National Audit Office

DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS
LEARNING AND SKILLS COUNCIL

Train to Gain: Developing the skills of the workforce

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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 rate[2] 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.

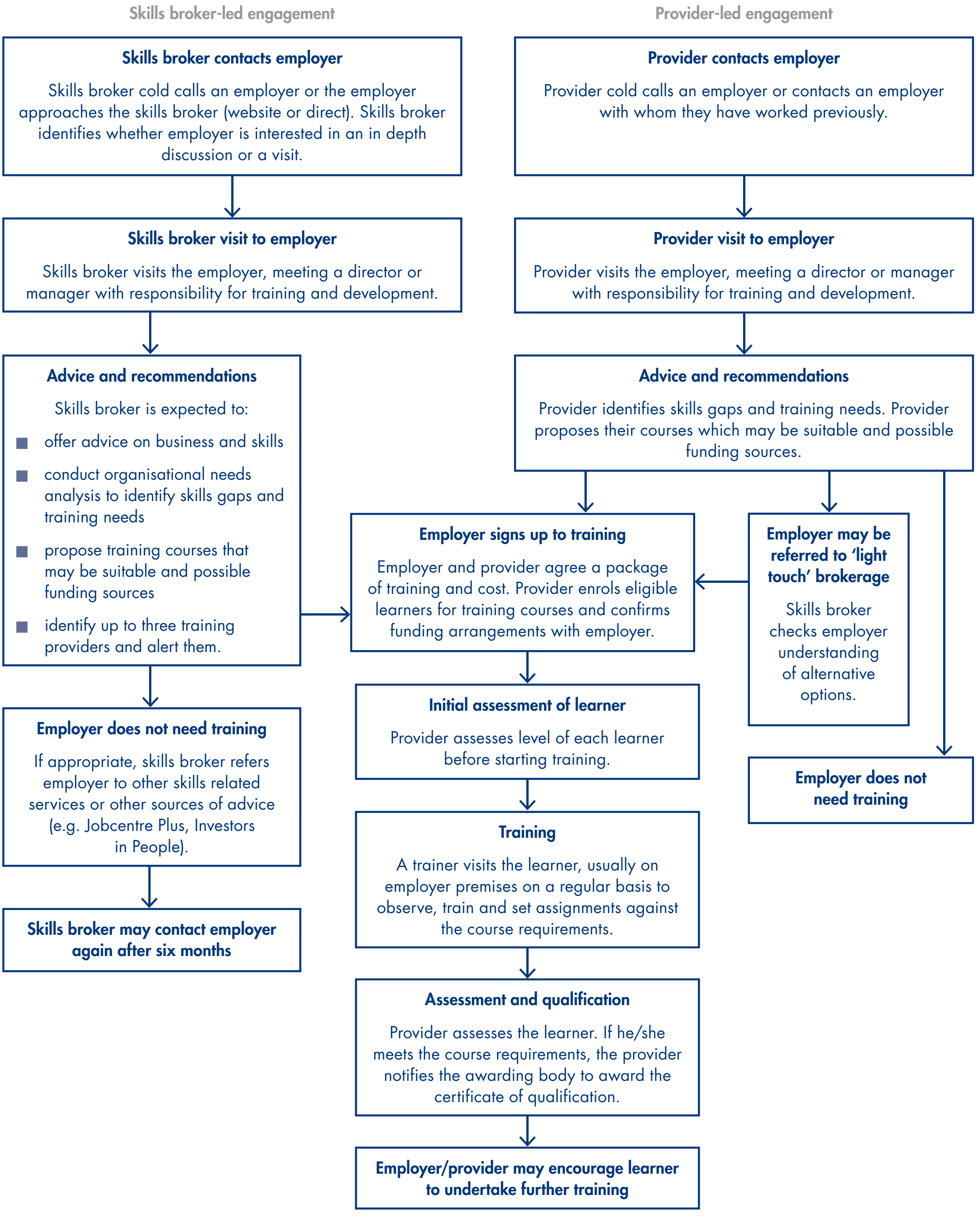
Encouraging employer demand for training (Part 3)

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.