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**Department for Education**

Getting value for money from the  
education of 16- to 18-year-olds

# Summary

**1** In 2009, over 1.6 million 16- to 18-year-olds participated in some form of education or training at a cost of over £6 billion a year. The proportion of 16- to 18-year-olds participating in education increased from 75 per cent in 2002 to 83 per cent in 2009. The majority of these learners undertook full-time education at either a general further education college, a sixth-form college or a school sixth form. Most 16- to 18-year-old learners study for level 3 qualifications (A level, National Vocational Qualification or equivalent), although a wide range of qualifications are available.

**2** The delivery of education for 16- to 18-year-olds is highly devolved and responsibilities for oversight are spread across a number of organisations (**Figure 1**):

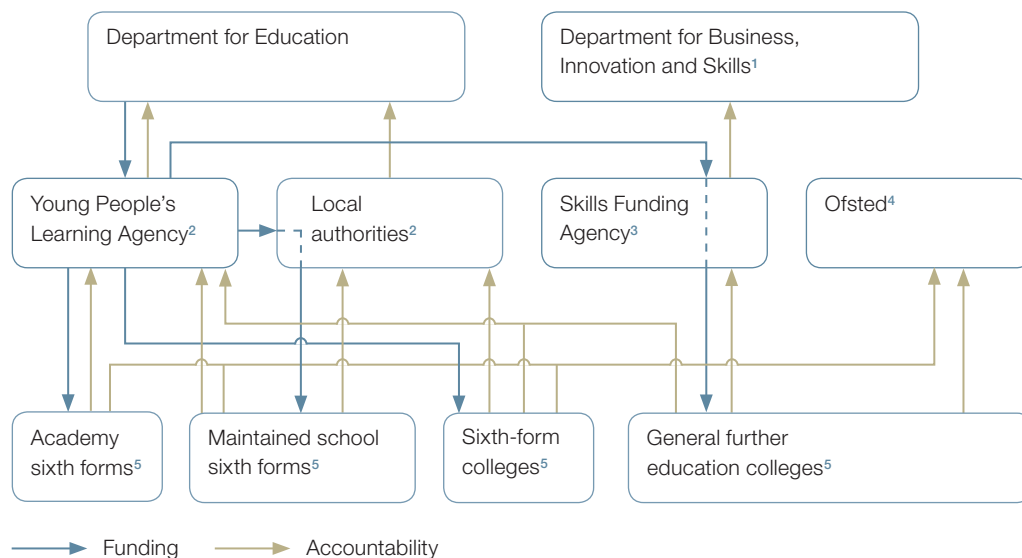
- The Department for Education (the Department) has overall responsibility for the provision of education for 16- to 18-year-olds and oversees the Young People's Learning Agency.
- The Young People's Learning Agency funds providers of 16 to 18 education and holds them to account for their delivery. It provides statutory guidance and strategic analysis to support local authorities in their role.
- Local authorities are responsible for securing sufficient suitable education and training opportunities for all 16- to 18-year-olds. This role includes identifying gaps, enabling new provision and developing the education and training market.

**3** The Government's objective is for young people to have a choice of high-quality providers, which it seeks to achieve by encouraging competition, for example through the creation of new providers such as sixth forms in academies and free schools, and through support for existing providers. Learners choose where they want to study, subject to entry criteria, with funding following the learner.

**4** This study examines whether the Department is getting value for money from its funding of education for 16- to 18-year-olds (excluding higher education). **Figure 2** on page 6 sets out the criteria we used to assess value for money. Our analysis focuses on the three main types of provider – general further education colleges, sixth-form colleges and school sixth forms – that between them deliver over 90 per cent of provision. Around 8 per cent of learners undertake apprenticeships, which are not examined in this report. A summary of our methodology can be found in the Appendix.

**Figure 1**

Funding and accountability for the main 16 to 18 education providers

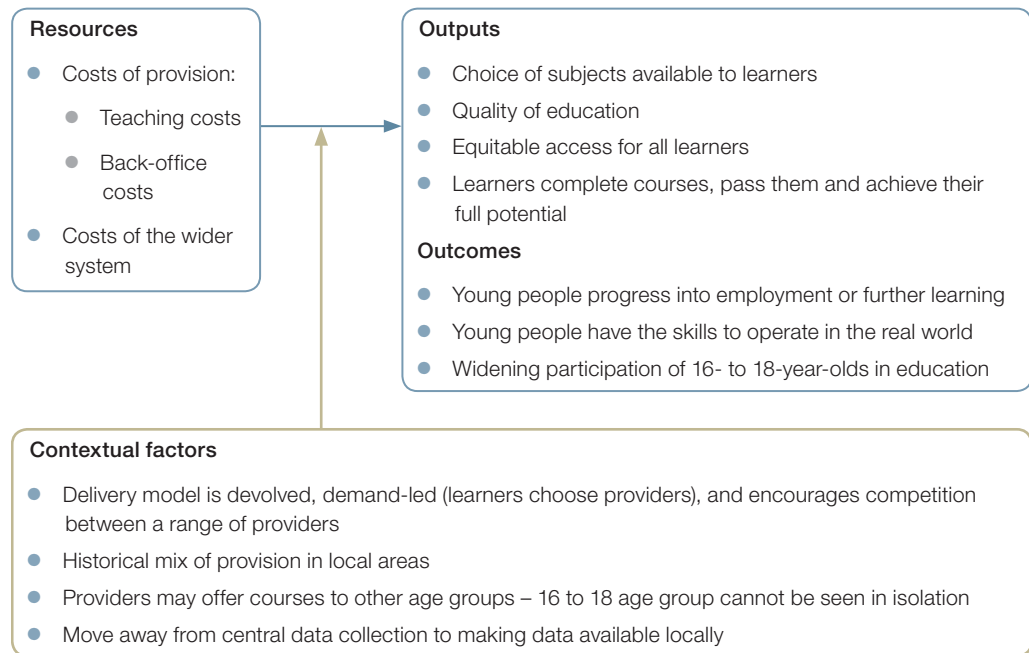
**NOTES**

- 1 The Department for Business, Innovation and Skills is responsible for post-19 further education and skills training and wider adult learning.
- 2 The Young People's Learning Agency and local authorities also have responsibilities for young people up to age 25 if subject to a learning difficulty assessment, but these responsibilities are outside the scope of this study.
- 3 The Skills Funding Agency is responsible for oversight of the further education system for learners over the age of 19, including for general further education colleges that provide courses for learners aged 16 to 18.
- 4 Ofsted is responsible for the inspection of education and training providers.
- 5 There are other 16 to 18 education providers apart from those shown, such as independent training providers.
- 6 Changes that may be enacted through the 2011 Education Bill are not reflected in this diagram.

Source: National Audit Office literature review

**Figure 2**

Assessing value for money from the education of 16- to 18-year-olds



**Assessment criteria**

- 1 Is there a range of high-quality courses for learners to choose from?
  
- 2 Does the system incentivise high-quality, cost-effective provision?
  
- 3 Are there effective performance monitoring and interventions to deal with poor performance?

**Areas for consideration**

- Choice of high-quality academic and vocational courses appropriate to the needs of learners, regardless of where they live.
- Access for learners to impartial information, advice and guidance to help them make an informed choice of course and provider.
- Equitable access for all learners and clear progression to employment<sup>1</sup> or further learning.
- An efficient devolved system with clear lines of accountability.
- Funding is fair, transparent and supports desired outputs and outcomes.
- Providers are empowered and incentivised to provide better outcomes for less cost.
- Effective monitoring of the performance of the whole system (incentives, structures and processes) and of providers, supported by timely, relevant and accurate information.
- Appropriate and consistent interventions to deal with poor performance.

**NOTE**

1 We have not examined the labour market value of qualifications, which is among the subjects considered in: *Review of vocational education – The Wolf Report, March 2011.*

## Key findings

### Choice of high-quality courses for learners

**5 Across most of the main measures of learner achievement, performance has improved nationally over the last four years.** There are, however, variations by provider type and by size of provider. For example, learners in larger providers achieve, on average, better academic progress and results.

**6 There is a tension between choice of providers and choice of courses.** Providers with many learners are generally able to offer a greater choice of courses, but choice can be diminished where there are relatively large numbers of smaller providers in an area. Some providers collaborate in order to provide a wider choice of courses.

**7 Availability of information, advice and guidance for learners is variable.** Some schools do not provide impartial advice on the full range of options in their local area. Young people can, however, obtain helpful information from several sources: area-based course prospectuses and providers' websites to find out what is on offer; and Ofsted inspection results and local performance tables to gauge providers' performance. Information on performance for individual courses, and on the further education or employment that they might lead to, is less widely available. The Department proposes to introduce, by 2013, subject-specific information and a measure that shows how many learners have progressed into further learning or employment.

### Incentives to provide high-quality, cost-effective provision

**8 The Department has effective oversight of some key aspects of the 16 to 18 education system, but not others.** It gains assurance on quality of education from Ofsted and on participation and achievement through the Young People's Learning Agency. However, the Department does not systematically review the whole system, including how local authorities fulfil their responsibility for securing adequate provision and developing the market, and how providers are contributing to some wider outcomes such as preparing young people for employment.

**9 Sixth-form colleges, which perform best on most measures of learner achievement, are paid at a lower funding rate than school sixth forms.** While the Department has taken some steps to reduce differences in the funding of different types of provider, colleges receive £280 per learner less than schools. In November 2010, the Department announced in its White Paper that it plans to end this funding difference by 2015.

**10 Changes that have already been made to the funding of school sixth forms have increased incentives for schools to ensure learners complete their courses.**

Unlike colleges, funding for schools was not previously based on the schools' actual success rates (the proportion of people who enrolled on a course who completed the course and passed). In the first academic year, 2008-09, data on success rates for schools was incomplete and of poor quality, and differences in schools' and colleges' data systems mean that achieving comparability will be difficult. The Department proposes to change the way that schools report their data, so that they can provide comparable data by the 2012-13 academic year.

**11 Different types of provider are subject to different accountability arrangements.**

Although Ofsted brought the inspection frameworks for education of 16- to 18-year-olds more closely into line when it reviewed them in September 2009, differences in the Ofsted inspection frameworks for schools and further education colleges remain. These differences, along with differences in performance data and in financial reporting requirements, make it more difficult to perform comparative analyses of the performance of provider types in delivering education to 16- to 18-year-olds.

**12 Partly in response to support from the Department, many schools and colleges have developed their understanding and management of back-office costs.**

Tools, such as the financial management standard in schools, and a range of support provided to colleges through the Department and its agencies, have encouraged providers to benchmark back-office costs, such as utilities and catering, identifying areas where they can make savings. Procurement good practice was evident in many of the schools and colleges we visited, such as using buying communities to increase purchasing power.

**13 Direct costs, such as teaching staff, typically account for over 60 per cent of a provider's costs, yet the Department has offered little guidance or support to providers in this area.**

Many providers consider course costs to be fixed, yet there are many choices a provider makes that influence the cost of running a course, such as the proportion of direct teaching time. Some providers' understanding of staff deployment is poor.

Performance monitoring and interventions to deal with poor performance

**14 The Department has good information by provider on the quality of education and achievements of learners, but less so on expenditure.** The Department requires providers to report spending at an institutional level. Since most 16 to 18 education providers also educate learners in other age groups, the Department does not have data on what they actually spend on 16 to 18 education. In this report, we have used funding as a proxy for expenditure in measuring value for money achieved.

**15 There are clear arrangements for dealing with poor performance in colleges.** Failure to achieve minimum levels of performance (success rates), inadequate inspection results or poor financial management trigger a notice to improve. Colleges are given a clear timescale in which to improve and are offered support. Failure to improve leads to further action, such as change of management or closure.

**16 In contrast, there is no consistent approach to dealing with poor performance in school sixth forms.** The criteria that local authorities use to determine school sixth-form under-performance vary, leading to inconsistency in the challenge and support that they provide, and in the circumstances that lead them to intervene. The Department intends to apply minimum levels of performance to schools from the 2012-13 academic year, but this will depend on improving schools' success rate data which provide the basis for assessing minimum levels of performance.

## **Conclusion on value for money**

**17** The Department spends over £6 billion each year on educating 16- to 18-year-olds. Increases in expenditure year-on-year have been matched by improvements in outputs, in particular learner achievements, and the system is achieving some wider outcomes such as increasing participation of 16- to 18-year-olds in education. These are positive indicators of value for money and there are proposed plans to make the system more coherent, but current variations in the arrangements for accountability, performance monitoring, and intervention where poor performance exists mean that we cannot conclude that value for money is being delivered across the system.

**18** There is further work to be done in understanding how expenditure can most efficiently and effectively generate learner achievement and progression. This understanding is essential if the Department is to maintain or improve outputs and outcomes with fewer resources per learner over the coming years.

## Recommendations

**19** Emerging plans for cost reductions bring financial and value for money risks, particularly for those providers that are not achieving well at current levels of funding. Our recommendations take account of the need to achieve structured cost reduction over the next few years.

**Choice of high-quality courses varies and the information, advice and guidance available to young people in choosing courses is of variable quality.** The Department should:

- a** disseminate information on how providers can collaborate through federations or other cost-effective means to improve choice of courses to learners while achieving economies of scale;
- b** establish an appropriate framework to ensure that young people receive independent, impartial information, advice and guidance from schools about the options available to them at age 16; and
- c** require all providers to make available to learners information on: trends in learner achievement and success for each course; and learners' destinations after they have completed the course.

**While there are some incentives for providers to deliver high-quality, cost-effective provision, there is scope for strengthening incentives and making them more consistently effective across all provider types.** The Department should:

- d** improve the consistency of accountability arrangements across providers and where necessary alter the arrangements to reflect changing patterns in provision, such as collaboration through a federation;
- e** incentivise providers to prepare learners for employment, for example through monitoring progression to employment;
- f** disseminate information to providers on achieving more from their funding, and in particular:
  - how providers can improve their management of costs of courses, especially staff costs and deployment; and
  - advice on the key performance indicators that governors should monitor to gain assurance on value for money; and
- g** include an element on achieving value for money in the tool that replaces the financial management standard in schools.



**Performance monitoring of providers and intervention to deal with poor performance require strengthening to make them consistently more effective.**

The Department should:

- h** gain consistent assurance that providers are: reporting accurate data; meeting minimum levels of performance; and covering their costs;
- i** assess all providers consistently using accurate success rates;
- j** develop a consistent response to all provider types where performance does not meet the required standard; and
- k** once recent changes are embedded, assess its approach to devolved delivery, for example using a choice and competition framework (paragraph 3.8), and use the results of the assessment to design improvements.