, and to learn from experience of developing and implementing the policy. **Figure 3** summarises the relationships between the main organisations.

3 Main organisations involved in Train to Gain at April 2009



Source: National Audit Office

NOTES

- 1 In June 2009, the Department for Innovation, Universities & Skills merged with the Department for Business, Enterprise & Regulatory Reform to form the Department for Business, Innovation & Skills.
- 2 In 2010, the new Skills Funding Agency is planned to take responsibility for all adult learning.
- 3 Until March 2009, skills brokers had contracts with the LSC regional offices.
- 4 Blue line represents a funding relationship, grey lines mean another form of interaction such as support, advice or inspection.

Skills brokers

1.10 Skills brokers provide employers with advice on skills needs and training. The broker usually visits to discuss skills needs and suggest training options. Brokers are from a range of backgrounds but typically have: business/sector expertise, and knowledge of training and qualifications, and how they can be funded. Until March 2009, brokerage organisations were mostly private sector firms or publicly funded Business Links. They are intended to be independent of training providers so that they can offer impartial recommendations on suitable courses and providers.

1.11 Until March 2009, the nine LSC regional offices each contracted with one or more organisations to deliver skills brokerage. The regional teams managed broker performance, focusing on delivery against agreed monthly profiles of activity and targets. The LSC gained some assurance of quality through its requirement that all individual brokers were accredited to a national skills brokerage standard¹¹ within 12 months of commencing employment. There are approximately 450 full-time equivalent skills brokers.

1.12 From April 2009, Train to Gain brokers and regional Business Link brokers have come together in a new service under the Business Link brand to provide free business advice and support. At the same time, funding was transferred from the Department and the LSC to the former Department for Business, Enterprise & Regulatory Reform though it is not ring-fenced.¹² Regional Development Agencies are accountable for the performance of the Business Link service and report quarterly to the Department. The Department and the LSC are part of the national RDA Business Link management group.

Other engagement with employers and employers' representatives

1.13 Other services to advise employers on skills and training are set out below.

- **The Skills Pledge** was introduced in June 2007 as an employer's voluntary, public commitment to support employees to develop basic skills and work towards relevant qualifications. By April 2009, almost 17,000 organisations in England representing 6.5 million employees had signed up to the Skills Pledge, compared with a target of eight million employees to be covered by 2010. Employers have access to advice and are encouraged to diagnose their skills needs, with the help of a skills broker if necessary.

- **A Leadership & Management advisory service** (£26 million over three years from August 2008) to analyse skills for business owners/managers and provide access to a fund of £52 million for training to be used over three years.
- **Sector Skills Council advisers** (£4 million over three years) who offer specialist sector advice to employers.

1.14 The 25 Sector Skills Councils negotiate non-contractual agreements with the Department and the LSC known as sector compacts, which seek to tailor Train to Gain to the skills needs and circumstances of their sector.¹³ The first compact was agreed in May 2008 and 10 were in place by December 2008. These will fund a range of activities including advising employers on how to access Train to Gain, promoting the Skills Pledge and funding training. In return, the Sector Skills Councils agree to increase employer engagement in skills, for example through joint investment whereby employers match funding.

Training providers

1.15 Before Train to Gain, some providers were already delivering workplace training at times convenient to employers. It was a major policy goal of Train to Gain to increase substantially the scale and responsiveness of training delivered with and for employers. For many providers with little experience, Train to Gain required a major change in how they delivered training. It was intended to increase the scale and responsiveness of training, and to open the market for providers to compete to offer attractive training packages to employers.

1.16 Providers include further education colleges, private and voluntary organisations, and some large employers. The number who delivered training rose from over 500 in the 2006-07 academic year to over 900 by March 2009. In addition, some providers sub-contract with other provider organisations. Most learners train with a college (51 per cent in 2008-09) or a private provider (42 per cent in 2008-09), and colleges' activity has been growing slightly faster than for private providers. The largest providers deliver much of the training (the top 14 providers have accounted for a fifth of all learners) and most providers (64 per cent) have had fewer than 500 learners.

¹¹ http://readingroom.lsc.gov.uk/lsc/National/natskillsbrokerstandard_v2mar08mar09.pdf

¹² Funding for skills brokerage forms part of the Regional Development Agency 'single pot' allocation.

¹³ Not every Sector Skills Council will have a compact.

1.17 Provider contracts specify learner numbers for the main qualification categories in the academic year. The provider submits a monthly return (Individual Learner Records) for learners who have participated in training, and the LSC pays a fixed amount per eligible learner, with 75 per cent paid in instalments and the remaining 25 per cent payable if the learner achieves the qualification.

1.18 The LSC's regional offices monitor provider performance and, where actual learner numbers or spend differ from the contract values, may vary the contract. Regional offices also audit providers' systems to gain assurance that financial controls are robust and comply with contract requirements. The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects the quality of training provision.

Scope of review and methodology

1.19 This report evaluates how effectively Train to Gain has been designed and implemented, and its performance. Our methodology included:

- quantitative analysis of management and performance data;
- interviews with government officials and stakeholders;
- focus groups with skills brokers and training providers; and
- review of relevant research, evaluations and programme documents.

Further details are published online on the NAO website (www.nao.org.uk/traintogain09).



PART TWO

Train to Gain activity and achievements

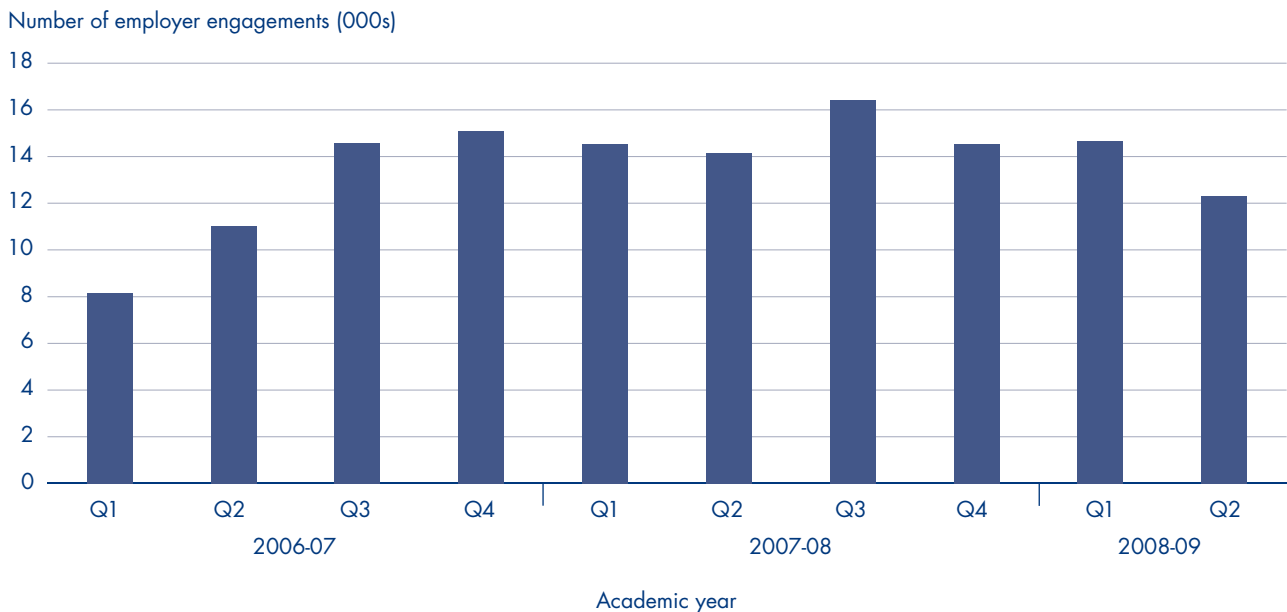
This part of the report assesses activity, achievements and programme costs.

Employer engagement with Train to Gain

2.1 A key performance measure is the number of employers engaging with a skills broker (Figure 4) or having an employee start a Train to Gain funded course. Between April 2006 and April 2009:

- there were 143,400 employer engagements with a broker (equivalent to 6 per cent of employers in England) with rapid growth in the first 12 months followed by steady performance; 72 per cent of engagements were with 'hard to reach' employers;
- 198,100 employers (9 per cent of employers) had employees who have undergone training, including 84,700 in the period August 2008 to March 2009; and
- skills brokers referred around 30,000 employers to other support such as Investors in People, Sector Skills Councils and Jobcentre Plus.

4 Employer engagements with skills brokers, August 2006 to January 2009



Source: National Audit Office analysis of the LSC's management information

NOTE

An employer engagement represents an employer site visited by a skills broker.

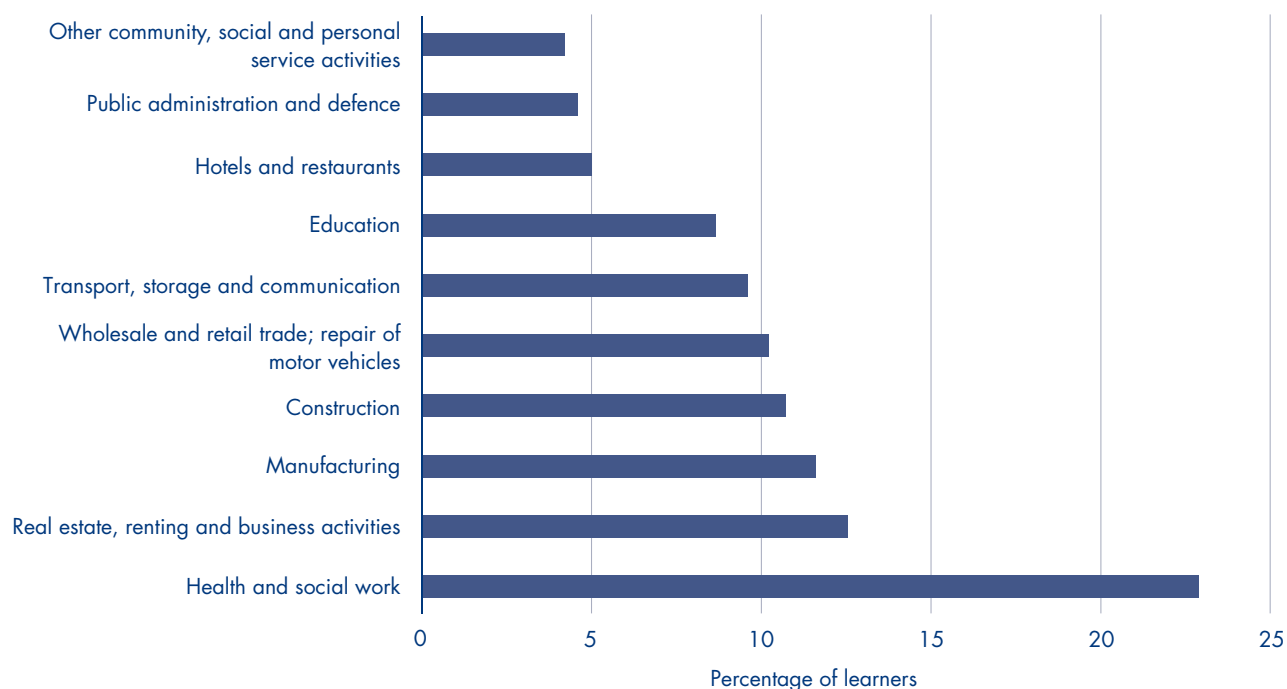
2.2 Employers of all sizes are eligible for Train to Gain support, so long as the workplace is in England. Around 65 per cent of learners work in private sector organisations. Most other learners work in the public sector, although there are restrictions on central government. Take-up by economic sector has varied (**Figure 5**). Around one fifth of learners work in the health and social care sector. Two-thirds of learners work for small employers (fewer than 50 staff), whereas less than 5 per cent of learners work for employers with more than 5,000 staff. The LSC does not have information that would be necessary to compare existing skills gaps in sectors with the take-up of training by sector.

Learner participation in Train to Gain

2.3 The Department set targets that required Train to Gain to grow rapidly, contributing to the Public Service Agreement target of an additional 3.6 million adults in the workforce to be qualified to at least level 2 by 2010. Train to Gain targets were intentionally ambitious, in that even high performing areas from the Pilots would have to grow by about half in a year.

2.4 In 2006-07, the first full academic year, learner numbers were well below target, reflecting lower than expected demand from employers and limited capacity of training providers. In November 2007, the Department and the LSC announced changes, including extending learner eligibility for fully funded training and introducing revised targets.¹⁴ At the end of 2008, Train to Gain was modified further to support small businesses and employees particularly affected by the recession (Appendix provides details). The LSC estimated that these changes would lead to an additional 1.8 million learners by July 2011.

5 Learner starts by economic sector, August 2006 to March 2009



Source: National Audit Office analysis of LSC's management information

14 Learning and Skills Council (November 2007), *Train to Gain, A Plan for Growth, November 2007- July 2011*.

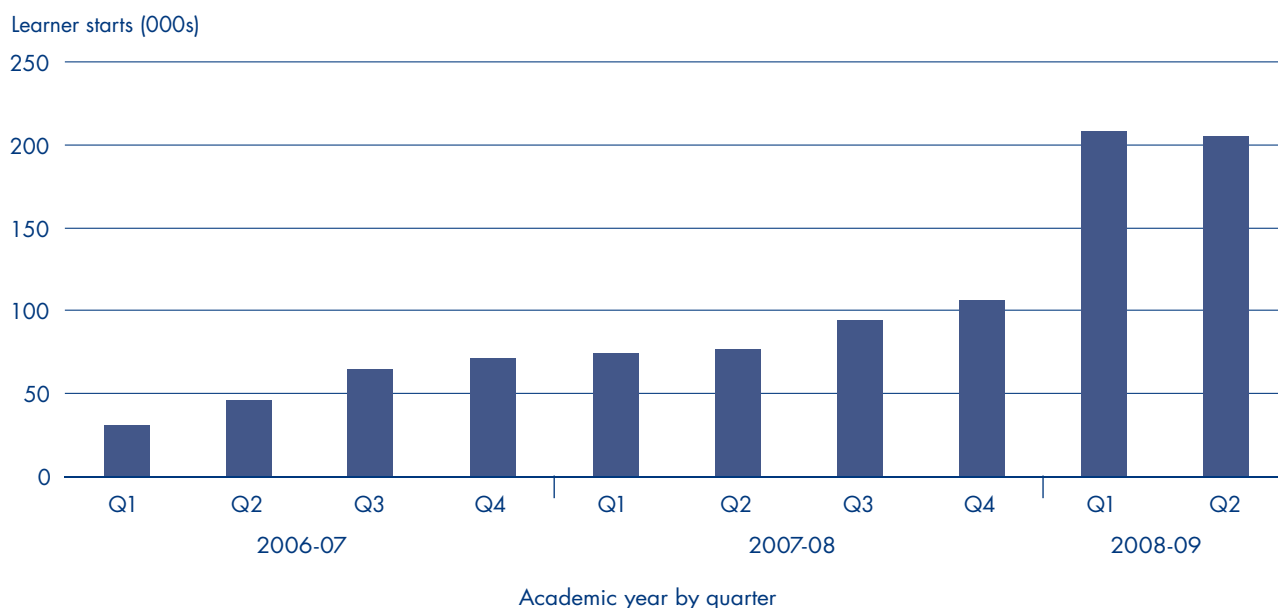
2.5 By the end of April 2009, 1.25 million learners had started on Train to Gain funded courses (5 per cent of the employed population in England) including 884,000 (71 per cent) at level 2. Up to August 2008, all learners were taking a 'first' qualification but since then, with eligibility extended following employer and provider requests for more flexibility, around one quarter of level 2 training has involved learners already qualified at that level. Total learners were below target in the first two years, whereas in the first six months of the 2008-09 academic year, the number of learner starts accelerated (**Figure 6**). Most of the increase was due to the 2008 measures to increase flexibility in the training 'offer' and boost demand together with the LSC re-categorising training from the 'further education – adult-responsive' budget to Train to Gain¹⁵ (forecast by the LSC to be around 180,000 learners per year, although it is unable to quantify the actual effect on Train to Gain learner numbers). The Train to Gain target for 2009-10 is 949,000 learners.

Expenditure on Train to Gain

2.6 By March 2009, the LSC had spent £1.47 billion on Train to Gain (**Figure 7**), and the budget for 2009-10 is £925 million. The largest element is payments to training providers, from which providers must bear all costs including administration. In addition, an unknown proportion of the LSC's administration costs (which totalled £638 million over the three years) relates to Train to Gain. While the Train to Gain budget has increased, there have been reductions in other further education budgets.

2.7 Because learner numbers did not grow as quickly as forecast, the Train to Gain budget was under-spent by a total of £151 million in 2006-07 and 2007-08. The Department re-allocated this under-spend to meet funding shortfalls in other programmes, including in higher education. The budget has been subject to several transfers each year to reflect policy changes, activity levels in Train to Gain, and budgetary pressures in higher education.

6 Learner starts on Train to Gain courses, 2006-07 to 2008-09



Source: National Audit Office analysis of the LSC's management information

NOTE

Train to Gain information is provisional for 2008-09 and may be subject to change.

15 The LSC made this change to simplify its programmes by bringing together two previously separate budgets supporting similar types of training.

2.8 Increased demand for training, particularly as a result of the 2008 changes, has caused expenditure to exceed the 2008-09 budget by £50 million (6 per cent) and has created the risk of demand substantially exceeding the number of learners who can be funded within the 2009-10 budget of £925 million. The Department and the LSC have set up a budget management group to monitor learner numbers and expenditure plans at national level and imposed management controls to limit spending. The LSC has said it will fund learners recruited by the end of March 2009. It estimates that the cost of learners who enrolled in 2008-09 and continue into 2009-10 will amount to around £346 million (37 per cent) of the 2009-10 budget.¹⁶ This is broadly in line with the LSC's expectations and reflects the fact that Train to Gain learners can start training at any point in the year.

2.9 At the start of the 2008-09 academic year, reflecting the higher targets and under-performance in previous years, the Department asked the LSC to encourage providers to increase provision, and where providers were able to demonstrate performance ahead of profile, their contract values were increased with no caps on growth. The LSC became aware of a rapid and sustained increase in learner numbers at the end of 2008, and in April 2009 formally instructed providers to contain activity within maximum contract values. Training providers have said that such a reversal in approach reduces their trust and confidence in the programme. The LSC has also put in place a new performance management process, changed contracts and diverted available funding, for example from capacity building, to support learners and employers. LSC's funding system will not permit payments beyond its budget.

7 Train to Gain budgets and expenditure, April 2006 to March 2009

By March 2009, around £1.47 billion of the £1.57 billion budget had been spent on Train to Gain.

	£m per financial year			Total (£m)
	2006-07	2007-08	2008-09	
Original budget (from the annual LSC grant letter)	268	496	681	1,445
Final budget¹	291	456	826	1,573
Delivery of training ²	166	264	782	1,212
Skills brokerage	28	39	45	112
Marketing (national and regional)	7	10	8	25
Capacity building and infrastructure	39	43	39	121
Evaluation	0	0	2	2
Total expenditure	240	356	876	1,472
Underspend/(overspend) on final budget	51	100	(50)	101

Source: National Audit Office analysis of the LSC's financial information

NOTES

- 1 The final budget for each year is stated after in-year changes. The final budget for 2008-09 included £208 million for the recategorisation to Train to Gain (paragraph 2.5).
- 2 Delivery of training includes provider funding for delivering training courses and contribution to wage costs.

¹⁶ The LSC estimate was prepared at the end of May 2009 and based on the number of learners at 31 March 2009 together with an estimate of the number of learners enrolled but not yet notified to the LSC by providers.

Learner achievement

2.10 The success of Train to Gain depends on whether learners complete their training, translating training into skills for the workplace. The Department and the LSC have aimed to maintain high rates for achievement of qualifications, and the LSC defines 'success' as achievement of a qualification or other learning objective. However, sometimes employers may regard training as sufficient if the employee acquires new skills without obtaining the qualification. Recognising employers' need for some training that may not result in a qualification, funding for qualification units in business critical areas was introduced in January 2009.

2.11 Between April 2006 and April 2009, learners achieved around 554,100 qualifications (**Figure 8**). The overall success rate was 71 per cent in 2006-07.¹⁷ Train to Gain had higher success rates than Apprenticeships and adults in further education for level 2 qualifications but lower for other levels (**Figure 9**). The provisional success rate for 2007-08 is 64 per cent (by comparison, the provisional rate for 2006-07 had been 60 per cent), and the Department expects the final rate for 2007-08 to be higher than for 2006-07.

2.12 Success rates for the largest 100 providers in 2006-07 ranged from 8 per cent to 99 per cent (**Figure 10**), with 26 achieving below 65 per cent (the LSC's proposed Minimum Level of Performance to be introduced in 2010-11). The range was similarly wide for provisional 2007-08 rates. Though success rates may vary by factors such as qualification and by sector, these wide variations are likely to partly reflect the performance of individual providers or consortia. The LSC considers success rates alongside a range of other performance measures when determining contract awards.

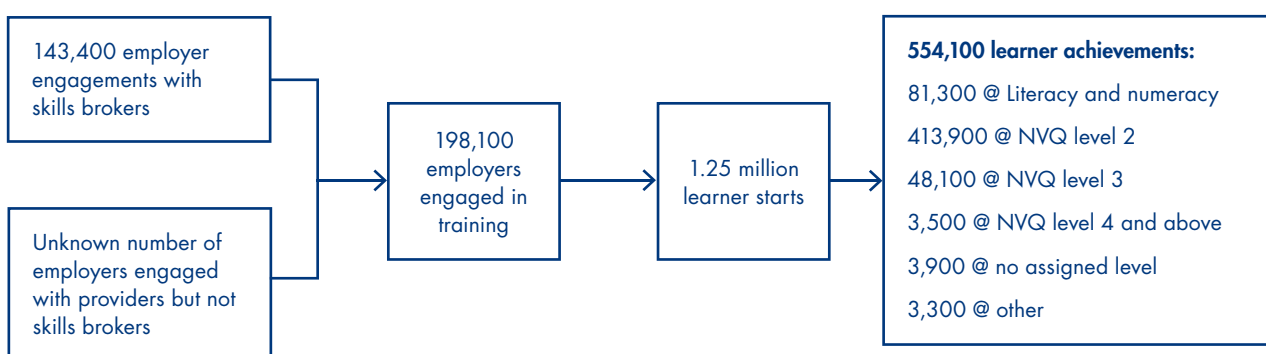
Regional performance

2.13 The performance of the LSC's regions has varied substantially as a result of differing approaches, for example in how regions manage provider performance, as well as differences in local circumstances. The different approaches often had a direct impact on providers and brokers, particularly those working across regions. In 2008, to drive-up overall performance and promote greater consistency, the LSC reviewed regional approaches, and regional disparities in performance against target were less marked in 2008-09 (**Figure 11 on page 20**).

“You'd say, 'OK, we'll operate in that way', thinking it would work in every other LSC region. But then they'd say, 'No, no ours is completely different; we want you to work this way.'”

Provider

8 Train to Gain activity and achievements, April 2006 to April 2009



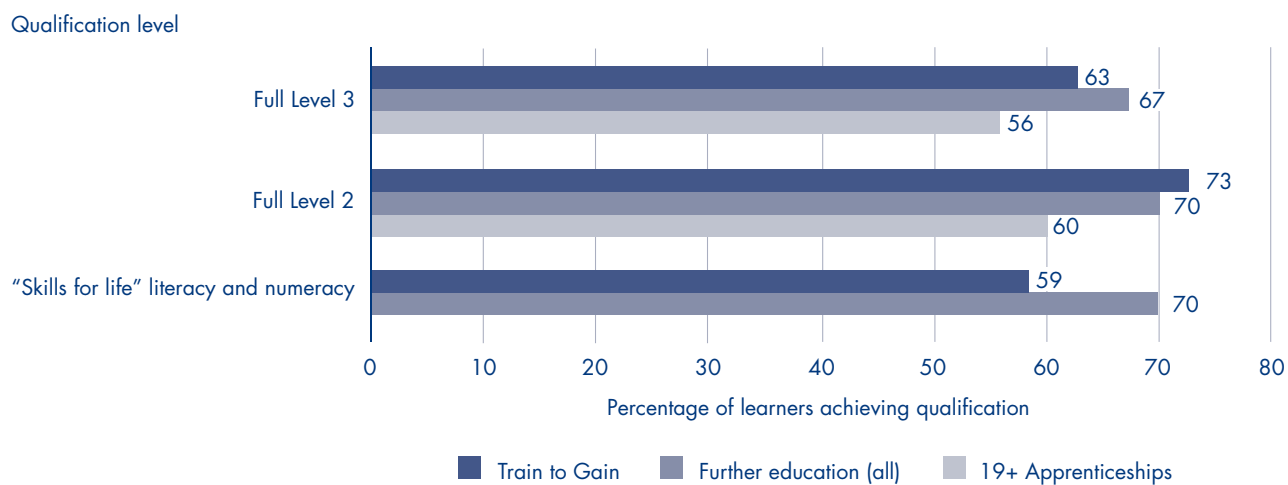
Source: National Audit Office summary of LSC's management information and Statistical First Release on Post-16 Education & Skills: Learner participation, outcomes and level of highest qualification held.

NOTE

Part of the difference between the starts and achievements is due to learners having not yet finished their course.

¹⁷ For this report, we use 2006-07 success rates as 2007-08 are provisional and subject to substantial change. 'Success rate' is the number of learners who successfully achieved the course learning aims in the academic year as a percentage of those whose courses were planned for completion in that year. Learners who withdraw within 6 weeks of starting are excluded (although they are still included in the statistics for learner starts).

9 Train to Gain success rates compared with other skills programmes, 2006-07 academic year



Source: National Audit Office analysis of success rates from Statistical First Release, *ibid* and Publication of statistics: Train to Gain success rates

10 Success rate for the largest 100 providers, 2006-07 academic year

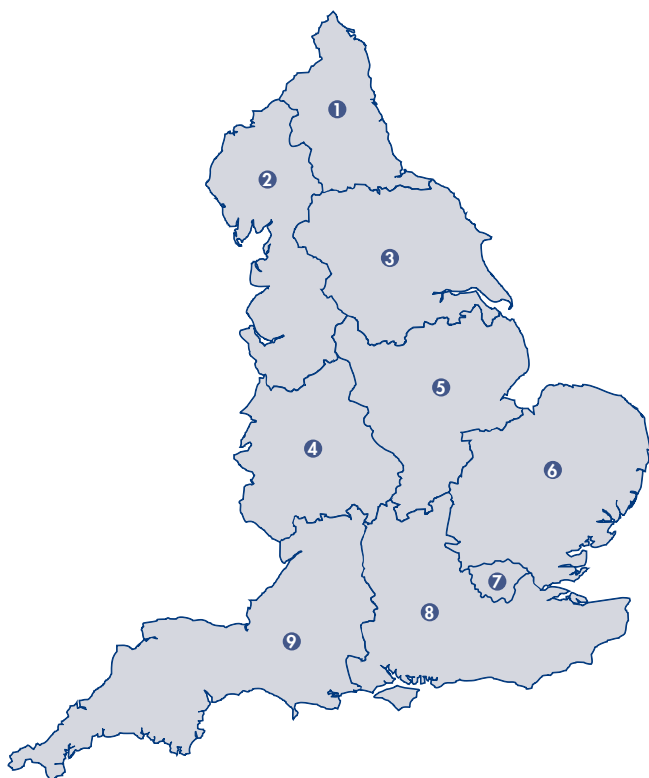


Source: National Audit Office analysis of the LSC's management information

NOTE

The largest providers are those with the highest numbers of learner starts in 2006-07.

11 Regional performance



Source: National Audit Office analysis of data from National Employer Skills Survey 2007, LSC management information, and the Office for National Statistics

NOTE

The LSC's regions include all Train to Gain learners, apart from national employers which had 47,400 learner starts by December 2008.

1 North East			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	2-3 million	<100,000	5%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	2	12	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	79%	69%	
Providers delivering training		94 providers in 2008-09	

2 North West			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	3-4 million	200-300,000	12%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	3	4	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	82%	66%	
Providers delivering training		179 providers in 2008-09	

3 Yorkshire and Humber			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	2-3 million	<200,000	8%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	3	6	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	73%	65%	
Providers delivering training		78 providers in 2008-09	

4 West Midlands			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	2-3 million	200-300,000	9%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	3	8	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	72%	78%	
Providers delivering training	140 providers in 2008-09		

7 London			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	3-4 million	300-400,000	21%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	2	5	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	69%	64%	
Providers delivering training	151 providers in 2008-09		

5 East Midlands			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	2-3 million	<200,000	8%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	3	7	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	79%	67%	
Providers delivering training	72 providers in 2008-09		

8 South East			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	> 4 million	Around 400,000	16%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	2	6	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	82%	67%	
Providers delivering training	217 providers in 2008-09		

6 East of England			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	2-3 million	200-300,000	11%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	2	9	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	79%	74%	
Providers delivering training	90 providers in 2008-09		

9 South West			
Region size	Employed population	Number of employer sites	Regional share of national skills gap
	1-2 million	200-300,000	10%
Market penetration 2006-2009	% population who are learners	% employers engaged with brokers	
	3	7	
Satisfaction and success	Employer satisfaction with brokerage (2008)	Success rate (2006-07)	
	85%	65%	
Providers delivering training	122 providers in 2008-09		

Employer and learner benefits from Train to Gain

2.14 While performance measures focus on Train to Gain’s outputs such as learner numbers and achievements, the LSC’s evaluations provide periodic information on outcomes including awareness and satisfaction with brokers and training, and impact over time. The evaluations involve parallel learner and employer surveys conducted every six months, covering around 7,500 learners and 3,750 employers each time. A ‘longitudinal’ group of learners and employers is re-contacted for a longer-term view.

2.15 The employer survey is not, however, representative of all employers engaged in Train to Gain because it does not include employers who went directly to providers, and these employers are the majority. Recognising this limitation, the LSC intends during 2009 to expand the evaluation to include these employers. The evaluation is also not integrated – the employer, provider, learner and broker elements are conducted separately and not drawn together.

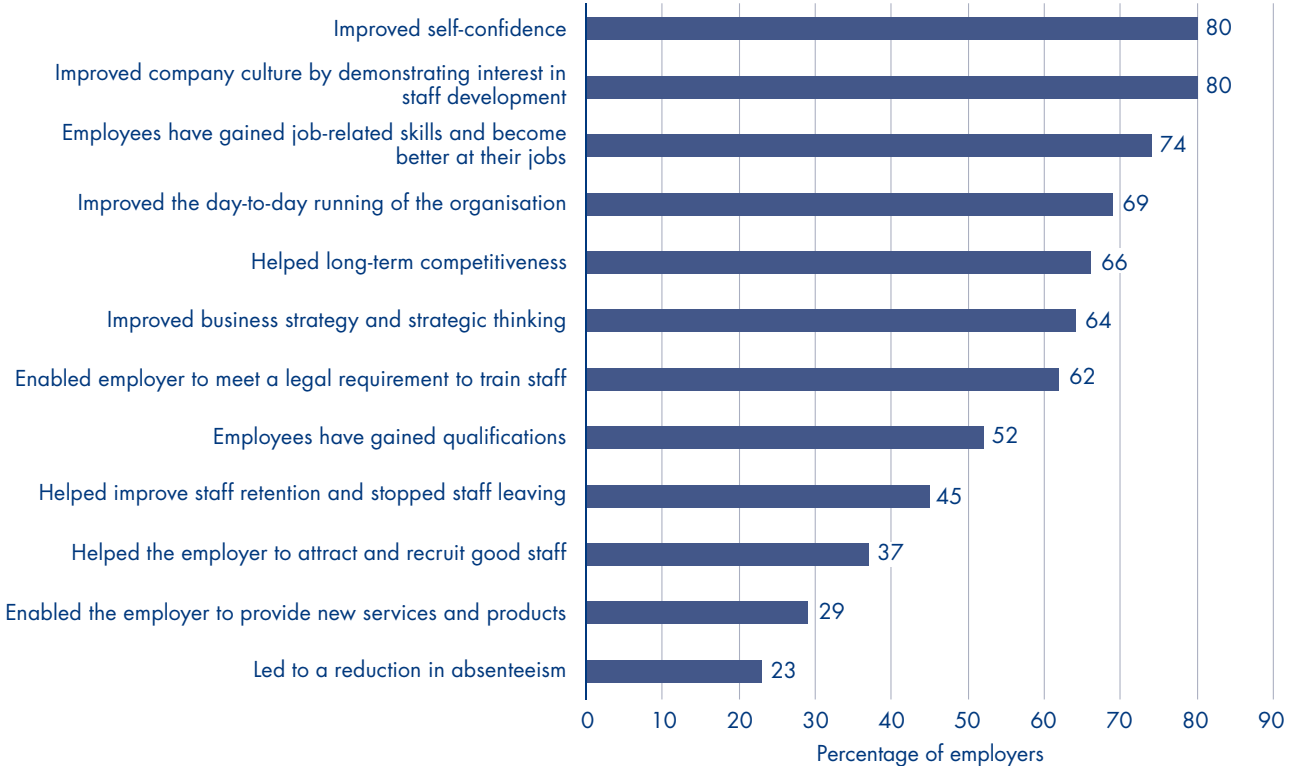
Benefits to employers

2.16 Employers are reporting benefits from Train to Gain. Over nine in ten employers surveyed in early 2009 expressed overall satisfaction with the provider and the training. Employers are most satisfied with the location and timing of the training and its value for money, and least satisfied with the speed with which follow-up actions take place, the content of training and its tailoring to the needs of the employer. In terms of the most immediate benefits to businesses, 80 per cent of employers considered that the training improved learners’ self-confidence and the same percentage considered that it improved the business culture by demonstrating interest in staff development (Figure 12).¹⁸

2.17 Ofsted reported in 2008 that three-quarters of employers engaged in Train to Gain considered the service had improved the performance of their business.¹⁹ Over three-quarters of the employers inspected had specific examples of how it made their business more competitive

12 Business benefits of Train to Gain in the short term

Employers were asked about the extent to which their organisation had experienced broader business benefits as a result of training under Train to Gain.



Source: Train to Gain employer evaluation: Sweep 4 research report.

¹⁸ Learning and Skills Council (2009), *Train to Gain employer evaluation: sweep 4 research report*.
¹⁹ Ofsted (2008), *The impact of Train to Gain on skills in employment*.

or effective. Similarly, the LSC's evaluation found that 74 per cent of employers considered that their employees had improved job-related skills. The majority of employers considered that the training had improved staff productivity, product or service quality (52 per cent and 56 per cent respectively) and long-term competitiveness (66 per cent), but less than 20 per cent considered it had improved profit margins or sales (**Figure 13 on page 24**). There is evidence though that Train to Gain has a long-term impact, with more 'longitudinal' employers now saying that Train to Gain has had a beneficial effect, compared with in the earlier evaluation. An objective of Train to Gain is to increase training by employers, and there is some evidence of employers investing in training to complement Train to Gain. Of the employers accessing training after engaging with skills brokerage, 44 per cent had made some contribution to the costs.²⁰

Benefits to learners

2.18 Almost all learners who complete their qualifications are satisfied with the quality of training: the evaluation survey conducted in late 2008 found that 95 per cent of both 'new learners' and learners in the 'longitudinal' sample were at least fairly satisfied with the quality of training overall (and 76 and 72 per cent of new and 'longitudinal' learners respectively were extremely or very satisfied).²¹ This appears better than further education where 89 per cent of learners were satisfied, though these results are not directly comparable as they include learners who left the course early.²² Satisfaction varied considerably by qualification, with the proportion of very satisfied learners for the most common NVQs ranging from 51 per cent to 81 per cent.

2.19 Gaining a qualification was very important to learners. For 57 per cent of learners getting a qualification, Train to Gain provided their first qualification.²³ Learners have also benefited through improved work, self-confidence, attitude and self-esteem, and:

- 21 per cent of 'longitudinal' learners said they had gained financially as a direct result of training (for example, bonus, promotion or pay rise) and among new learners, 34 per cent thought that their training had led to increased pay; and

- 16 per cent of 'longitudinal' learners who had completed their qualification had started further training and 61 per cent considered it likely that they would progress to a higher level of training.²⁴

Results varied by course, with learners studying some qualifications one and a half times more likely to go on to a higher qualification, and between 64 and 92 per cent saying the skills they learned helped them to do their job better.²⁵

2.20 Overall, 86 per cent of 'longitudinal' learners who had completed their qualification reported that they had acquired skills which would help them do a better job in the future, and 75 per cent considered they had gained skills to help them do their current job better.²⁶ Some academic research has found that some employees who gain a level 2 NVQ do not achieve significant financial returns compared to similar employees without the qualification, and that risks of return vary depending on types of qualification and subject area.²⁷ Other research is consistent with this, but also finds that NVQ level 2 is more likely to bring salary benefits to employees who left school with few or no qualifications.²⁸ There is therefore a risk that certain types of course might not offer much wider benefit. The Department considers that public funding of NVQ level 2 is particularly important because learners below this level are more likely to be resistant to training, are less likely to receive training from their employers, and they may use it as a platform for further development. It also considers that research in this area has been subject to downward bias for a number of reasons.

2.21 In contrast, level 3 qualifications give better returns. Ofsted reported that unless employees were able to progress beyond level 2 to work and qualifications at level 3, level 2 provision did not greatly improve their technical or practical skills.²⁹ The LSC has increased Train to Gain activity at NVQ level 3, with 68,000 more learners starting level 3 courses in the first three quarters of the 2008-09 academic year compared with the whole of 2007-08.

20 Learning and Skills Council (2009), *Train to Gain employer evaluation: sweep 4 research report*.

21 Learning and Skills Council (2009), *Train to Gain learner evaluation: report from Wave 4 research*.

22 Learning and Skills Council (2008), *National Learner Satisfaction Survey 2007*.

23 Declining to 42 per cent in 2008-09 with the introduction of repeat qualifications.

24 Learning and Skills Council (2009), *Train to Gain learner evaluation: report from wave 4 research*.

25 This is based on an analysis of longitudinal learners from the Wave 3 evaluation studying the ten most common NVQs. Between 41 and 60 per cent of learners were likely to do a higher qualification.

26 Learning and Skills Council (2009), *Train to Gain learner evaluation: report from Wave 4 research*.

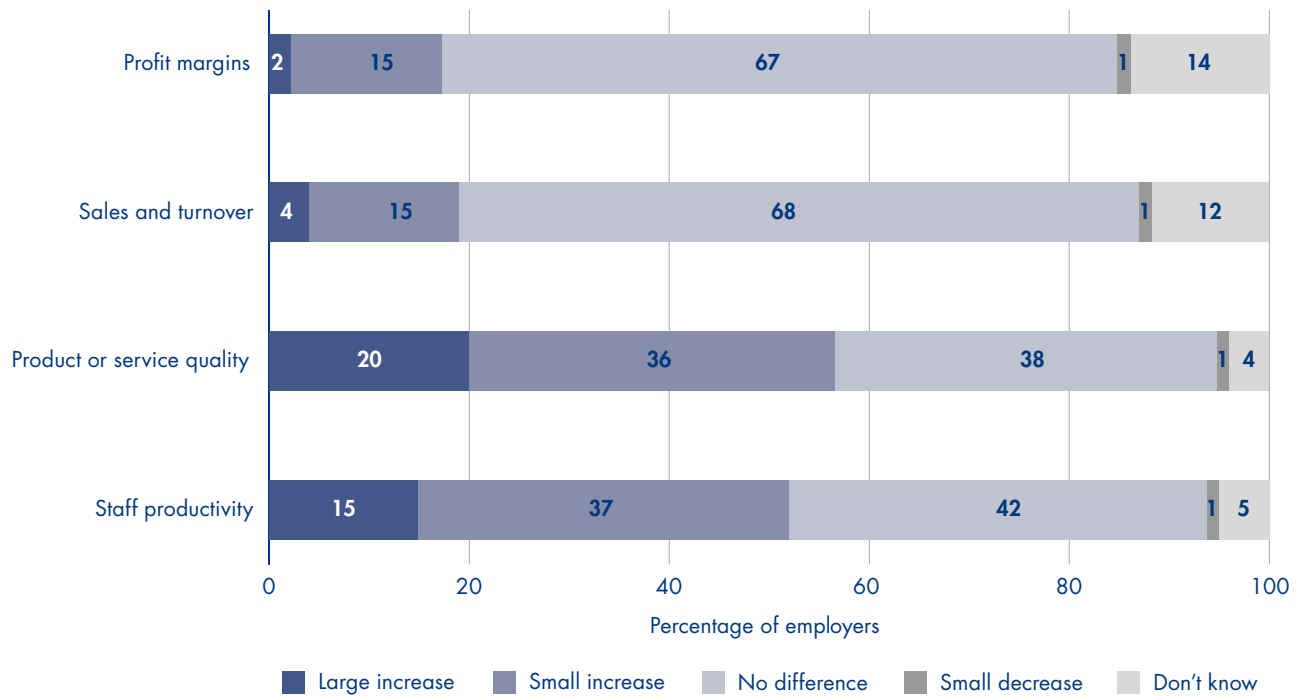
27 De Coulon and Vignoles (2008), *An Analysis of the Benefit of NVQ2 Qualifications Acquired at Age 26-34*; and Dearden et al (2004), *An In-Depth Analysis of the Returns to National Vocational Qualifications Obtained at Level 2*, both Centre for Economics of Education.

28 Jenkins, Greenwood & Vignoles (2007), *The Returns to Qualifications in England: Updating the Evidence Base on Level 2 and Level 3 Vocational Qualifications*.

29 Ofsted (November 2008), *The impact of Train to Gain on skills in employment*.

13 Financial and operational benefits from Train to Gain

Employers were asked about the extent to which their organisation had experienced each of four tangible, financial or operational benefits as a result of training under Train to Gain.



Source: Train to Gain employer evaluation: Sweep 4 research report



PART THREE

Encouraging employer demand for training

This part evaluates whether Train to Gain has been designed and implemented to encourage demand from employers for training.

Design of Train to Gain

3.1 Employer Training Pilots, the precursor of Train to Gain, were rolled out from September 2002 to test the effectiveness of fully funded or subsidised training, including a brokerage service. Twenty of the Learning and Skills Council's 47 areas participated, and some 23,000 employers and almost 200,000 learners were involved over three years, at a cost of £271 million.

3.2 The LSC ran the Pilots so that each pilot area used different approaches, for example to brokerage. There were also changes in approach during the Pilot that the Department considered had been made to achieve best use of public funding. Although the Pilots did provide evidence on a range of approaches, some time and money was wasted re-inventing what was already known, and it was more difficult to establish a clear view on what did and did not work.³⁰ The independent evaluation of the Pilots identified some general lessons, that were considered, and some of which were incorporated in designing the national programme. The evaluators noted that consistent, simple processes were required and even then setting up would take time. Train to Gain, however, started off with complex funding rules and contracting arrangements.

3.3 The design of Train to Gain had to satisfy a number of needs of government, employers and providers, otherwise there would be limited interest in or provision of training, and the training would not contribute effectively to programme objectives (**Figure 14 overleaf**).

3.4 To help meet the Government's Public Service Agreement target to increase the number of employees who are qualified to level 2 or higher, the Department decided initially that:

- funding should be available only for those learners who had not previously obtained a qualification at level 2 (a principle known as 'firstness'); and
- learners had to work towards a full qualification (known as 'fullness').

3.5 Some employers criticised the narrow eligibility and the focus on whole qualifications; for example, employees with previous qualifications (even if not relevant) were not eligible for funding. The Department and the LSC subsequently revised the policy, extending learner eligibility and funding to make the service more attractive to employers and to respond to the challenges of the economic downturn (Appendix). Changes were made rapidly, in response to changing economic needs, giving limited time to observe the impact of earlier changes and to prepare for implementation. The changes contributed to the rapid growth in learner numbers in 2008-09.

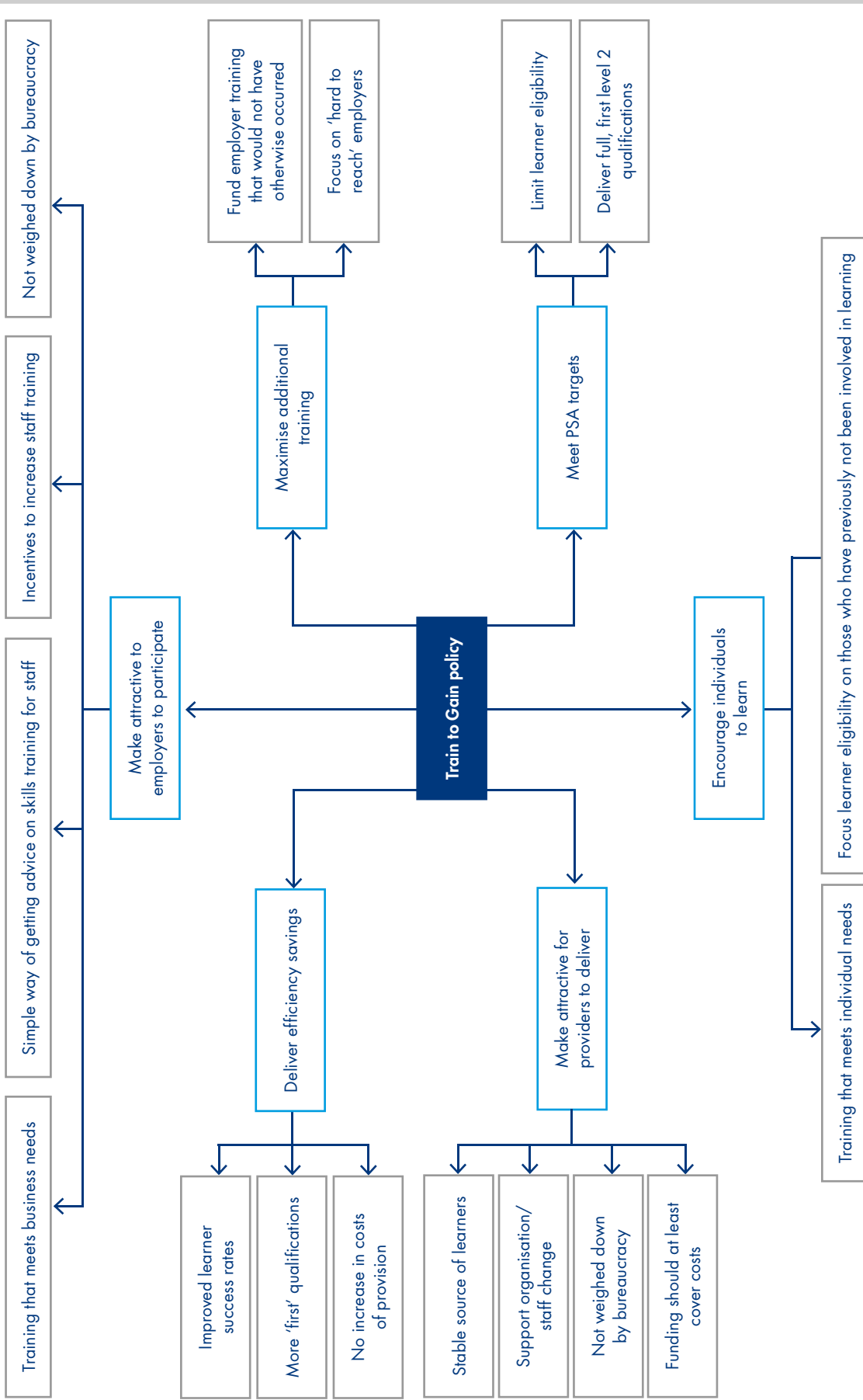
Efficiency of Train to Gain in achieving additional learning

3.6 Government programmes should be designed to achieve a high level of 'additionality', which is what the programme achieves over and above what would have happened without the programme. It should be noted that any public programme to fund training is likely to lead to some public funding of courses for which some employers would have paid. Employers already train many of their employees to develop their skills for work – in 2007 they spent an estimated £20 billion on on-the-job training including labour costs.³¹ The Train to Gain

³⁰ J. Hillage *et al*, Institute for Employment Studies (2006), *Employer Training Pilots: Final Evaluation Report*; L. Abramovsky *et al*, Institute for Fiscal Studies (2005), *The impact of the Employer Training Pilots on the take-up of training among employers and employees*; C. Ashton *et al*, Adult Learning Inspectorate (2005), *ALI Employer Training Pilot Survey*.

³¹ Learning and Skills Council (2008), *National Employer Skills Survey 2007*.

14 The multiple policy objectives of Train to Gain



Source: National Audit Office

service therefore provides additionality where it funds training that employers would not otherwise have funded, including training for a broader range of employees in a broader range of skills or leading to qualifications.³² For the Employer Training Pilots, evaluators estimated that only about 10 to 15 per cent of the training was additional to what would have taken place without the Pilots.³³ As a result, the LSC required skills brokers to focus more on 'hard to reach' employers at the start of Train to Gain in order to achieve higher additionality, because they are generally employers who train their staff less.

3.7 Based on the most recent evaluation data on employers who accessed training following engagement with a skills broker, around 47 per cent of employers reported that Train to Gain enabled them to add training to their provision: either by encouraging them to undertake training for the first time, or by adding to existing training by offering training to more staff or by offering a higher level of training to staff. Recent survey evidence states that half the employers (50 per cent) who accessed training through Train to Gain would have arranged the same or similar training in the absence of the programme, although the Department considers that this training may not have led to individuals achieving full qualifications. The evaluation evidence indicates that: 69 per cent of employers accessing training had been able to train more staff than they would have otherwise; only 15 per cent of employers accessing training had arranged level 2 training outside of Train to Gain in the past 12 months; and two-thirds of employers reported that they had used Train to Gain to contribute to meeting what they considered to be legal requirements to train staff.³⁴

3.8 The LSC's National Employer Service works directly with large, national employers (those with 5,000 or more employees), offering advice and funding for workforce development including Train to Gain. With larger employers, who generally have regular staff training programmes, there is a particular risk that government funding could substitute for part of the employer's training budget. The National Employer Service has used a lower rate of funding than is paid to other Train to Gain providers and it aims to maintain additionality by

checking that employers' training budgets are maintained and not re-allocated. To carry out these checks, it is piloting 'open-book' arrangements that seek transparency in employers' training costs and budgets.

3.9 When Train to Gain was launched, the Department expected the service to deliver substantial efficiency savings compared with the previous arrangements for delivering vocational qualifications. The main efficiencies are calculated using the higher proportion of 'firstness' of level 2 qualifications, which contribute to the Government's Public Service Agreement target that 90 per cent of the working age population should be qualified to at least level 2. Level 2 qualifications achieved by learners already qualified at that level will not be included in the calculation of efficiency savings. The Department identified scope for £1.5 billion efficiency savings by 2010-11, and Train to Gain was forecast to deliver £170 million towards this total.³⁵ The Department will start to measure efficiency savings when data for 2008-09 becomes available, although the changes in 2008, which have reduced the proportion of learners achieving their first level 2 qualification, make it uncertain whether the efficiency savings from Train to Gain will be achieved.

Performance of skills brokers

3.10 Skills brokers provide advice to individual employers by diagnosing skills needs and identifying suitable training providers. Their performance is assessed using the number of employer engagements, the proportion of engagements that involve 'hard to reach' employers, and employers' satisfaction with the service (**Figure 15 overleaf**). It is possible to claw back funding in cases of poor performance.

3.11 The LSC spent around £112 million on brokerage between April 2006 and March 2009. There had been 143,400 employer engagements by April 2009, at a unit cost of around £810.³⁶ The cost has varied considerably by region (Figure 15, shown for the 2007-08 academic year). Reasons may include brokers in some regions over or under-performing against their contract.

32 Many Train to Gain learners are working towards their first level 2 qualification and, under the Government's adult learning entitlement, can obtain full public funding for training towards a level 2 qualification.

33 The evaluators estimated additionality based on the performance of the first year of the first two waves of Pilots (in 10 areas) and compared them with 'control groups' (areas that did not then have access to funding). They found overall additionality of between 0 per cent and 35 per cent was possible statistically.

34 Learning and Skills Council (June 2009), *Train to Gain Employer Evaluation: Sweep 4 Research Report*.

35 Department for Innovation, Universities and Skills (2007), *Value for Money Delivery Agreement 2007*.

36 Unit cost is stated for the period April 2006 to March 2009, during which there were 139,100 engagements.

15 Skills broker performance by region, 2007-08 academic year

Region	Number of employer engagements	Engagements as % of employer sites in region	Average cost of an engagement (£)	Employer satisfaction (%)
East Midlands	5,400	3.0	610	78
East of England	9,100	3.5	690	79
London	9,100	2.3	700	71
North East	3,000	3.8	800	85
North West	5,300	2.0	830	83
South East	6,500	1.6	1,000	82
South West	7,400	3.0	540	88
West Midlands	8,600	3.9	510	76
Yorkshire and the Humber	5,200	2.7	630	83
National	59,600	2.7	690	80

Source: National Audit Office analysis of LSC's management information and ONS statistics

3.12 Skills brokers have been successful in engaging with 'hard to reach' employers, who represented 75 per cent of engagements in 2007-08, against a target of 51 per cent. Because these employers also tend to be smaller, referrals to providers were often for small numbers of learners. By December 2008, an average of one third of learners via brokers came from 'hard to reach' employers. In 2008-09, the LSC introduced a service for large employers in each region, for engaging employers with 1,000 to 4,999 employees. Engagements will cost about four times the average cost of other broker engagements, with brokers using an account management approach.

“We've got to concentrate on larger companies to get the numbers up. Year one we dealt with 90 per cent less than 20 employees... [but now] we don't proactively market to the fives and tens [employee number in businesses] whereas we probably did in year one because they were the target.”

Skills broker

3.13 Employer satisfaction with skills brokerage between May and October 2008 was 78 per cent overall (including 61 per cent who were very satisfied) against a target of 90 per cent. Satisfaction levels ranged from 69 per cent in London to 85 per cent in the South West. Although contracts allow for recovery of funds where there is under-performance, there had been no recoveries by March 2009.

3.14 Training providers have generally viewed the brokers' role as a 'sales force' that refers employers to providers, whereas the Department, the LSC and brokers see the role as providing an independent skills advice service for employers. However, the employer evaluations from November 2007 and April 2008 found that only 55 per cent had received an organisational needs analysis. Of those employers that received an analysis, 75 per cent considered that it had made them more aware of relevant training opportunities, but only half (52 per cent) considered it helped them to identify skills missing or needing improving in their organisation.

“The general perception from providers and again I think it was UK wide, 'Oh brokers are there to fill our order books for us, we can just sit back and they'll do it all'. They didn't understand all the other things we did, they thought we were out there as an unpaid sales force flogging NVQs.”

Skills broker

3.15 The LSC does not have reliable management information on how learners are recruited. It estimates that around 20 per cent of learners in the period August 2006 to July 2008 came through a broker referral, and this information is to be collected and reported in future. The existing lack of information means that brokers do not know the outcome of their engagements. Relationships between brokers and some providers have also been difficult. Brokers have felt that some providers did not respond appropriately to referrals, for example by being unwilling to deliver courses to small numbers of learners, which might not be cost-effective. Some providers perceived brokers to have 'favourite' providers.

3.16 Employers have complained that they experience multiple contacts offering training advice. The new National Apprenticeship Service field force will have a role in engaging employers to take on apprentices. In October 2008, the UK Commission for Employment and Skills proposed a 'simplification plan' and suggested Train to Gain as an umbrella for all employer skills programmes and a system of 'tied brokerage' to accredit provider staff who directly engage with employers to operate alongside independent brokers.³⁷ The Department is working with the Commission to implement the proposals.

3.17 In April 2009, Regional Development Agencies took over managing skills brokerage, as part of the integrated Business Link service which provides brokerage for both skills and general business support. The LSC remains involved, and expects 30 per cent of Train to Gain learners to arise from brokerage. The Department will require tracking of the outcomes of broker and provider contracts.

37 UK Commission for Employment and Skills (October 2008), *Simplification of skills in England: expert advice to Government on simplification of the English post-compulsory skills system for employers*.



PART FOUR

Managing the supply of training

This part of the report evaluates whether the LSC managed effectively the supply of good quality training.

Managing provider contracts

4.1 The LSC's regional offices manage its relationships with training providers. They monitor performance and vary contract values where learner numbers are higher or lower than anticipated. Providers are paid on a per learner basis with rates weighted by sector, amount of training and location.³⁸ The approximate funding per learner is £970.

4.2 In the first two years, providers complained of onerous tendering procedures and that overly prescriptive contracts hindered their efforts to respond to employers' needs. The LSC had defined contracts this way in an attempt to prioritise sector and regional needs. It changed the contracting arrangements for the 2008-09 academic year to make them less onerous for providers and give them greater flexibility to respond to employers (Figure 16).

16 Summary of changes to provider contracting

2006-07 academic year

- Regions had own contracting strategies and systems.
- Contract term was two years.
- Pre-qualification questionnaire required for each tender. Separate tenders required for each LSC programme and region.
- Contracts specified number of learners, courses, sectors and LSC areas.
- Small providers encouraged or required to sub-contract with larger providers in consortia.

2008-09 academic year

- Single national contracts register lists the lead provider, contract value, performance and profile for all contracts across England.
- Contract term is three years, extendable to five years.
- 'Qualified provider framework' valid for four years (replaced pre-qualification questionnaire).
- Existing contracts for Train to Gain or Apprenticeships can be renegotiated to include other LSC programmes.
- Large providers can have a single national contract (to be extended to all other providers in 2009-10).
- Flexibility in contracts so that providers can switch activity between areas and regions.
- Providers encouraged to hold own contract (rather than be in consortia).
- National performance and contract management framework from 2009-10 – risk-based approach to contract management.

Source: National Audit Office

³⁸ This arrangement will change from the 2009-10 academic year when LSC moves from a dual funding rate by sector to a single funding rate by qualification.

4.3 The LSC's contract management during early 2008-09 was hampered by the late delivery of the IT development needed to support its new demand-led funding model. The LSC did not let provider contracts until four months after the start of the 2008-09 academic year and providers had to operate under letters of intent. The IT problems also meant that from August to December 2008 the LSC had to pay providers according to their profiled activity levels, rather than its usual practice of payments based on providers' monthly returns of actual activity ('individual learner records'). This resulted in two problems:

- because providers had no incentive to submit their returns promptly, the LSC did not have reliable management information on activity until December 2008, representing a blind-spot at a time when substantial changes were taking effect and were causing learner numbers to rise rapidly; and
- it had to pay providers without knowing whether they were actually delivering the agreed levels of training, which would result in it having to recover payments if learner numbers for an individual provider were less than expected or if the provider ceased to trade.

4.4 Regional LSC partnership managers are the main point of contact for providers. Providers value this relationship, but consider that the staff vary in responsiveness and knowledge of the programme, partly reflecting high staff turnover and workloads. LSC internal audit also concluded that a lack of national guidance or training on contract management was leading to inconsistencies between the regions. In response, the LSC has implemented a National Provider Management Framework which sets out a risk-based approach for provider contract management to be used across the regions, and will train its staff on the Framework in summer 2009.

4.5 Train to Gain has been subject to frequent policy and process changes as the Department has sought to address performance issues and act quickly to offer help in the recession, which contributed to the changes shown in the Appendix. The LSC had to implement these changes but was not always able to communicate them in a way that enabled providers to respond swiftly and effectively. The LSC needed to develop policy and operational guidance within a tight timeframe, and it did not always keep its regional staff, providers and brokers well informed. In particular, the main information sources were not consistently reliable or up-to-date:

- funding guidance for providers was not user-friendly – early versions were long and vague, leading to inconsistent interpretation by providers and LSC staff; and
- multiple versions of guidance (four versions in 2007-08, for example) were not made available in a timely manner.

4.6 To improve communication, in August 2008 the LSC introduced a weekly internal Train to Gain bulletin for staff, which also sets out messages to be conveyed to providers. Providers can sign up for alerts via the website and are then notified of changes to policy and guidance.

Developing and managing training providers

4.7 For many providers, Train to Gain involved changing from training large groups of learners in a classroom or training facility to training smaller groups of learners (often individual learners) in their place of work. This often involved organisational restructuring, and staff changes (for example, the recruitment of assessors), although providers already experienced in working with employers were able to adapt more quickly. In the first three years, the LSC spent £121 million on capacity building and developing the infrastructure of Train to Gain more generally. Some of this funding was allocated by regional offices to providers. Some providers were confused at first about what support was available to them, and the initial impact was mixed. In addition, there have been two other initiatives to build provider capacity.

- £18 million of funding in 2008-09 from the Department, for the World Class Skills initiative run by the Learning and Skills Improvement Service. It is too soon to judge whether it is improving provider performance but early feedback has been that providers are starting to make changes to their organisations and 40 per cent of providers reported a 'medium impact' on their current level of employer responsiveness.
- A £30 million fund was announced in December 2008 to help providers expand and improve their delivery capacity. However, with the rapid growth in learner numbers in 2008-09, the LSC has since diverted this funding to delivery of training.

4.8 In general, providers are enthusiastic and committed to Train to Gain. However, they have indicated continuing barriers to their effective participation, mostly relating to policy design and administration rather than their ability to respond to employers. Two-thirds of providers consider that Train to Gain paperwork is not reasonable and proportionate, for example with the same information required on different forms and by different organisations. The LSC has explored further ways of simplifying the administration of Train to Gain and has been taking steps to reduce the burden on providers.

Assuring and communicating the quality of training

4.9 All Train to Gain providers are subject to Ofsted inspections, which gives the LSC assurance of training quality. Based on inspection results, the programme is generally meeting the needs of employers although there is scope to improve the quality of provision, with less than half of work-based learning providers assessed as 'good' and very few as 'outstanding'. The overall inspection scores of Train to Gain provision by work-based learning providers (which tend to be private) and college providers have been much lower than the results for colleges overall (covering all of their provision, of which a minority is Train to Gain) (**Figure 17**). Inspection results may improve as providers gain experience of Train to Gain and the accountability arrangements.

4.10 In a 2008 report,³⁹ Ofsted found that most providers were flexible and responsive to employers' needs and gave employees the opportunity to gain nationally recognised qualifications, though for many this meant accrediting existing skills. Although employers were satisfied with the training and reported some improvements, they were insufficiently involved in the training. Ofsted also found that learners with literacy and numeracy needs rarely received sufficient training or encouragement to improve their skills despite the fact that where such training was provided, it often had a greater impact than achievement of the NVQ.

In response, the LSC revised internal guidance and the number of literacy or numeracy achievements increased from 19,000 in the 2007-08 academic year to 53,800 in the first nine months of 2008-09.

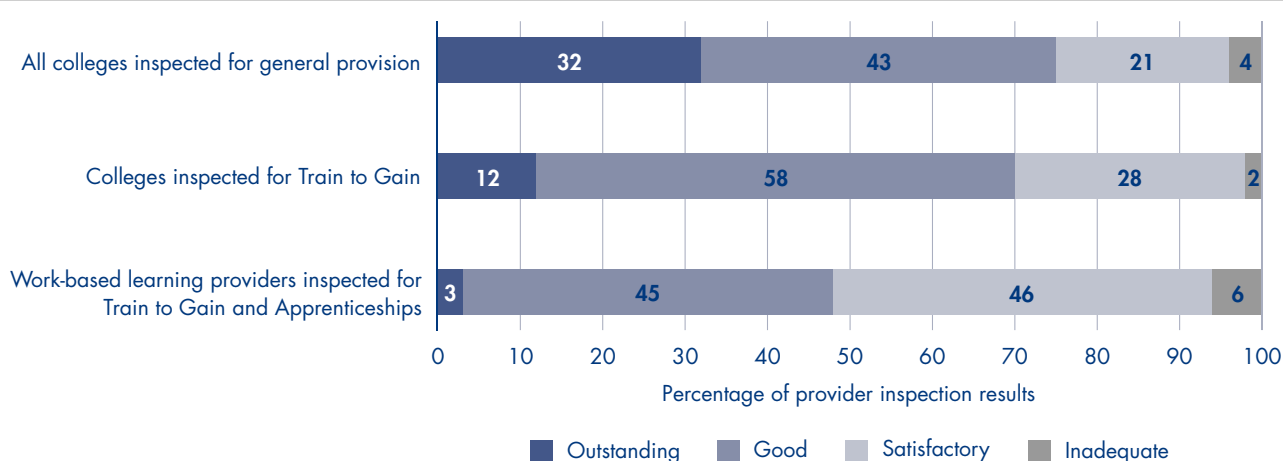
“I think certainly in [this region] the providers have kind of cottoned on that if they are more flexible then they'll get more business.”

Skills broker

4.11 Clear information on provider quality can help employers, brokers and learners to make an informed choice. The LSC supports other sources of information:

- The *Employer's Guide to Training Providers* is replacing regional systems with a full, searchable, national list of training providers in a single place, but excludes measures of provider performance or quality.
- The LSC's Training Quality Standard is a voluntary mark of the quality of vocational courses. By January 2009, 107 Train to Gain providers had achieved the Standard.
- The LSC's wider Framework for Excellence, launched in September 2008, applies to all but the smallest Train to Gain providers and includes a range of effectiveness indicators.⁴⁰

17 Inspection assessments on the quality of training provision



Source: National Audit Office analysis of Ofsted inspection data

NOTE

Train to Gain inspection results (both colleges and work-based learning) cover inspections from April 2007 to January 2009. College inspection data is for September 2007 to June 2008 only.

³⁹ Ofsted (November 2008), *The impact of Train to Gain on skills in employment*.

⁴⁰ <http://ffe.lsc.gov.uk/>

Managing provider performance

4.12 The LSC monitors five areas of provider quality to inform its decisions on contracting and managing provider performance: qualification success rates; financial management; inspection results; health, safety and welfare arrangements; and contract performance. Although the LSC publishes a national guide to managing under-performance⁴¹, it has so far applied only to Apprenticeships and further education and not Train to Gain, to allow providers more time to become familiar with the approach. In the first year, the LSC communicated a provisional Minimum Level of Performance of 65 per cent learner success, which would normally represent the rate which providers were expected to exceed in order to guarantee continued funding. Twenty-six of the 100 largest providers' overall success rates were below the 65 per cent minimum level, although the overall success rate in 2006-07 was 71 per cent.

4.13 In the meantime the LSC's regional offices use their own criteria and systems to monitor and take action where providers under-perform, for example by monitoring how many learners stay beyond the expected course completion date. Some regional offices have developed performance management guidance which states the monitoring timeframe, process, standards and actions which should occur. For example, if performance exceeds profile, they will consider a contract increase, if below, consider re-profiling or contract run-down. The different regional standards have been problematic for providers who work in more than one region, and a provider classified as poor quality in one region could have continued to operate in another region. The introduction of single provider contracts in the 2009-10 academic year is intended to reduce this risk.

Assuring financial control over Train to Gain funding

4.14 The LSC's regional offices undertake audits of providers' systems to check that financial controls are robust and compliance with contractual requirements. Audit teams are expected to visit each provider at least once every three years, with frequency determined by a risk assessment, and new providers should be audited within 12 months. Audits include a review of systems and an examination of a sample of learner files, recording any errors and, where appropriate, recovering funds. Overall, the audits found that £11 million of Train to Gain funds paid to providers related to errors, (one per cent of funds paid). The LSC recovered £8.2 million from providers between 2006-07 and January 2009. Train to Gain is less well established than comparable programmes that have existed for longer, and has also been less stable because of the changes made to the programme. These factors may partly explain why from April 2006 to January 2009, 18 per cent of Train to Gain provider audits found errors in their funding claims, slightly higher than for providers of other programmes; and the overall error rate for Train to Gain was 5 per cent compared to 2 per cent for work-based learning.⁴² The LSC found problems with the systems at 42 per cent of Train to Gain providers audited in 2008-09, 12 percentage points more than for work-based learning.

4.15 The LSC's regional assurance teams are inconsistent in their approach, for example in how they interpret funding guidance and their enforcement action following errors detected.⁴³ These differences probably contribute to the substantial variations in error rates between regions: in 2007-08, six per cent of providers in one region were found to have errors compared with 55 per cent of providers in another. In response, the assurance teams have undertaken national training to improve their consistency, and carry out annual quality assurance reviews of their work.

41 Learning and Skills Council (December 2008), *Identifying and managing underperformance, LSC Guidance on Identifying and Managing Underperformance and the Operation of Notices to Improve Applying to the 2009/10 Academic Year*.

42 The LSC defines 'overall error rate' as the total funds estimated to be at risk as a percentage of the population tested.

43 Learning and Skills Council (October 2008), *Internal Audit Report on Provider Financial Management*.

Mitigating the risk of fraud

4.16 There was widespread fraud among providers delivering Individual Learner Accounts in 2000 and 2001. The Department and the LSC recognised the importance of incorporating the main lessons to minimise risks of fraud in Train to Gain.⁴⁴ A particular risk in Train to Gain can lie with the use of consortia and sub-contractors to provide training. Sub-contractors are not subject to the LSC's quality checks at the tendering stage and during the contract term, because the LSC has no direct contact with these organisations, including for assurance visits, though their files may be sampled at the lead provider. Instead the LSC holds the lead provider responsible for all delivery under their contract. However, Ofsted found that lead providers did not always understand that their role included quality assurance of other members and were sometimes slow in establishing such arrangements.⁴⁵ The LSC considers that there is not a significant risk of fraud among sub-contractors, especially since many Train to Gain consortia were disbanded after the 2006-07 academic year.

4.17 The LSC does not have full knowledge of the providers delivering Train to Gain, as there is no national requirement to identify consortium members, though some regional offices have independently developed processes for adding (and removing) consortium members. The National Contracts Register, established in 2008-09, does not include sub-contractors, though all regional offices now ask providers to submit information about any sub-contractors.

4.18 One of the largest training providers, Carter & Carter, went into administration in March 2008. The LSC had been aware of problems at Carter & Carter, although it did not have a national view of this provider and its subsidiaries, and it continued to work with the provider after it had got into financial difficulty. The LSC worked with the administrators to transfer 11,000 learners (not all of whom were with Train to Gain) to other providers. There was a review of the circumstances leading to the situation, and the LSC is responding to the review's recommendations, which cover issues such as provider and risk management.

4.19 The LSC has an Investigations Unit that examines allegations of provider fraud. By March 2009, it had received 19 allegations of fraud by Train to Gain providers, of which eight have proceeded to full investigation, with four of these cases awaiting police action. In addition to the Train to Gain cases, 46 other referrals have been received in respect of Employer Responsive funding which may include elements of Train to Gain. There have so far been no prosecutions. There is no central data on the number of contracts that have been terminated for any reason, including poor financial controls.

4.20 In early 2009, LSC internal audit examined internal controls relating to detection and prevention of provider fraud across all programmes. It found a lack of coordination of anti-fraud activity with unclear responsibility for fraud risks. In particular, it found that roles and responsibilities for monitoring high risk providers (for example, providers that trade under different names or use sub-contractors) were unclear, as were the circumstances under which the Provider Financial Assurance team should refer suspected fraud cases to the Investigations Unit. The LSC has taken action in response to the internal audit report.

⁴⁴ The Committee of Public Accounts report *Individual Learning Accounts* (HC544/2002-03) identified that the Department needed improved risk management, piloting, quality control, learner information, demand management and internal audit involvement.

⁴⁵ Ofsted (November 2008), *The impact of Train to Gain on skills in employment*.

APPENDIX

Policy changes in Train to Gain

Theme	Policy as at August 2006	Policy as at April 2009
Learner eligibility	Eligibility limited to upskilling employees of private sector organisations and public sector, excluding central government.	Eligibility extended to include: <ul style="list-style-type: none"> ■ upskilling and re-skilling of people facing redundancy or seeking work for more than 6 months; ■ self-employed, volunteers.
Qualifications eligible for funding	Eligibility limited to: <ul style="list-style-type: none"> ■ literacy and numeracy at levels 1 and 2; ■ full level 2 available for learners without a prior level 2 qualification; ■ full level 3 qualifications co-funded with employers and only available in a small number of pilot areas; ■ leadership & management training available to employers with 20-249 staff. 	Eligibility extended to include: <ul style="list-style-type: none"> ■ full funding for additional full level 2, and part funding for additional level 3 qualifications for agreed sectors; ■ full funding for first level 3 for learners aged 19-25; ■ full funding for learners who jump to level 3 without a level 2 qualification; ■ funding for selected business-critical units or modules of accredited qualifications, such as business improvement, business systems and processes; ■ funding for leadership & management training extended to employers with 5-19 staff; ■ funding for literacy and numeracy at all levels irrespective of prior qualification.
Funding for providers	Provider funding rates increase by 1.5 per cent per annum for 3 years. Funding for each learner based on economic sector, whether or not learner contact exceeds 20 hours. All qualifications at same level in same sector paid same rate.	Increase to the base funding rate by 3 per cent each year for 3 years. (This decision was reversed as budgetary pressures mounted during 2009). Threshold for the higher payment rate lowered to 15 hours. From 2009-10, a single funding rate regardless of learner hours but different rates by qualification.
Employer targeting	'Hard to reach' employers the main focus. National Employer Service covers employers of 5,000 or more staff.	Extensions: <ul style="list-style-type: none"> ■ additional support for small businesses; ■ skills brokers also cover organisations with 1,000 to 4,999 employees.
Sector involvement	Sector Skills Councils involved on ad hoc basis.	Sector compacts introduced for some sectors.

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