



National Audit Office

**REPORT BY THE  
COMPTROLLER AND  
AUDITOR GENERAL**

**HC 1590  
SESSION 2010–2012  
16 DECEMBER 2011**

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**Department for Business, Innovation and Skills**

Reducing bureaucracy in further  
education in England

## Key facts

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**Around  
£250–300m**

estimated spending by further education providers on administering funding, qualification and assurance systems – based on an NAO extrapolation from 12 general further education colleges

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**225**

general further education colleges

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**4.6m**

learners participating in further education

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- 3.6 per cent** of government funding streams from the two main funding bodies spent on administering funding, qualification and assurance systems from our visit to twelve colleges
- £180 million** National Audit Office estimate of spend each year by general further education colleges, one specific type of provider, on administering funding, qualification and assurance systems based on a 3.6 per cent spend across the total of funding received
- Over 1,000** bodies funded to provide further education
- £3.6 billion** Skills Funding Agency allocation to further education in 2010-11 (academic year)
- £122 million** Skills Funding Agency administration costs for 2010-11 (financial year)
- £4.1 billion** Young People's Learning Agency allocation to further education for 2010-11 (academic year)
- £48 million** Young People's Learning Agency administration cost in 2010-11 financial year (which covers a range of providers beyond those that provide further education covering a spending programme totalling over £12 billion)
- £1.1 billion** reduction in further education spending by the Department for Business, Innovation and Skills by 2014-15

# Summary

**1** The Government is reforming further education in England to deliver skills for sustainable growth. Its strategy is founded on the principles of fairness, responsibility and freedom. In terms of freedom, the Government seeks greater devolution of central control and a reduction in unnecessary bureaucracy. Since the change in government it has taken action to achieve these aims in three main areas: removing central government bodies; simplifying systems and procedures; and removing certain legal requirements on colleges.

**2** The Department for Business, Innovation and Skills (the Department) and the Skills Funding Agency (the Agency) provide public funding for further education for students aged 19-plus. The Department and the Agency must work in partnership with a range of other bodies that also play a key part in the sector. These are the Department for Education and the Young People's Learning Agency, which fund education for pre-19 year-olds, which makes up half of the total funding provided to general further education colleges, the Office of Qualifications and Examinations Regulation (Ofqual) and the Office for Standards in Education, Children's Services and Skills (Ofsted).

**3** Further education has a key role in supporting economic growth, helping employers obtain the skills they need and helping learners develop a successful career. It is delivered by over 1,000 different providers, mainly further education colleges or independent training businesses. Colleges, as independent bodies, are in charge of determining the range of education they offer, allocating resources and making funding choices. They need information for their own business purposes but must also meet requirements for funding, qualification and assurance systems for government and others.

**4** Both the Department and the Department for Education, as funders via their agencies, need information to allocate funds, protect the public money used and ensure that funds are well managed and value for money achieved. To do this they need an effective system of monitoring and regulation. Parliament, learners and the public also need assurance that quality standards are being met. The Committee of Public Accounts' recent report, *Accountability for public money*, emphasised the need for appropriate accountability for public spending.<sup>1</sup>

**5** This report looks at the extent of administration carried out by providers associated with further education funding, qualification and assurance systems. Figure 5 summarises some of the types of information involved. Such systems also entail costs and, if they involve unnecessary bureaucracy, will waste money. To provide value for money, such systems need to be efficient and balance benefits against the costs of the bureaucracy they impose.

<sup>1</sup> Committee of Public Accounts, *Accountability for public money*, HC 740 28th Report of Session 2010-12, April 2011.

**6** This report focuses on the Department's and the Agency's approach to simplifying funding, qualification and assurance systems in further education. There is no single body charged with responsibility for managing the totality of central government's interactions with the sector. Accordingly, we have focused on the Department's and the Agency's accountability for:

- simplifying their own systems and interactions affecting the further education sector; and
- monitoring and coordinating their efforts with other bodies affecting the sector, each of which is accountable for simplification of their own systems.

**7** We evaluated the approaches of the Department and the Agency against a structured framework. We assessed: whether there is a clear understanding of the problem (Part Two); whether the proposed solution reflects this understanding (Part Three); and whether there is an effective implementation plan (Part Four). This report builds on our work reviewing regulatory reform and on structured cost reduction.<sup>2</sup>

## Key findings

### Understanding the problem

**8 The Department and the Agency recognise that the previous system of information and assurance for 19-plus provision needed to change.** The Department and the Agency have worked extensively with providers to understand how their systems affect them and could be streamlined. Through this work, the Department and the Agency recognised that some of the administration of funding, qualification and assurance systems by further education providers is unnecessary and includes overcomplicated, obsolete and repetitive activities. The Department and the Agency have used this understanding to develop solutions. The Department for Education and the Young People's Learning Agency are undertaking a similar exercise for pre-19 provision.

**9 The Department and the Agency have developed a qualitative understanding of the cost and benefits of their information and assurance systems but have yet to measure their scale.** The Agency is currently undertaking an exercise to quantify the cost for colleges of meeting its information requirements. The last estimate of cost and benefits of one element – data collection for the then single funding body – was made in 2008, when the Department's Information Authority estimated that this was costing colleges some £149 million a year. However, since 2008 there have been considerable changes to the system and this estimate is not being used to guide improvement.

<sup>2</sup> National Audit Office, *A short guide to structured cost reduction, 2010; Delivering regulatory reform, 2010.*

**10 The Department and the Agency do not consider that they need to quantify the impact other bodies have on the sector.** As a result, there is no overall measure of the challenges now faced by the sector. We therefore drew on our past work in reviewing structured cost reduction and the administrative burden of regulations to estimate the broad scale of these costs. Working with 12 general further education colleges we estimated the cost to colleges to be around £180 million a year. Extrapolating these costs to include other types of providers, as well as colleges, indicates the amount would be around £300 million a year. Even if other providers only experienced half of the costs of colleges, the amount would be around £250 million a year.

**11 Our work with providers suggested that significant savings could be made.** Reducing the cost of information reporting and assurance would help avoid spending reductions bearing disproportionately on services to learners. The colleges we visited suggested they may be able to reduce costs by around half. Although we doubted whether an immediate reduction on this scale would be practicable, a reduction of around a quarter would, for example, represent a reduction in providers' costs in the region of £60–75 million.

### Developing a solution

**12 The Department and Agency have developed initiatives to target the key problems affecting 19-plus education.** The changes to the sector were devised quickly based on extensive consultation with providers. We found that the changes target many of the significant burdens providers experience. These burdens are, particularly, the complexity of the funding system, the need to deal with different funding bodies and the provision of funding information in a timely manner. The changes represent a good start for the sector that should, in time, reduce the burdens on providers.

**13 The further education landscape is complicated and rapidly changing and the Departments and the Agencies have yet to develop a complete picture of their final operating model as a whole.** Their approach lacks clarity on how implementation of reducing bureaucracy for providers will be monitored and controlled. There is, for example, no clear indication of what the new system should cost, the impact of the reductions proposed and the impact of changes being made by others.

### Securing effective implementation

**14 The Department's and Agency's governance structures allow them to manage progress on their three work strands effectively.** The Department's and Agency's governance system allows them to effectively monitor the implementation of their own reforms for the sector. This includes the measures they have in place to simplify their funding and assurance systems.

**15 The inclusion in the governance arrangements of the other key organisations with responsibilities in the sector is important for sharing knowledge on the impact of changes.** The Department's governance structure for simplifying the further education sector includes representatives from across the sector and from other government organisations. This allows the various bodies to consult each other about the impact of their different initiatives.

**16 The Department for Business, Innovation and Skills is not making the most of its opportunity to coordinate the process of change with other government organisations.** The Department for Education, the Young People's Learning Agency, Ofqual and Ofsted have initiated work to reduce the burden on providers both within the sector and beyond. Despite these common aims the Departments have not taken an overall view of the impact of reform on further education providers. The Departments and funding agencies have managed the reform of the sector as a series of individual groups of initiatives in their areas of responsibility rather than as a series of interventions that will impact on the same group of providers.

**17 The further education providers we visited do not have confidence that simplification of funding, qualification and assurance systems will be sustained.** Whilst providers welcome the reforms they lack clarity over what the new system of information and assurance will look like or how the changes proposed by government will impact upon their business undermining confidence. Providers do not get the information they need on a timely basis, which restricts their ability to act on the changes made.

### **Conclusion on value for money**

**18** In the absence of more precise measurement by the Department, we estimate that dealing with government's funding, qualifications and assurance system costs the further education sector around £250–300 million a year. This scale of costs shows that substantial savings can be made by reducing bureaucracy, and demonstrates the need for focused and systematic management of these costs to drive sustained improvements in efficiency.

**19** Whilst the Department and the Agency are pursuing a range of improvements they still fall short of an integrated approach. Better measurement of the scale of burdens on providers would help them assess the value for money of individual burdens, and to plan and prioritise actions, without impinging on colleges' responsibilities and freedoms. The Department and the Agency have a vision for the change they want to achieve, but need a detailed design of the final system supported by a clear migration plan. They have established governance structures to manage their own changes, but equivalent structures to coordinate the actions across bodies with different objectives are lacking. The Department's and the Agency's ambition is welcome, but they need to rectify these deficiencies to make the most of the changes they are seeking and achieve value for money.

## Recommendations

**20** Our recommendations are aimed at helping the Department secure value for money from its commitment to reduce bureaucracy in further education. The recommendations are centred on the parts of the framework the Department and the Agency will need to develop further to secure full value from bureaucracy reduction in conjunction with the Department for Education.

### Understanding the problem

**The Department does not understand sufficiently the impact it, and others, imposes and how far change affects providers. The lack of quantification limits the Department's ability to target efforts and understand progress:**

- a** The Department should undertake cost/benefit analysis to identify the cost to providers of administering 19-plus further education funding, qualification and assurance systems to provide a baseline to assess performance and monitor the impact they have on providers. This should build on the efforts of the Agency to understand the whole college view of the system and identify the cost to providers.
- b** In designing simpler funding and assurance systems the Department should ensure as far as possible that all changes are aligned with the business cycle of providers and with the changes being made by others.

### Developing a solution

**The Departments' vision for change needs to be supported by a clear view of its destination, a migration plan, an evaluative structure and an evidence-based approach:**

- c** The Department and the Department for Education should develop and maintain, as changes are made, a design for their final operating model which is agreed with all the government bodies that interact with providers. This will allow the Departments to prioritise changes and develop a clear evidence-based migration plan.
- d** While immediate reductions on the scale suggested by colleges may not be practical, setting an ambitious reduction target would give a valuable impetus to change. The Department and the Agency should set a clear target for the scale of the burden reduction they are seeking to achieve in respect of 19-plus further education provision.

## Securing effective implementation

### **Weakness in governance and communication will limit effective implementation and restrict cost reduction:**

- e** Governance structures should be supported by effective coordination of changes and burdens imposed on the sector by government.
- f** The Department and the Agency need to make their communication clearer and more structured. They should align their communication of the changes more closely to providers' information needs.
- g** The two Departments should take a more active role in coordinating the action and efforts of others based on their understanding of the burdens providers face. They should use structures already in place, such as the Information Authority, to minimise burdens on providers. This will allow them to build on the progress already made and ensure that providers can deliver the range of objectives the Government and local communities expect of them.



Report by the Comptroller and Auditor General

## Reducing bureaucracy in further education in England

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### CORRECTION

Paragraph 11 (p7) in the Summary reads ‘£60–70 million’; this should read ‘£60–75 million’

**Please see below for the corrected paragraph**

Summary, page 7

**11 Our work with providers suggested that significant savings could be made.**

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