



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

16- to 18-year-old participation in education and training

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.



National Audit Office

Department for Education

16- to 18-year-old participation in education and training

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 2 September 2014

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

29 August 2014

We examine how well the Department is implementing reforms to raise participation in education and training and improve the relevance and quality of learning.

© National Audit Office 2014

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.gsi.gov.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.

Contents

Key facts 4

Summary 5

Part One

Challenges to increasing participation 13

Part Two

Progress in increasing participation 21

Part Three

Progress in improving relevance
and quality 37

Appendix One

Our audit approach 43

Appendix Two

Our evidence base 45

The National Audit Office study team consisted of:

Maria-Christina Eskioglou,
Elizabeth Hogarth, Lucy Horitz,
Tosin Omole, Alice Sturgess and
Thea Tanner, under the direction
of Linda Mills and Tim Phillips.

This report can be found on the
National Audit Office website at
www.nao.org.uk

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

£7bn

Department's funding for education and training for 16- to 18-year-olds, 2013/14

81.2%

of 16- to 18-year-olds in education and (government-funded) training, at end of 2013

7.6%

of 16- to 18-year-olds not in education, employment or training, at end of 2013

1,955,100

young people aged 16 to 18 in 2013 (Department for Education's estimate)

£4,000

basic rate of funding for each full-time student in 2013/14

Between £11.7 and £32.5 billion

estimate of the lifetime cost to the taxpayer of 208,000 young people not in education, employment or training in 2008

£180 million

value of the 16–19 Bursary Fund in 2013-14 (funding provides additional support to young people to help them participate)

59%

19-year-olds, in 2013, who gained a level-3 qualification (such as two A-levels)

32%

increase in 16- to 18-year-olds starting apprenticeships of 12 months or longer (2011/12 to 2012/13)

Summary

1 At the end of 2013, there were nearly 2 million young people aged 16 to 18 in England. The Department for Education (the Department) sets national policy, and manages funding for these young people's education and training. In 2013-14, it allocated some £7 billion to this aspect of its work.

2 Over 80% of 16- to 18-year-olds were in education and training at the end of 2013.^{1,2} However, 148,000 (7.6%) were not in education, employment or training – often described as NEET. The Department and education experts have been concerned about young people who are NEET for a long time. On average, such young people are more likely to be unemployed, have lower-paid jobs, have addictions or go to prison. For many years, participation in England has lagged behind that of other developed countries, despite repeated government attempts to tackle the problem. In 2008, York University estimated that the potential lifetime cost to taxpayers of 208,000 young people who were NEET could be between £11.7 billion and £32.5 billion.

3 The Department has acted to increase the rate of participation among 16- to 18-year-olds. New legislation means that young people now have to continue in education or training beyond the age of 16. Young people leaving year 11 in summer 2013 had to continue in education or training for at least a further year, and those leaving year 11 in summer 2014 will be the first group required to continue in education or training until at least their 18th birthday.³ The Department has also introduced several initiatives to help young people to participate, particularly those at risk of being NEET. The initiatives include financial support; introducing the Youth Contract; and changing careers advice.

4 The Department also wants young people's education and training to be relevant and high-quality; for those with low prior attainment to be able to progress to more substantial qualifications; and for vocational qualifications to be a respected alternative to academic learning. To achieve this, it has changed how it allocates funding for 16- to 18-year-olds; introduced Study Programmes and Traineeships; and changed apprenticeships.

¹ When the Department says 16- to 18-year-olds, it usually means young people who were this age at the start of the academic year and so also includes young people who turn 19 during the year.

² Training comprises advanced apprenticeships, apprenticeships and some other work-based learning that the Education Funding Agency funds.

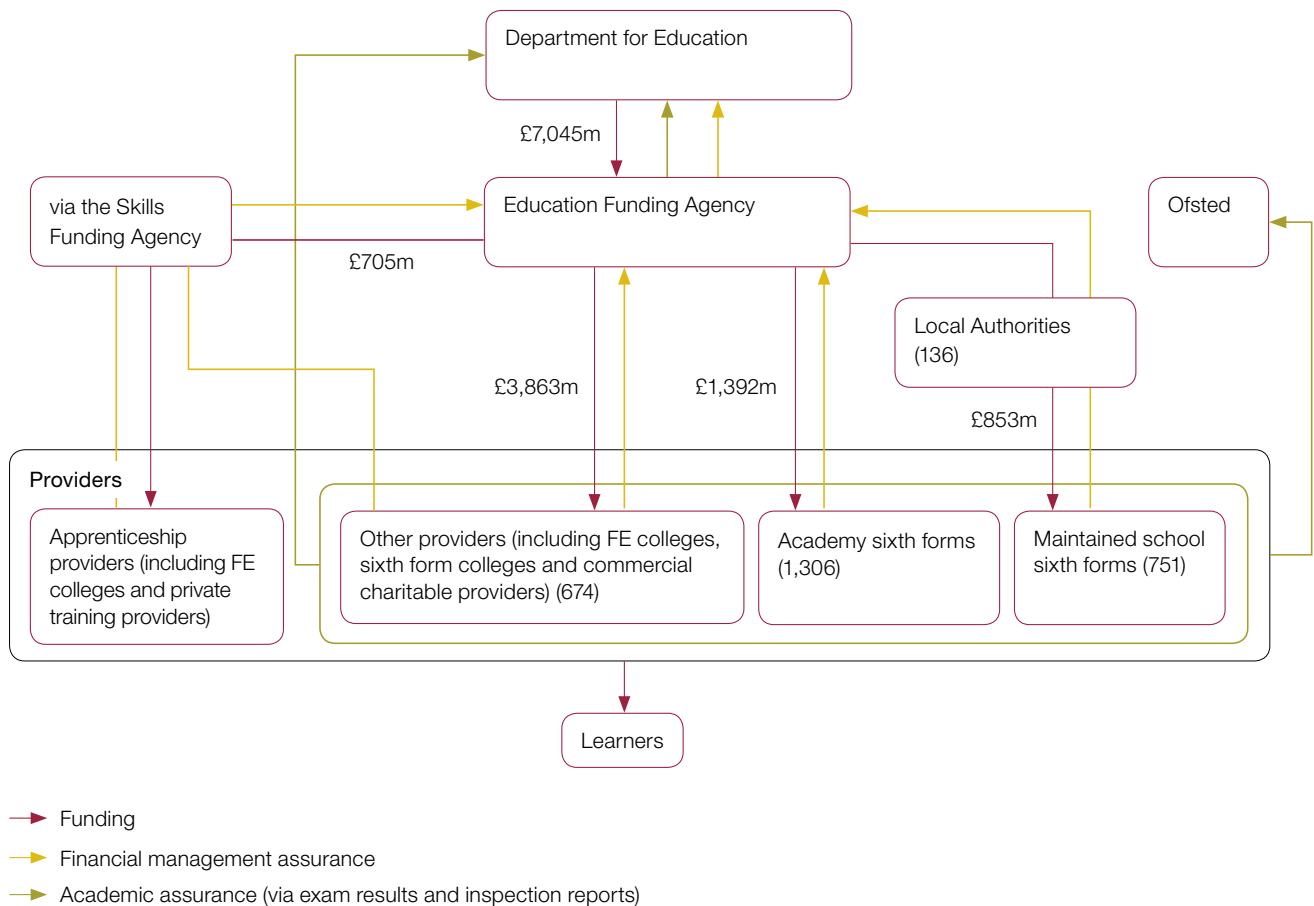
³ Year 11 is the year during which most pupils turn 16 and typically sit their GCSE exams.

5 The Department is responsible for the majority of policy and funding for 16- to 18-year-olds. The responsibility for delivering education and training and raising participation is shared by a wide range of organisations (**Figure 1**):

- **Education Funding Agency, an executive agency of the Department**
Issues funding for, and provides assurance about, spending on education and training, and manages the Youth Contract.
- **Schools, sixth form colleges, further education colleges, commercial and charitable providers, and employers**
Educate and train young people, and distribute financial support to them. Schools and colleges have the additional duty to provide independent careers guidance.
- **Department for Education, jointly with the Department for Business, Innovation & Skills**
Set national policy for and fund apprenticeships. The Skills Funding Agency is responsible for delivering apprenticeships, including allocating funding to apprenticeship providers and for the delivery of the National Apprenticeship Service. The Department for Business, Innovation & Skills also funds the National Careers Service.
- **Ofsted**
Inspects education and training providers, including schools' provision of careers advice and guidance.
- **Local authorities**
Have statutory duties to secure sufficient suitable education and training for all young people in their area, and to support participation, including by identifying young people who are NEET. Authorities use different ways to engage young people, to support their participation. They fund their own initiatives aimed at helping young people stay in, or re-engage with, education or training. Authorities also have a duty to publish a transport statement setting out their arrangements to support young people of sixth-form age to access education and training.

Figure 1

Responsibilities for 16- to 18-year-old education and training, and funding allocated for 2013-14

**Notes**

- The figures are sourced from Education Funding Agency management accounts for 2013-14 which refer to the funding available for the academic year 2013/14.
- £126 million of funding was announced to support the 16- to 17-year-old element of the Youth Contract for 2012–2015. Funding for this element of the Youth Contract is ring-fenced and any funding not spent is returned to HM Treasury.
- Funding to the Skills Funding Agency includes £5 million distributed by the Skills Funding Agency to providers for Traineeships.
- The numbers of schools and academies shown excludes special schools.
- The number of local authorities shown is the number that had maintained school sixth forms in the 2013/14 academic year.
- An additional £225 million of funding was allocated to providers for 16- to 19-year-olds' learner support.
- Some of the 674 'other providers' receive their funding from the Skills Funding Agency.

Source: National Audit Office and Education Funding Agency

Scope of this report

6 In this report we look at the Department's progress, with other stakeholders, in reforming 16- to 18-year-old education and training:

- Part One describes the challenges faced and what the Department is doing.
- Part Two assesses the progress the Department has made in increasing participation.
- Part Three assesses the Department's efforts to improve quality.

Key findings

The participation rate

7 **The rate of participation of 16- to 18-year-olds in education and training has increased.** At the end of 2013, 81.2% of 16- to 18-year-olds were in education and government-funded training, compared with 79.2% at the end of 2012. A further 7% were in jobs with no training and 4% were in training not funded by the government (paragraphs 1.2 and 2.3).

8 **In 2013, the proportion of 16- to 18-year-olds not in education, employment or training (NEET) fell to its lowest level for 20 years.** At the end of 2013, 7.6% of 16- to 18-year-olds were NEET, compared with 9.2% at the end of 2012. This is the lowest level since comparable records began in 1994 (paragraph 1.5).

9 **The Department has made a major contribution to these improvements but the relative impact of its various reforms is unclear.** Many factors influence rising participation rates, including the health of the wider economy. However, the decision to require young people to continue learning for at least 1 more year after they complete year 11 is likely to be a major reason for the increases. The most recent data shows a 2.8 percentage point increase in 16-year-olds' participation, which is likely to be, in part, because 16-year-olds are now told that they have to remain in education or training. The change in the law, along with the number of reforms the Department is undertaking, makes it difficult to identify the relative impact of any individual reform (paragraphs 2.4 to 2.6).

Approach to reforming education and training

10 **The Department has based its reforms on clear evidence.** Many of the Department's reforms implemented recommendations in *Review of Vocational Education – The Wolf Report* and *The Richard Review of Apprenticeships*.⁴ These substantial reviews drew on wide evidence and consulted many experts (paragraph 1.12).

4 *Review of Vocational Education – The Wolf Report*, March 2011; and *The Richard Review of Apprenticeships*, November 2012.

11 The Department has implemented its reforms at the same time as reducing spending on 16- to 18-year-olds. In 2013-14, the Department's core budget for this age group was 8% lower, in real terms, than in 2010-11. In some cases, the Department has identified specific funding for reforms. In others it requires schools and colleges to find funding themselves, out of core budgets. For instance, schools had no extra resources to improve careers guidance. Meanwhile, many of the Department's main stakeholders, in particular local authorities, are having to respond to significant budget reductions (paragraphs 1.13, 1.18 and 1.20).

12 Although the Department has managed interdependencies between its reforms through various programme and project boards, it has recently improved its oversight of delivery. The Department has been proactive in evaluating some individual reforms, and has commissioned external evaluations of the Youth Contract and the Bursary Fund. It established a new oversight board in February 2014, to support better joint working and more timely decision-making on the delivery and implementation of its reforms (paragraphs 1.23 to 1.25).

Progress in increasing participation

13 The Department has reduced financial support to 16- to 18-year-olds, but its new Bursary Fund targets the remaining support better. The Bursary Fund costs some £180 million a year, compared with the cost of the previous Education Maintenance Allowance, which was some £560 million in 2010-11. Despite this 68% fall, the Institute of Education and the Institute for Fiscal Studies estimated that the participation rate fell by just 0.7% as a result when the Bursary Fund was first introduced (paragraphs 2.20 to 2.21).

14 By March 2014, contractors had recruited 18,500 young people, who were NEET, on to the Youth Contract for 16- to 17-year-olds; this is fewer than the Department was funded to help, but of those who have been supported, more than half have so far participated in education or training. The Department originally focused the contract on an estimated 70,000 young people who were NEET, but, based on the current take-up rate, only around 30,000 will have accessed the scheme by the time recruitment ends in March 2015. Any funding for the Youth Contract which is not used by the end of each year is returned to HM Treasury. Since joining the Youth Contract, which is led by the Education Funding Agency, around 10,000 16- to 17-year-olds have so far participated in education and training for at least 5 months in a 6-month period. The Department does not intend to replace the Youth Contract (paragraphs 2.32 to 2.35 and 2.38).

15 In 2013, careers advice and guidance was still inadequate for many students and few 16- to 18-year-olds used the National Careers Service. In 2013, Ofsted found that only 12 out of 60 schools it visited were ensuring that all students received sufficient information to consider a wide breadth of career possibilities. This was after the Department had introduced a new statutory duty for schools to provide independent careers guidance that was impartial and that promoted pupils' best interests. The Department responded to Ofsted's recommendations by, among other things, clarifying the statutory guidance, while Ofsted has given careers guidance a higher priority in routine inspections. But the Department does not yet know if, or to what extent, these actions have led schools to improve. Between April 2012 and March 2013, the National Careers Service had some 27,500 contacts (via telephone, webchat, email, or SMS) with 16- to 18-year-olds, equivalent to just 1 for every 71 people in the age group. It is unclear how many 16- to 18-year-olds accessed careers advice services online (paragraphs 2.8 to 2.16).

16 The Department knows of at least 5,400⁵ young people aged 16 to 18 who started a Traineeship in the first 9 months of the programme but needs more providers to start delivering Traineeships. A more accurate number of Traineeship starts for the whole of 2013/14 will be available in November 2014. In the meantime, the Department needs to encourage more providers to offer Traineeships, if it is to achieve its ambitions for this initiative. As at June 2014, 200 out of 459 eligible training providers who said they would deliver Traineeships had recorded starts (paragraphs 2.28 to 2.31).

Progress in improving relevance and quality

17 The Department has removed a major risk to value for money by starting to allocate funding per person, rather than per qualification. For the academic year 2013/14, the Department funded full-time learners at a basic rate of £4,000, which did not depend on how many qualifications a learner completed. The change removes a previous incentive for schools and colleges to encourage learners to complete many short courses, some of which led to qualifications that were not useful for students (paragraphs 1.18, 3.3 to 3.4).

18 Apprenticeships are getting longer, which may suggest better quality, and the total number of young people becoming apprentices has fallen. The number of apprenticeships lasting 12 months or longer has increased, which may be legitimately interpreted as a proxy indicator for improved quality, but the Department, working with the Department for Business, Innovation & Skills, will not be able to assess whether longer apprenticeships really do provide deeper learning and skills until more data is available. The number of young people starting apprenticeships of 12 months or more increased by 32% from 84,100 in 2011/12 to 110,900 in 2012/13. However the total number of new apprentices fell in 2011/12 and 2012/13 (paragraphs 3.12 to 3.14 and Figure 13).

⁵ This figure is from the Department's internal management information. It is an in-year estimate and is dependent on providers accurately recording information on the Individualised Learner Record. The Department considers that this is likely to be a substantial undercount of provision to date.

19 Increasing employers' involvement in the development and management of apprenticeships is a sensible step but there are risks, which the Department aims to address through trials. The Department's plans to engage employers directly in designing and delivering apprenticeships are positive, with the potential to improve quality and relevance by ensuring that apprenticeships deliver exactly the skills and knowledge that employers want. The Department is trialling how this new approach will be funded in practice in 2014/15 for apprenticeship starts based on new employer designed standards. It plans to provide further information about how funding will work in autumn 2014. The Department will need to use the lessons learned from its trial to ensure that the new system meets its aims and is not perceived by some employers as a burden on them (paragraphs 3.13 to 3.16).

Conclusion on value for money

20 The Department has changed the law and introduced significant reforms to increase 16- to 18-year-old participation in education and training and to improve the quality and relevance of what learners do. The proportion of 16- to 18-year-olds participating in education and training increased at the end of 2013 and the proportion of young people who were NEET fell. Combined with reduced overall funding and the shift to a per-person funding model, this means that the overall value for money of the £7 billion spent on 16- to 18-year-old learning has increased.

21 While this is encouraging, the Department needs better information about the relative effectiveness of its reforms, so it can tell which have contributed most to increased participation, which have raised quality, and which have improved other aspects of value for money. This is particularly important if the Department is to take the right decisions in future about which reforms to keep and which to stop, or change, in order to optimise value for money. Establishing relative effectiveness may be challenging, but, in particular, the Department needs to be able to distinguish between improvement driven by raising the participation age and improvement driven by other initiatives.

Recommendations

22 The Department knows it needs to oversee its reforms closely, to understand how they contribute to its aims – individually and collectively. Our recommendations should help it develop its approach.

- a** **The Department should commission a detailed analysis of the relevant contribution that its different reforms make, and at what cost, to both the participation rate and the quality of education and training for 16- to 18-year-olds.** The Department needs timely information about what its reforms are achieving, and while in some cases it may be challenging to do so, should compare the likely impact of extra resources spent on one project rather than another, especially in the light of changes to the participation age, which are likely to influence many young people's behaviour.
- b** **If large numbers of Ofsted assessments remain critical, the Department should reconsider its role with regard to careers advice.** The Department has a clear and ambitious agenda to make careers advice independent and inspirational. If schools do not adopt its approach, it needs to be ready to intervene more directly; otherwise young people will not see the benefits.
- c** **The Department should find more ways to encourage employers, colleges and schools to work together to increase apprenticeships, Traineeships and work experience for young people.** Among other activities, the Department should collect practical examples of good practice and disseminate these to providers. It should identify how to make more employers aware of the new types of work experience.
- d** **When deciding what to do to reduce further the proportion of young people who are NEET, the Department should systematically examine what local authorities do.** It should disseminate the findings of its examination to other stakeholders and should consider piloting the most successful initiatives more widely.

Part One

Challenges to increasing participation

1.1 This part of the report examines:

- the challenge that successive governments have faced in trying to increase the level of participation among 16- to 18-year-olds;
- the quality and relevance of this type of provision; and
- the Department for Education's (the Department) work to address these problems.

Participation and attainment in England

Overall participation

1.2 At the end of 2013, 81.2% of 16- to 18-year-olds in England were in education or (government-funded) training.⁶ This figure was higher than at the end of 2012, since when participation had increased by 2 percentage points. Historically, however, the UK, including England, has had a lower proportion of young people in education and training than many other developed countries. The OECD's internationally comparable measure of participation shows the proportion of 15- to 19-year-olds enrolled in full-time or part-time education was 78% in the UK in 2011, compared with an EU-21 average of 87%, and an OECD average of 84%.⁷

Legislation

1.3 The government has raised the participation age so that young people are now required to continue in education and training beyond the age of 16. In summer 2013, students who left year 11 had to continue in education or training for at least one further year, and students who left year 11 in summer 2014 are the first cohort that will have to continue until at least their 18th birthday. The new legislation includes provisions to enforce participation; however, the government has decided not to bring this part of the law into force. It believes it is better for young people to participate voluntarily, and to put the onus on the education system to make learning attractive to young people and to support them.

⁶ Training comprises advanced apprenticeships, apprenticeships and some other work-based related learning that the Education Funding Agency funds.

⁷ OECD, *Education at a Glance*, September 2013.

1.4 Changing the law to require young people to continue in education and training is likely to help increase the number of young people who participate, but officials and education experts recognise that it will not be sufficient on its own. Some young people will not comply without further encouragement and support.

Not in education, employment or training (NEET)

1.5 At the end of 2013, the proportion of young people who were not in education, employment or training (who were NEET) fell to 7.6%, the lowest level since comparable records began in 1994. The cost of being NEET, for the individuals themselves, their families and the taxpayer, can be high. For the 208,000 young people who were NEET at the end of 2008, academics at York University estimated the lifetime cost could be as much as £110 billion (at 2010 values). This included:

- between £22 billion and £77 billion of cost to the individuals themselves and their families, from underemployment and unemployment; and
- between £11.7 billion and £32.5 billion of cost to taxpayers, including cash benefits for unemployment, lost tax and national insurance contributions, and health and criminal justice costs.⁸

Overall attainment

1.6 The attainment of young people has improved in recent years. For instance, the proportion of young people achieving a level-3 qualification (such as 2 or more A-levels) has risen by 17 percentage points since 2004. But a significant minority of young people still have very poor qualifications.

1.7 In 2013, of young people aged 19:

- 59% had gained a level-3 qualification (often the minimum needed for higher education and most professions);
- 86% held qualifications at level 2 or above, such as 5 or more GCSEs at grades A* to C; but
- 14%, or 88,000 young people, did not even have a level-2 qualification.

Barriers to participation

1.8 Young people are more likely to become NEET if they: have no GCSEs or equivalent qualifications; come from low-income families; live in deprived neighbourhoods; or have spent time in care.⁹ Teenage parents or those with a disability or special educational needs are also more at risk.¹⁰

⁸ B Coles, C Godfrey, A Keung, S Parrott and J Bradshaw, *Estimating the life-time cost of NEET*, July 2010.

⁹ Department for Education, *Youth Cohort Study and the Longitudinal Study of Young People in England: the activities and experiences of 18-year-olds - England 2009*, July 2010.

¹⁰ T Spielhofer, S Golden, K Evans, H Marshall, E Mundy, M Pomati and B Styles, *Barriers to Participation in Education and Training*, Department for Education report 009, May 2010.

1.9 Some young people have limited options. For example, young parents may only be able to attend part-time courses because of childcare responsibilities, and those in rural areas may have fewer institutions to choose from, as well as higher transport costs (paragraph 2.25). Others may struggle to pay for books, course materials or meals.

Relevance for young people and employers

1.10 The skills and qualifications gained through post-16 education and training must be relevant to both the young people themselves and to employers, if the government's substantial investment is to be value for money. Young people may drop out of study if they feel their courses are not useful. Meanwhile, in recent years, employers have identified skills gaps in their workforces, and in people applying for jobs. Sometimes these are gaps in basic skills, like literacy and numeracy. In addition, employers have mentioned a general sense that some young people do not know what to expect from the workplace – that they are not ready for work.

1.11 In a 2014 survey of 291 employers, 85% of respondents said one of the most important factors they considered when recruiting school and college leavers was their attitude to work, and 44% their literacy and numeracy.¹¹ Also:

- 56% of respondents considered too many young people left school without any knowledge of their chosen career;
- 55% thought too many young people did not have relevant work experience; and
- 52% were dissatisfied with school leavers' communication skills and 38% with their numeracy.

Government's response to the challenges

1.12 Between 2010 and 2012, the government commissioned 2 major reports: on vocational education (*Review of Vocational Education – The Wolf Report*); and apprenticeships (*The Richard Review of Apprenticeships*).¹² These examined in great detail many of the issues described above. The Department used the reports' recommendations alongside its own evaluations and consultation to start reforming 16- to 18-year-old education and training. The Department wanted to increase participation and improve the quality of what young people learn. This built on the pre-existing legislation, from 2008, which raised the participation age to 18. The Department's reforms are set out in detail in **Figure 2** overleaf.

1.13 Most Departmental reforms are being delivered through core funding to schools and colleges. For the 2013/14 academic year, the Department allocated 87% of its £7 billion budget for 16- to 18-year-olds to schools and colleges. In addition, it allocated £700 million (10%) to apprenticeships; and £225 million (3%) for financial support with £42 million made available by HM Treasury specifically for the Youth Contract for 16- and 17-year-olds.

¹¹ CBI/Pearson, *Gateway to growth: CBI/Pearson education and skills survey*, July 2014.

¹² *Review of Vocational Education – The Wolf Report*, March 2011; and *The Richard Review of Apprenticeships*, November 2012.

Figure 2

The Department's reforms to 16- to 18-year-old education and training

Initiative	Start date	Funding allocated for 2013/14 (£m)	Description
Legislation			
Education and Skills Act 2008	September 2013	N/A	In summer 2013, students who left year 11 had to continue in education or training for at least one further year, and students who left year 11 in summer 2014 were the first cohort required to continue until at least their 18th birthday.
Education Act 2011			
Reforms			
16 to 19 Study Programmes	August 2013	£6,116	Schools, colleges and private training providers must offer learners a tailored programme based on prior attainment and career aspirations. This should include meaningful work experience, and maths and English for learners who have not achieved at least grade Cs in these subjects at GCSE. Traineeships are designed to prepare young people for apprenticeships or work. They last between 6 weeks and 6 months, and include work preparation training, English and maths and a high-quality work placement. Schools now have a statutory duty to provide independent careers advice and guidance.
Traineeships ¹	August 2013		
Independent, impartial careers advice and guidance	September 2012		
16–19 Bursary Fund	2011/12	£180	Providers distribute money to young people to pay for clothing, books and other equipment or for transport and food. This replaces the Education Maintenance Allowance, funding for which in 2010-11 was £560 million.
Youth Contract	April 2012	£42 (from HM Treasury)	The Education Funding Agency pays providers an average maximum payment of £1,768 per young person for them to engage the hardest to reach young people who are NEET, so that they can participate.
Apprenticeship reforms	From August 2012 Announced October 2013	£700	Apprenticeships to last for 12 months or longer and to offer maths and English to learners who did not get grade Cs in these subjects at GCSE. By 2017/18, all apprenticeships will be based on standards designed by employers and funding will be routed through employers rather than providers.
National Careers Service ²	April 2012		
Ongoing support			
Other financial support	Ongoing	£44	The Department gives financial support through the Care to Learn grant; Dance and Drama Awards; the Residential Bursary and Residential Support grant.

Notes

1 The figure includes £5 million that is paid to Traineeship providers through the Skills Funding Agency.

2 In 2013-14, the Department transferred £4.7 million to the Department for Business, Innovation & Skills for the young people's element of the National Careers Service helpline.

Source: National Audit Office analysis of Departmental data

1.14 Overall, the Department wants to change provision and funding so:

- more young people can consolidate their basic skills, and progress to academic and vocational learning, including by means of good quality, objective advice and guidance;
- providers can tailor study to learners' prior attainment, including work experience and, where necessary, ongoing English and maths tuition;
- education and training are high-quality and meet young people's and employers' needs; and
- young people do not face insurmountable barriers to participating.

Managing the reforms

1.15 The Department manages the reforms overall, but they are complex and require input from many other bodies. **Figure 3** overleaf shows how the reforms happen over a long time, with the Youth Contract starting in 2012 and new apprenticeship standards coming into force in 2017.

1.16 The Department must manage the reforms coherently, in line with good practice. We considered whether the Department has the right resources, delivery arrangements, and overall programme management to do this. We identified a number of risks.

Resources

1.17 To help make its reforms, the Department needs:

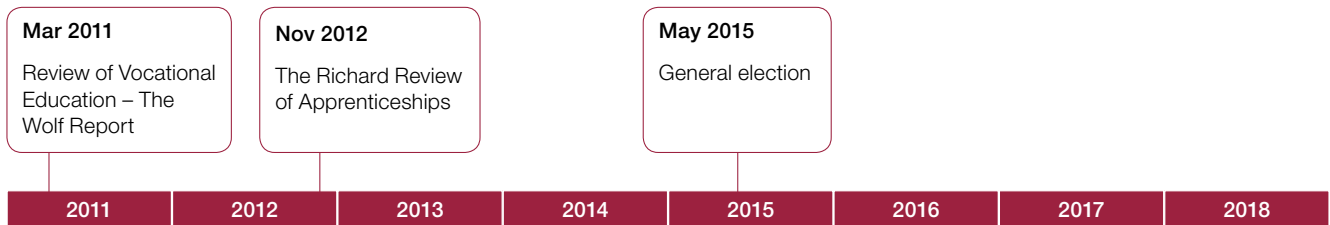
- to fund provision sufficiently; and
- to have good forecasts of the demand and supply of different types of 16- to 18-year-old education and training.

Funding

1.18 Over the past 3 years, funding for 16- to 18-year-old provision has fallen. In 2013-14, the Department's budget was 8% lower, in real terms, than its spending in 2010-11 (**Figure 4** on page 19), including the change from the Education Maintenance Allowance to the 16–19 Bursary Fund. The Department has also announced it will reduce funding for 18-year-olds for 2014/15, from the national funding rate of £4,000 per learner to £3,300, because of budget pressures. This makes the challenge for the Department greater, as funding falls and rising participation in combination mean less funding for each learner. To manage the impact of funding reductions, the Department will need to have a good understanding of what reforms are most effective (paragraph 1.25).

Figure 3

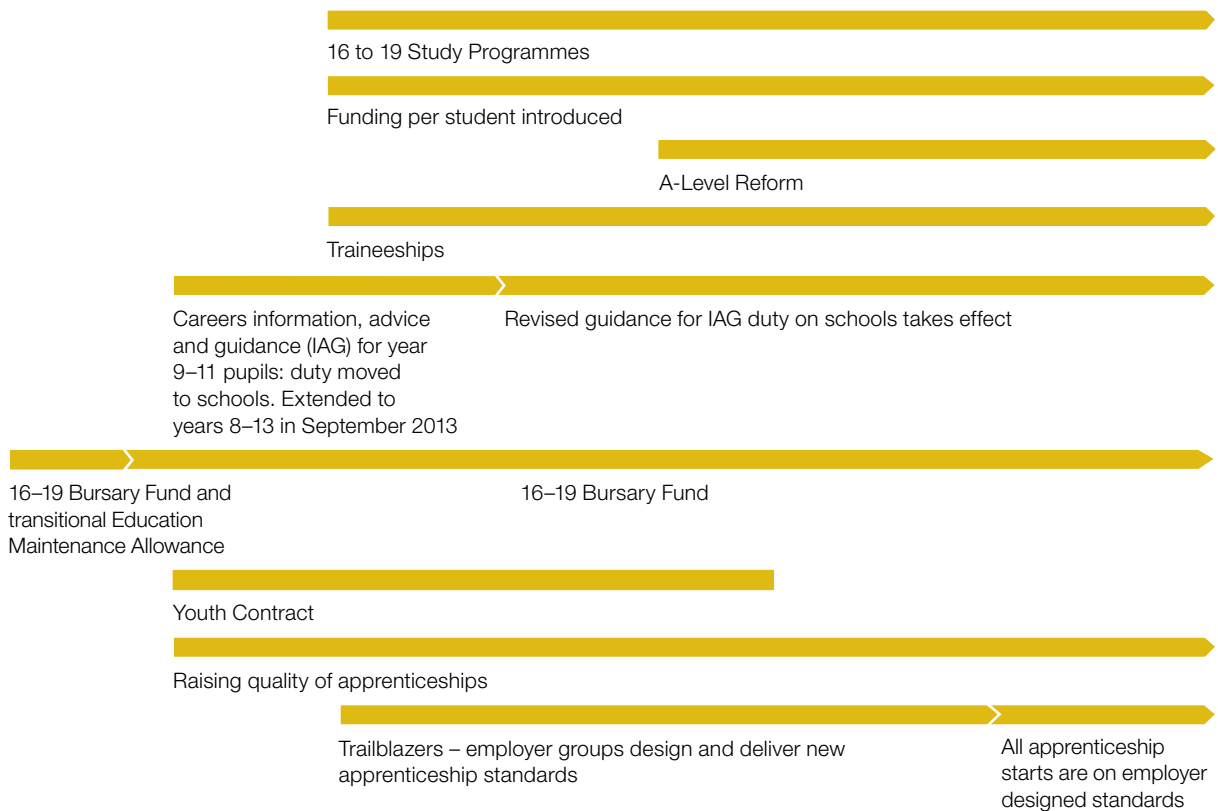
A timeline of the implementation of the Department’s reforms (2011 to 2018)



Legislation



Reforms



Ongoing support

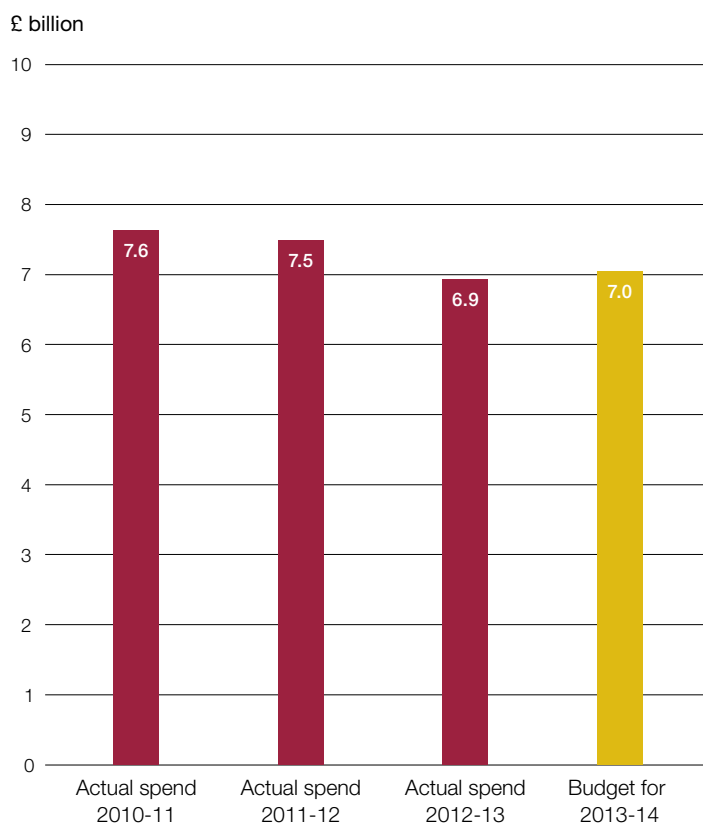


Source: National Audit Office using Department for Education policy documents

Figure 4

Department spending on 16- to 18-year-old education and training, 2010-11 to 2012-13 and budgeted spend for 2013-14 (£ billion)

Department spending has fallen by 8% to £7 billion, in real terms, in the last 4 years

**Note**

1 Values shown are in real terms at 2013-14 prices, based on nominal prices inflated from 2013-14 prices using CPI inflation projections in the *Office for Budget Responsibility: Economic and Fiscal Outlook*, March 2014.

Source: Department for Education accounts and Education Funding Agency management accounts

Forecasts

1.19 The Department needs accurate forecasting of demand and provision to know how much of the money it gets from HM Treasury to spend on 16- to 18-year-old education and training. The 16- to 18-year old education system is very complex and there are many factors that can affect demand. The Department already attempts to forecast this complexity, including by factoring in the impact of its own reforms, and taking account of expected changes in privately-funded education and training. However, some of the Department's strategic forecasting could potentially be improved. The Department is seeking to do this by using more timely data, and reviewing wider sources of participation data, such as from local authorities. It is also undertaking a feasibility study to look at whether labour market data can be used more directly in long-term forecasts. Poor forecasts could mean the Department does not get enough funding to meet demand for more expensive education and training options, such as longer apprenticeships.

Delivery

1.20 Many organisations have a stake in the Department's reforms (Figure 1) – other central government bodies; local authorities; employers and public and private learning providers. The Department needs these organisations to meet its goals. But some of them have their own challenges, including falling resources and competing priorities.

1.21 Local authorities, particularly, are important in 16- to 18-year-old education and training. They have statutory duties to:

- have enough suitable provision for young people in their area;
- support young people to participate in education or training; and
- identify those not in education or training.

1.22 The Education Funding Agency channels funding for 16- to 18-year-olds to local authorities for maintained school sixth forms and to support other duties (Figure 1). However, authorities fund some duties from their own budgets, particularly tracking what 16- to 18-year-olds are doing. Our report *Financial sustainability of local authorities* found that authorities were facing a challenge to meet their statutory duties while avoiding financial difficulties and that this could potentially lead to reduced service levels in some areas.¹³ This is an important risk to whether the Department achieves its goals.

Programme management

1.23 As described in Part Two, the Department has managed individual reforms closely. In February 2014, in recognition of the complexities of delivering 16- to 18-year-old policy and the need to gain assurance, it set up an oversight board to help joint-working and improve decision-making across the reforms. This board meets every 4 weeks, and met 4 times between February and July 2014. It includes representatives from the Department for Business, Innovation & Skills, the Education Funding Agency, the Skills Funding Agency, and the Department.

1.24 The Department has worked to evaluate and learn lessons from some reforms, an important part of understanding what works. By July 2014, it had evaluated the Youth Contract, the Bursary Fund and apprenticeships and changed eligibility for the Youth Contract, in response to feedback.

1.25 The Department has clearly said how it will measure the ultimate overall success of its reforms. It wants to increase participation rates; reduce the number of young people who are NEET; raise attainment levels; and increase work-based learning. It has identified more detailed success indicators for some reforms. For example, it will measure Traineeships' success by the number of joiners. However, on their own, the individual reform indicators do not always allow the Department to see how much each reform is contributing to its overall objectives.

1.26 In the rest of this report we look in greater detail at reforms intended to increase participation (Part Two), and reforms to improve the quality and relevance of education and training (Part Three).

¹³ Comptroller and Auditor General, *Financial sustainability of local authorities*, Session 2012-13, HC 888, National Audit Office, January 2013.

Part Two

Progress in increasing participation

2.1 This part examines:

- the Department's progress in increasing participation;
- recent trends and their causes;
- advice and guidance; and
- the Department's and others' efforts to remove barriers to participation.

Trends in participation

2.2 According to the latest data, at the end of 2013, a higher proportion of 16- to 18-year-olds were participating in education and training than at the end of 2012, and a smaller proportion of the age group was NEET (**Figure 5** on pages 22 and 23). The proportion in education or training rose by 2 percentage points during the year, to 81.2%, while the proportion that was NEET fell by 1.6 percentage points to 7.6%. The proportion of 16- to 18-year-olds who were NEET at the end of 2013 was the lowest since consistent records began in 1994.

2.3 In detail, at the end of 2013, of the nearly 2 million young people aged 16 to 18:

- 1.6 million (81.2%) were in education or (government-funded) training;¹⁴
- 148,000 (7.6%) were not in education, employment or training (NEET);
- 133,000 (6.7%) had a job without training; and
- 87,000 (4.4%) were in training not funded by the government.

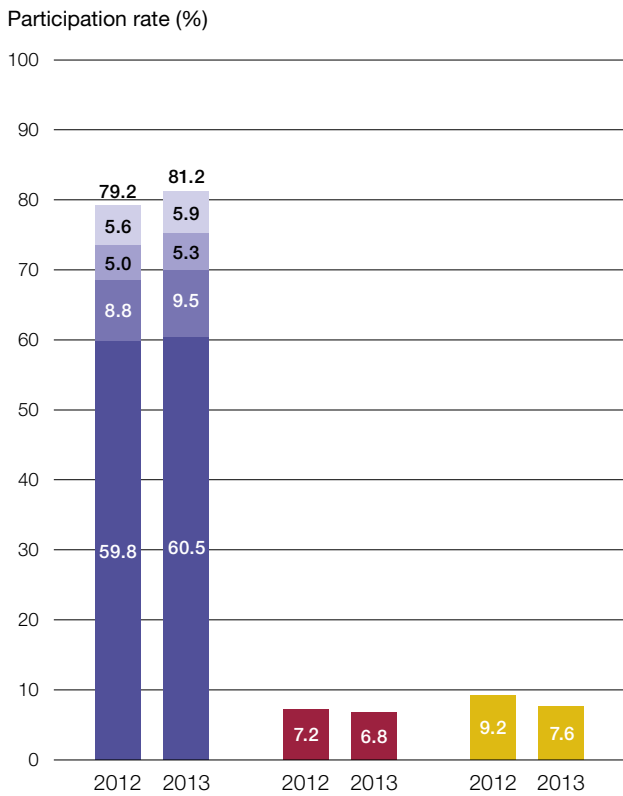
¹⁴ Training comprises advanced apprenticeships, apprenticeships and some other work-based related learning, which the Education Funding Agency funds.

Figure 5

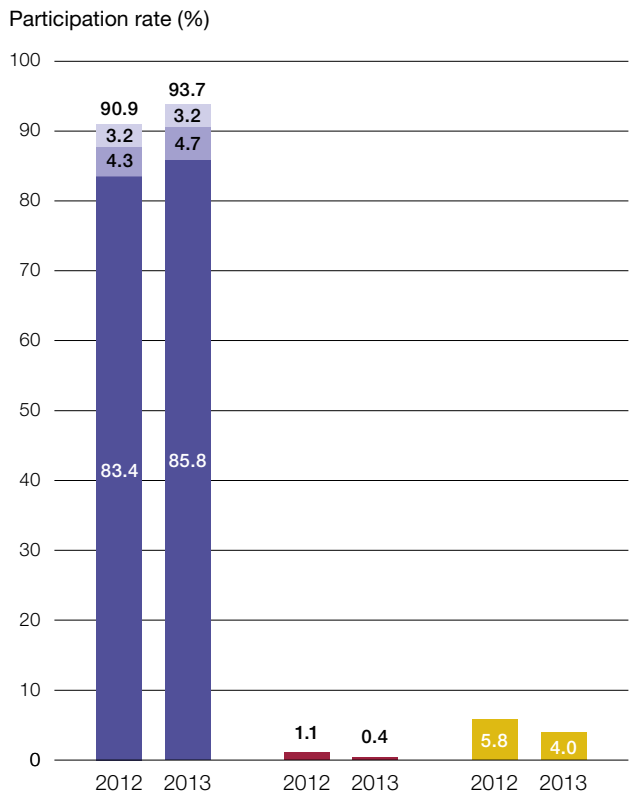
Proportion of 16- to 18-year-olds in education, employment or training, 2012 to 2013

More 16- to 18-year-olds are in education, employment or training, but there is variation across the age group

All 16- to 18-year-olds



16-year-olds



- Full-time education
- Higher education institutions
- Part-time education
- Apprenticeships
- Total in employment without training
- Total not in education, employment or training

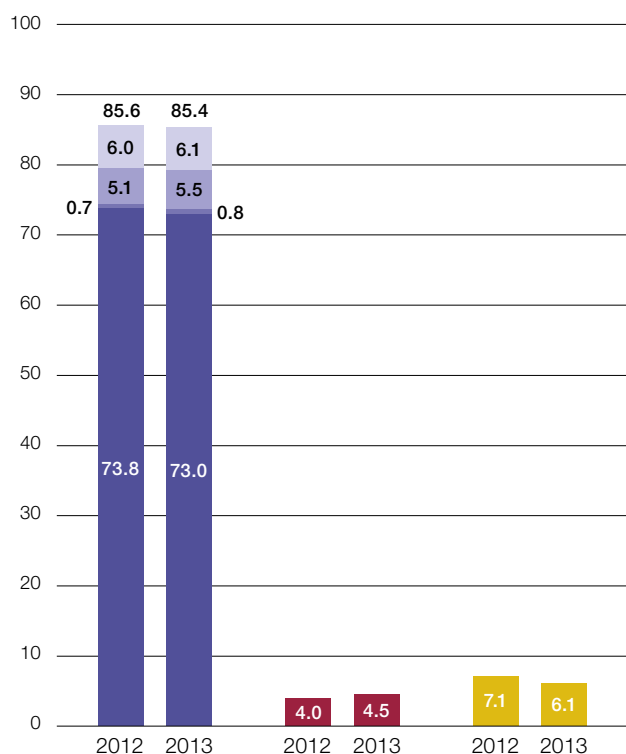
Figure 5 continued

Proportion of 16- to 18-year-olds in education, employment or training, 2012 to 2013

More 16- to 18-year-olds are in education, employment or training, but there is variation across the age group

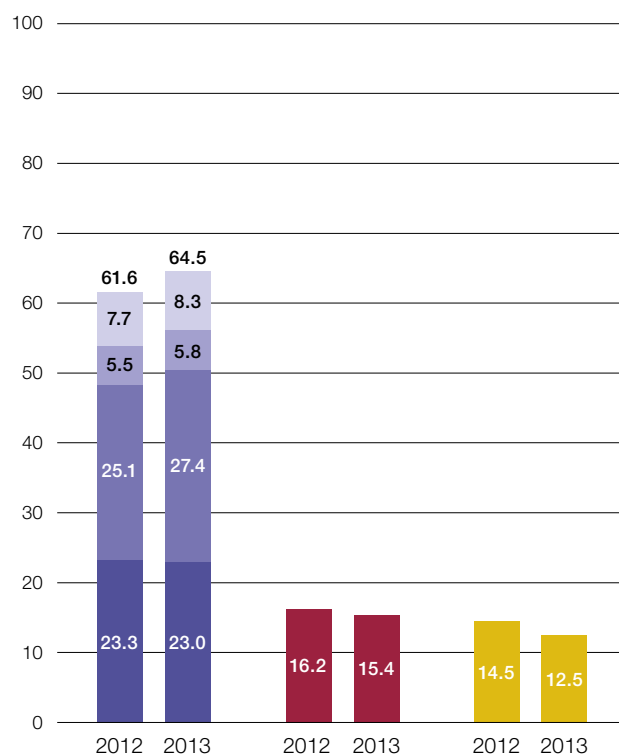
17-year-olds

Participation rate (%)



18-year-olds

Participation rate (%)



- Full-time education
- Higher education institutions
- Part-time education
- Apprenticeships
- Total in employment without training
- Total not in education, employment or training

Note

1 Figures shown do not sum to 100% because they exclude 16- to 18-year-olds in training that is not government funded.

Source: Department for Education, Statistical first release, June 2014

Why has the participation rate increased?

2.4 The increase in participation means the Department is moving towards one of its principal goals for 16- to 18-year-olds. Much of the increase will be because of the recent change in the law, as there was a 2.8 percentage point increase in participating 16-year-olds. This group would have been advised that they were required to remain in education or training for at least 1 more year when they left year 11. But many other factors are likely to have influenced participation, including the Department's other reforms and the health of the wider economy. It is more difficult to distinguish the impact of these other factors.

2.5 The data does not show even progress across the board.

- Participation among 16- and 18-year-olds rose, but the proportion of 17-year-olds participating fell slightly.
- The proportion of 18-year-olds entering full-time higher education rose by 2.4 percentage points to 27.4%.
- The proportion of 16- to 18-year-olds in apprenticeships rose by just 0.2 percentage points to 5.9% (as fewer new apprentices started in the last year – see Figure 14).

2.6 The fall in the proportion of young people who were NEET at the end of 2013 was probably due to a combination of causes.

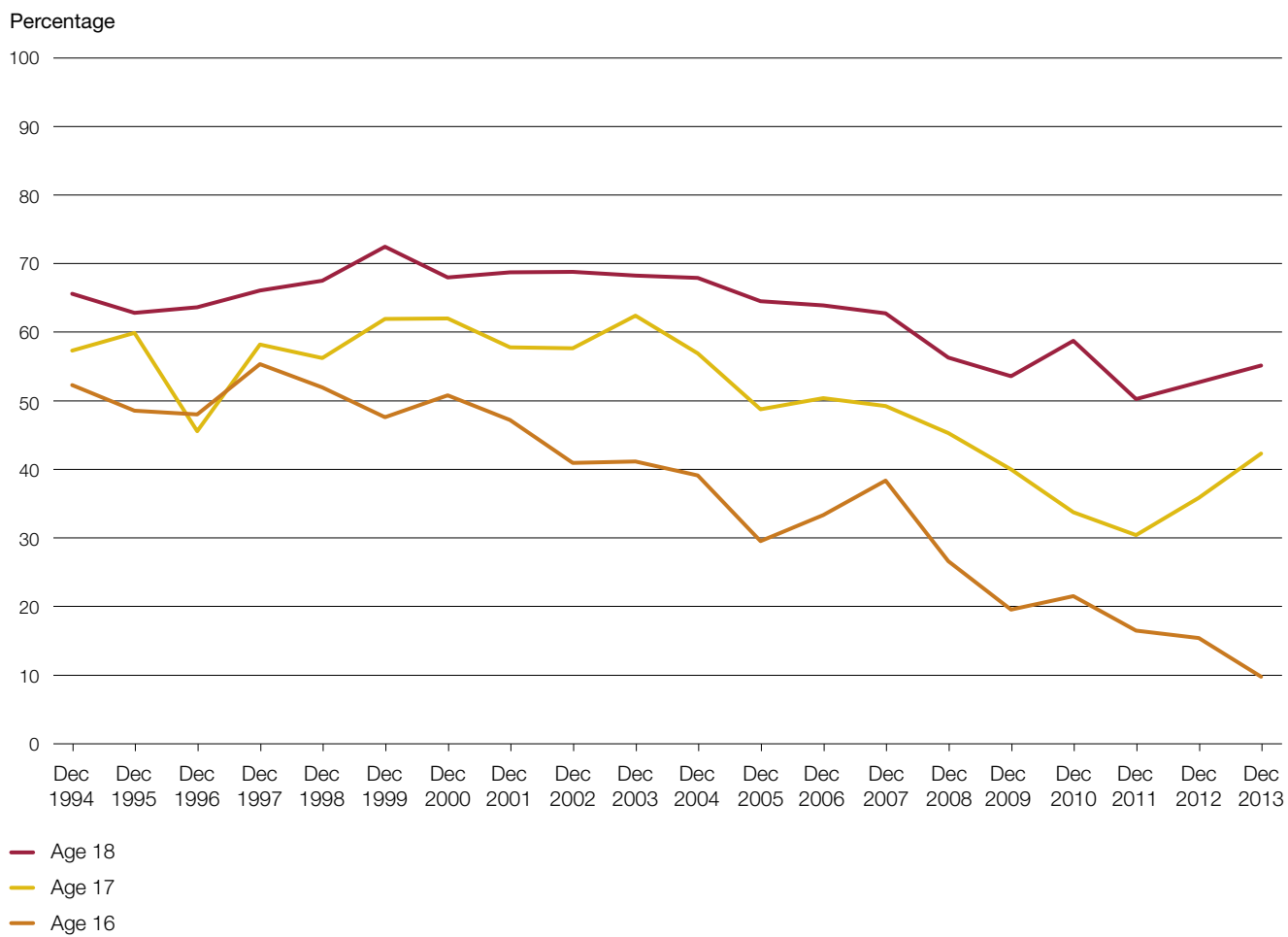
- The law required 16-year-olds to be in education or training – the data shows falls in both the proportion who were not learning and the proportion who were working.
- More 17- and 18-year-olds were working but not learning, as their employment rate increased. At the end of 2013 these were 42% and 55% respectively (**Figure 6**).
- Other factors that we cannot isolate from the data.

2.7 There are several ways to assess the impact of each reform to encourage participation. But until the Department knows more about the relative effectiveness of each reform and can show which have contributed most to increased participation, which have raised quality, and which have improved other aspects of value for money, it will struggle to know which reforms are most and least effective. Were its resources to reduce further, it would therefore lack key information to decide which initiatives to keep or stop.

Figure 6

Employment rate of young people not in education or training in England, by age, 1994 to 2013

Employment rate for 17- and 18-year-olds has started to increase in recent years after a steady fall from 1994 to 2011



Source: Department for Education statistical first release June 2014

Improving advice and guidance

Careers advice in schools

2.8 Many young people need good-quality, independent advice and guidance to make informed choices about how to spend their time between the ages of 16 and 18. Good advice should tell young people what support is available and, more generally, encourage them to participate.

2.9 In September 2012, the Department introduced a new statutory duty for schools to secure independent careers guidance for students from year 9 (13- to 14-year-olds) to year 11 (15- to 16-year-olds). In September 2013, it extended this duty to students in year 8 (12- to 13-year-olds) and up to year 13 (17- to 18-year-olds) and to young people up to the age of 18 in further education and sixth form colleges. Before this, local authorities had provided careers advice through the Connexions service, which central government funded. Since September 2012, schools have had to provide impartial advice and guidance; give information about the full range of options available, including vocational options; and promote pupils' best interests.

2.10 The Department commissioned Ofsted to undertake a thematic review to assess the impact of the duty on schools to secure independent careers guidance during its first year of operation. The report was published in September 2013¹⁵ and concluded that there was excellent advice and guidance in some schools, but good-quality advice remained 'patchy' and most schools' provision was not independent. Ofsted found that only 12 out of the 60 schools it visited were ensuring that all students received sufficient information to consider a wide breadth of career possibilities. With each learner worth at least £4,000 to providers, schools with sixth form provision have an incentive to encourage learners not to move to other institutions.

2.11 Evidence from our focus groups with 16- to 18-year-olds indicated that awareness of vocational training and the process to access vocational courses was very low among young people who were NEET. Similarly, research by the Centre for Analysis of Youth Transitions,¹⁶ indicated that:

- young people who were NEET were least likely to know about all the post-16 options;
- advice received at schools often focused on staying there or going to college, rather than on vocational choices such as apprenticeships; and
- advice from external agencies was more likely to be independent.

¹⁵ Ofsted, *Going in the right direction? Careers guidance in schools from September 2012*, September 2013.

¹⁶ M Callanan and G Morrell, *Influences of post-16 participation*, March 2013.

2.12 In 2008, the National Foundation for Educational Research surveyed over 2,000 16- and 17-year-olds for the Department.¹⁷ It found that nearly 1 in 4 young people in education or training would have done something different if they had known about all available options.

2.13 The Department responded to Ofsted's report by revising and reissuing its guidelines to schools in April 2014. The reissued guidance emphasised that school careers advice should tell young people about post-16 options beyond those at their existing school, and that schools should work with local employers and use external careers advisers to provide independent advice.

2.14 These guidelines are statutory and schools are required by law to have regard to them. The Department seeks to enforce compliance with the guidelines through Ofsted, and also plans to hold schools accountable through enhanced scrutiny. Ofsted is now giving higher priority to careers advice and guidance in its routine school inspections and will use destination measures (what young people do following education and training) to reach broad judgements about the quality of careers advice. The Department also plans to publish destination measures in school and college performance tables from 2016, and to measure young people's awareness of careers advice in its longitudinal survey, the first results of which will be available in summer 2016. At present, however, the Department does not know if reissuing and clarifying its statutory guidance has led to an improvement in careers advice in schools.

National Careers Service

2.15 Young people can also use the National Careers Service for advice. The Service launched in April 2012 to give advice and guidance through a website and telephone service for people aged 13 and over. In 2013-14, the Department agreed to transfer funding of £4.7 million to the Department for Business, Innovation & Skills for the young people's element of the National Careers Service helpline, so that all aspects of the National Careers Service were managed by a single department.

2.16 The Ofsted report found the services were 'poorly promoted' and 'little used'. According to National Careers Service data, between April 2012 and March 2013, the National Careers Service had some 27,500 contacts (via telephone, webchat, email, or SMS) with 16- to 18-year-olds. The Department for Business, Innovation & Skills does not know how many 16- to 18-year-olds used its website. Meanwhile, face-to-face support is only available to adults aged 19 and over, or to 18-year-olds receiving out-of-work benefits.

¹⁷ T Spielhofer, S Golden, K Evans, H Marshall, E Mundy, M Pomati, B Styles, *Barriers to participation in education and training*, National Foundation for Educational Research, May 2010.

Removing barriers to participation

2.17 As described in Part One, young people can face financial and non-financial barriers to their participation in education and training. To address these barriers the Department provides financial support, including personalised support to those hardest to engage. Local authorities can also give support, most commonly for transport costs.

Financial support

2.18 The Department gives 2 types of direct financial support. The first is the Bursary Fund to help young people pay for things like clothing, books and other equipment or for transport and food. The second is funding through grants to young parents; dance and drama students; and students who live away from home to study.

The 16–19 Bursary Fund

2.19 The Department introduced the 16–19 Bursary Fund, to replace the Education Maintenance Allowance, in 2011/12. The Allowance had been a means-tested cash payment of up to £30 a week for 16- to 18-year-olds from lower-income families. The Department judged it to be poor value for money, after research showed that 88% of recipients would have been in education without it.¹⁸ Using modelling, the Institute of Education and the Institute for Fiscal Studies estimated that replacing the Allowance with the Bursary Fund, which costs less than half as much, had led to just a 0.7% fall in overall participation in 2011/12, equivalent to 8,100 16- to 18-year-olds.¹⁹

2.20 In 2010/11, the last academic year the Allowance operated fully, it cost £560 million and 45% of young people received it. In 2012/13, the Department gave out £158 million through the new Bursary Fund, alongside £43 million of transitional funding to young people who had started their post-16 studies under the old system. The new bursaries comprise annual payments of:

- £1,200 (equivalent to £23 per week) to 34,600 learners identified as the most vulnerable; and
- £445 on average (just under £9 a week) to 357,300 learners to cover travel, equipment costs and general spending (as stipulated by providers).

2.21 The Department's own evaluation, by NatCen Social Research, found that providers considered the Bursary Fund to be more flexible than the Allowance in supporting learners.²⁰ Of the 203 providers surveyed in the second year of the evaluation, 78% thought the Bursary Fund was effective in targeting young people who faced the greatest barriers to participation.

18 T Spielhofer, S Golden, K Evans, H Marshall, E Mundy, M Pomati, B Styles, *Barriers to participation in education and training*, National Foundation for Educational Research, May 2010.

19 Jack Britton, Haroon Chowdry and Lorraine Dearden, *The 16 to 19 Bursary Fund impact evaluation – Impact Report*, Institute of Education & Institute for Fiscal Studies, revised June 2014.

20 M Callanan, E Drever, A Fry, G Lewis, C Lloyd, I Wollny, *The 16–19 Bursary Fund: year 2 process evaluation*, NatCen Social Research, April 2014.

2.22 The research also identified early problems with awareness and fund administration, suggesting it could be more effective. Problems included that:

- some 45% of learners experienced delays in getting payments;
- 24% of recipients faced short-term financial difficulties because of administrative problems; and
- while awareness of the fund was relatively high among eligible young people (with 70% aware), it was much lower among those who were still to reach a decision about post-16 education. Of those young people who had heard about the Bursary, just 37% had done so before finishing year 11. The Bursary Fund is designed to remove barriers to participation by covering costs where necessary and early awareness could encourage young people to participate.

Other Departmental financial support

2.23 For 2013-14, the Department gave £44 million in grants to 16- to 18-year-old parents; students of dance and drama schools; and those living away from home to study (**Figure 7**). From September 2014, the Department will provide funding for free school meals to support disadvantaged 16- to 18-year-olds in further education institutions. Previously this entitlement supported just 16- to 18-year-olds learning at schools.

Figure 7

Specialist financial support for 16- to 18-year-olds in education and training

Type of support	2013/14 budget (in £'000)	Description
Care to learn	32,300	For teenage parents to help with childcare costs and any associated travel. Up to £160 a week (£175 in London boroughs). Available for each child the parent has.
Dance and drama awards	6,239	For talented students to access high-quality training at private dance and drama schools.
Residential bursaries	5,812	To help towards accommodation costs for young people who study away from home.
Total specialist financial support	44,351	

Note

- 1 Residential bursaries include the Residential Support Scheme (£0.913 million budget in 2013/14) and the Residential Bursary Scheme (£4,899 million budget in 2013/14).

Source: Department for Education

Funding for transport from local authorities

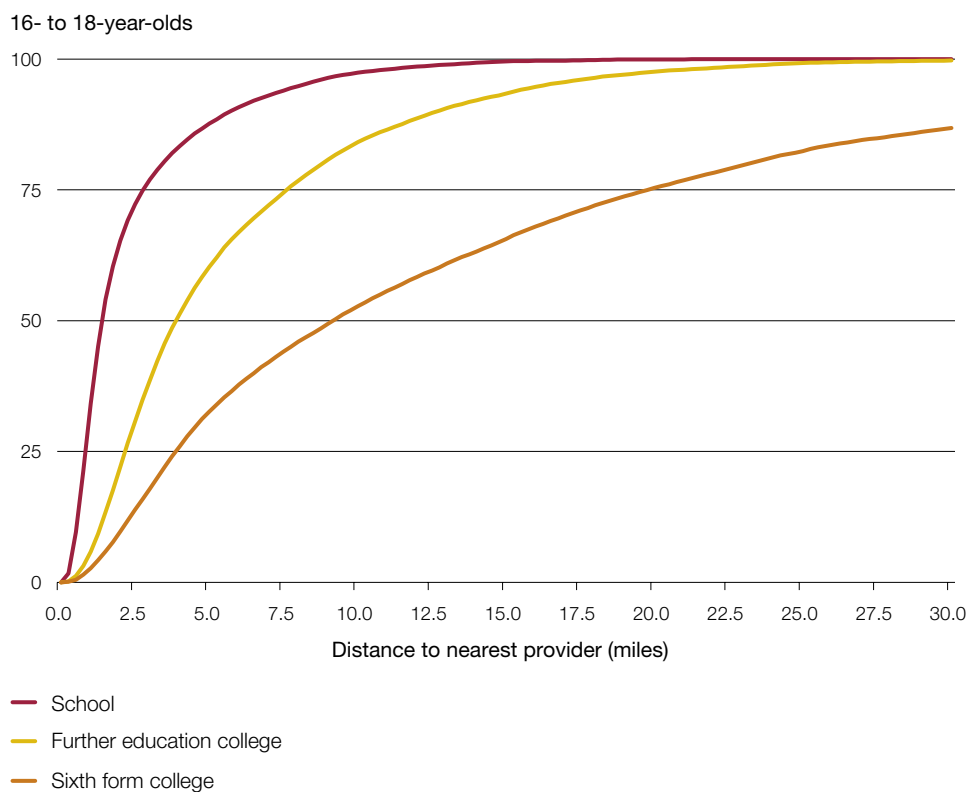
2.24 Local authorities have a duty to publish a transport statement setting out what arrangements they have to support young people of sixth-form age to access education and training. This duty does not have to include providing financial assistance but many local authorities do provide help with the transport costs of 16- to 18-year-olds. Transport costs are a particular concern for many young people, particularly those in rural areas. We looked at how far 16- to 18-year-olds live from their nearest school or college. **Figure 8** shows the proportion of 16- to 18-year-olds that live close to each type of educational establishment. While most live near a school with a sixth form (88% have 1 within 5 miles), smaller numbers have a further education or sixth form college nearby (60% and 33% within 5 miles, respectively).

2.25 According to our research, 63 local authorities in areas where young people were likely to face high transport costs did not subsidise that travel in academic year 2013/14, (**Figure 9**). By areas with high transport costs we mean those where the average cost of an annual bus travel card was greater than the £445 most eligible young people would receive through the Bursary Fund.

Figure 8

Distance to nearest provider

The large majority of young people (88 per cent) live within five miles of a school with a sixth form



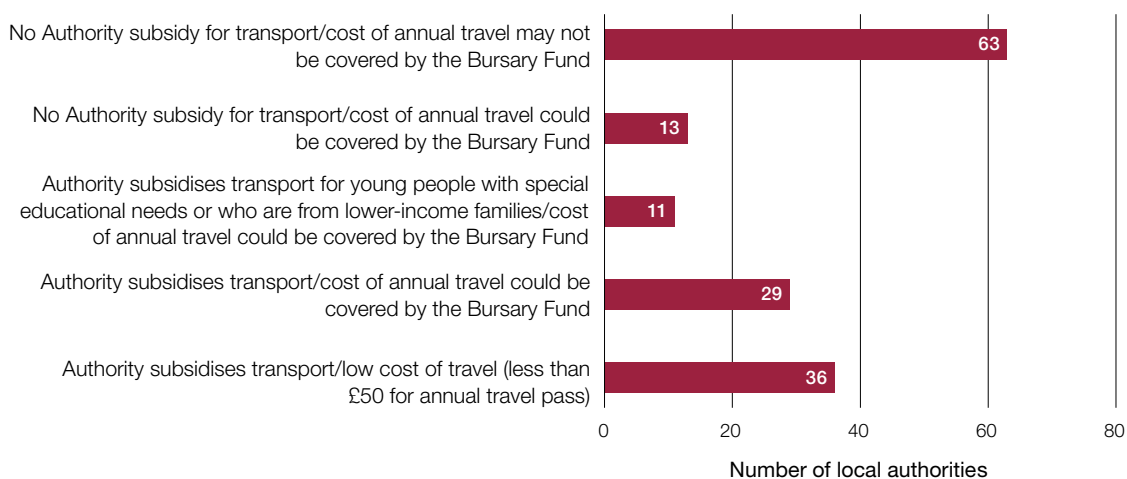
Note

1 Distances based on routes to nearest provider by type, as calculated using mapping software.

Source: National Audit Office analysis of young people's distance from providers

Figure 9

How local authorities subsidise transport costs

Not all local authorities subsidise transport costs**Notes**

- 1 When we say the cost of annual travel could be covered by the Bursary Fund, we mean that the cost of annual travel is less than £445, which is the median discretionary Bursary Fund payment. The Department found that one of the main uses of the discretionary Bursary Fund was to cover transport costs.
- 2 Where we say the cost of annual travel may not be covered by the Bursary Fund, we mean that the cost of annual travel is more than £445 (the median discretionary Bursary Fund payment).

Source: National Audit Office analysis of local authority transport statements

Initiatives for those who need extra support

2.26 A minority of young people are unwilling or unable to participate in traditional education and training options post-16. This includes the most disadvantaged and disengaged young people, as well as those who, for whatever reason, lack the skills and work experience they need to progress to an apprenticeship or job. To prevent these young people becoming NEET, and to improve their chances of joining mainstream further education or training, the Department has introduced 2 initiatives:

- Traineeships; and
- the Youth Contract.

2.27 In addition:

- the Education Funding Agency works with the Skills Funding Agency and local authorities to use the European Social Fund to encourage young people who are NEET or at risk of becoming NEET; and,
- from 2015, the Cabinet Office, the Department for Work & Pensions and the Ministry of Justice will fund a £16 million Youth Engagement Fund, designed to improve educational achievement and employability for around 18,000 14- to 17-year-olds in 100 schools.

Traineeships

2.28 Traineeships are a new initiative to get participants ready for an apprenticeship or a job. The programme teaches young people specific work-related skills and, if required, English and maths. Traineeships last between 6 weeks and 6 months and the National Apprenticeship Service advertises them on its website. Training providers, such as further education colleges or independent providers, deliver Traineeships. The government funds them and employers provide the work experience and interview practice.

2.29 The first Traineeships began in August 2013, so the initiative is at an early stage. The Department knows of some 5,400²¹ 16- to 18-year-olds who started Traineeships during the first 9 months of the programme. This provisional estimate must be treated with caution because providers only give the Department data on the number of Traineeship starts at certain times in the year and the Department believes that some providers are not yet recording Traineeships accurately. A more accurate number of Traineeship starts for the whole of 2013/14 will be available in November 2014.

2.30 On the basis of the information available, the Department faces a challenge to achieve its ambitions for Traineeships. As at June 2014, 200 out of 459 eligible training providers who said they would deliver Traineeships had recorded starts. But the Department told us that in 2014/15 it expects around 420 providers to be delivering Traineeships for 16- to 18-year-olds. While it has not set targets, the Department aspires for the number of Traineeships to increase significantly over the next 2 years.

2.31 The Department is working with providers to help them understand what Traineeships involve, so they can create more opportunities. The Department plans to evaluate Traineeships at the end of 2014.

Youth Contract for 16- and 17-year-olds

2.32 The Youth Contract provides extra support to 16- and 17-year-olds who are the hardest to reach, to move into education, training, or work with training. The Department estimates that this group comprises 70,000 individuals who are NEET and:

- have fewer than 2 GCSEs at grade A* to C; or
- are young offenders; or
- are, or have been, in care.

²¹ This figure is from the Department's internal management information. It is an in-year estimate and is dependent on providers accurately recording information on the Individualised Learner Record. The Department considers that this is likely to be a substantial undercount of provision to date.

2.33 In most areas of England, specialist providers run the programme, with funding from the Education Funding Agency based on payment by results. Funding for the Youth Contract is protected and any funding not spent each year is returned to HM Treasury. The average maximum payment to contractors for each participant who completes the programme is £1,768. To complete the programme, a participant must join education, training or work with training for 5 out of 6 months over the contract period. As well as areas funded by the Education Funding Agency, there are 3 parts of the country (Leeds, Bradford and Wakefield; Newcastle and Gateshead; and Liverpool) where local authorities manage the programme directly. Here the local authorities had flexibility to design and fund provision as needed.

2.34 The Department introduced the Youth Contract in April 2012, and will fund it until the end of March 2016. Providers started recruiting young people on to the programme in September 2012 and will do so until March 2015. By March 2014, 18 months into the 30-month programme, 18,570 young people were recruited – 26% of the estimated 70,000 young people the Department received funding to help (**Figure 10** overleaf). Of those:

- 8,621 had not yet started back into education or training;
- 6,504 had moved into education and training, but had not yet been there for 5 out of 6 months; and
- 3,445 had stayed in education and training for 5 out of 6 months.

2.35 These findings show a significant improvement in the number of young people enrolling since the programme began. Between September 2012 and January 2013, only young people with no GCSEs at C or above could participate. The Department then extended eligibility for the Youth Contract, as described in paragraph 2.32. Widening the criteria was a sensible step, which, according to the Department's data, led to some 3,400 more enrolments than would otherwise have been the case. Given the complex needs of some young people, they may require support for up to 12 months before the Youth Contract achieves a successful outcome for them.

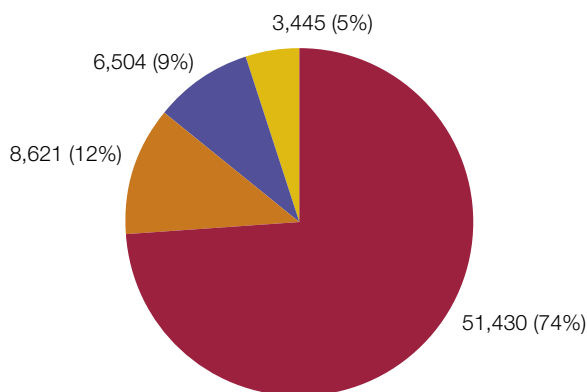
2.36 The Department commissioned the Institute for Employment Studies, the Centre for Education and Industry, and the Policy Research Institute to evaluate the programme's performance from October 2012 to March 2014.²² The evaluation found the Youth Contract has helped some members of a 'hard to reach' group into education and training. Alongside formal tuition, the evaluation was positive about the soft skills these young people had developed through one-to-one support, including increased confidence. The evaluation also reported that up to the end of 2013 the programme had reduced the number of young people who were NEET in England by 1.8%.

²² Becci Newton, Stefan Speckesser, Vahe Nafilyan, Sue Maguire, David Devins, Tim Bickerstaffe, *The Youth Contract for 16-17 year olds not in education, employment or training evaluation*, June 2014.

Figure 10

Recruitment to the Youth Contract, September 2012 to March 2014

Around a quarter of those eligible for the Youth Contract (26%) had been recruited to the programme by the end of March 2014



- Eligible but not recruited to the programme
- Recruited, but not yet re-engaged in education or training
- Recruited and re-engaged in education or training, but not yet sustained for 5 out of 6 months
- Recruited and sustained re-engagement in education or training for 5 out of 6 months

Notes

- 1 'In education or training' includes young people entering full-time or part-time education or training, starting an apprenticeship or moving into employment, which includes a component of government-accredited training.
- 2 'Sustained' education or training means that the young person has participated for 5 out of 6 months.

Source: Education Funding Agency

2.37 The Department's evaluation found that the tight eligibility criteria for the programme meant that providers were only able to work with young people who were genuinely hard to reach, protecting public money. However, some providers had difficulty finding enough eligible 16- and 17-year-olds in their area, and the maximum payment available may have been too low to cover the costs necessary to work successfully with the most difficult cases. The evaluation also found that some providers thought that commissioning of the Youth Contract had focused too much on cost rather than quality. While the design of the payment by results system was to some extent novel in terms of the focus and sustained outcomes, the programme does not appear to have encouraged new or innovative approaches to engaging young people as providers relied on tried and tested mentoring approaches.

2.38 Enrolment on to the programme will end in March 2015. The Department does not intend to replace the Youth Contract after this date, given other support available locally for young people at risk of becoming NEET (see paragraph 2.33).

Local authorities' role

2.39 The Department needs local authorities to meet their statutory duties, if it is to raise the participation rate and monitor and measure the effectiveness of its reforms. Local authorities have statutory duties to secure sufficient, suitable education and training for all young people in their area, and to support participation, including by identifying young people who are NEET. The Department uses information that local authorities collect, to understand what young people are doing between the ages of 16 and 18. The information provided by local authorities can vary and is sometimes incomplete or inaccurate.

2.40 Since 2011, the Department has worked with local authorities to improve data quality. In particular, they have worked, together with the Local Government Association, to reduce the cases where a young person's activity is unknown, which has been successful (**Figure 11** overleaf). Nonetheless, in October 2013, the Department wrote to 12 local authorities reminding them of their duty to collect information on 16- to 18-year-olds' participation in education and training.

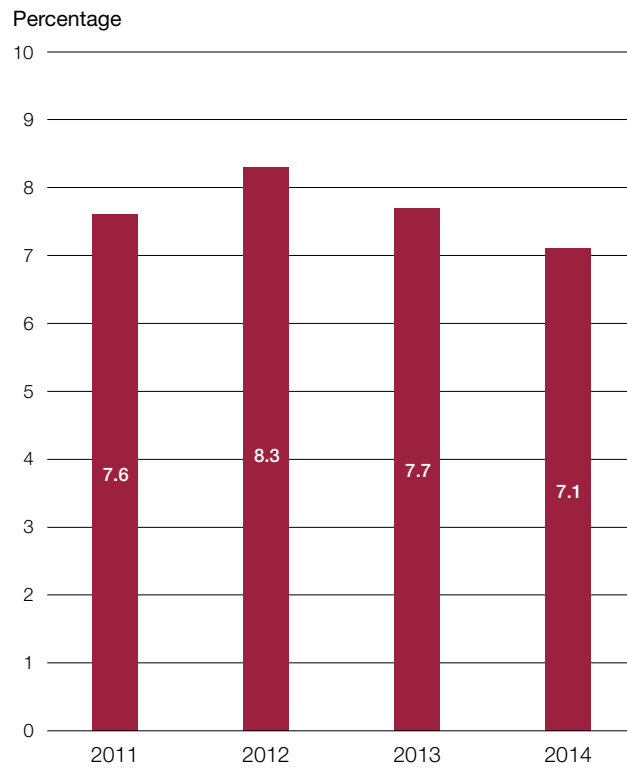
2.41 The Department could also further facilitate knowledge sharing among local authorities about the different approaches they have developed to engage young people at risk of becoming NEET. Many of these have been developed from work previously funded by the Department. We reviewed 6 local authorities and found some innovative and interesting practices, including using social media to engage young people and track their activity at Brighton and Hove city council. Some local authorities also sell careers advice and guidance to help schools meet their legal duty. In Appendix Three, online, we describe how our 6 case study local authorities:

- identified 16- to 18-year-olds and maintained knowledge about their activities;
- used data and information; and
- supported young people to engage with education and training.

Figure 11

Proportion of 16- to 18-year-olds whose activity was unknown, end of April (2011–2014)

Between 2012 and 2014 the proportion of 16- to 18-year olds whose activity was unknown decreased by 1.2 percentage points



Source: Department for Education and local authority data

Part Three

Progress in improving relevance and quality

3.1 This part examines the Department's progress in improving the relevance and quality of education and training including:

- changes to funding;
- the new Study Programmes and apprenticeships; and
- the role of employers.

Changes to funding

3.2 Providers previously received funding for post-16 education and training according to complex rules. Some of these rules created incentives to encourage students to complete qualifications that did not best suit their needs. The *Review of Vocational Education – The Wolf Report* recommended that the Department should allocate funding to each learner, instead of each qualification (while continuing to adjust for differences in the content of courses and for high-needs students).²³ In this way, it considered that providers would be more likely to direct learners to suitable programmes of study, including activities that do not lead to qualifications, such as work experience.

3.3 The Department accepted the *Review of Vocational Education – The Wolf Report's* recommendation and changed funding for schools and colleges from September 2013. In 2013/14, full-time learners were funded at a basic rate of £4,000 a year, through simpler and more transparent arrangements. Up to 2015/16, the Department is also protecting funding for institutions that would have lost out from the changes, to prevent the quality of provision from suffering.

3.4 In our view, the funding reforms remove a key risk to value for money: namely, that providers encourage learners to take easy qualifications rather than the most useful ones. Additionally, more than anything else the Department has done, they help to mitigate the year-on-year funding reductions shown in Figure 4. Representatives of colleges and training providers we interviewed were also positive about the changes. The Education Funding Agency is monitoring how the new funding system is working.

23 *Review of Vocational Education – The Wolf Report*, March 2011; and *Richard Review of Apprenticeships*, November 2012.

Coherent learning

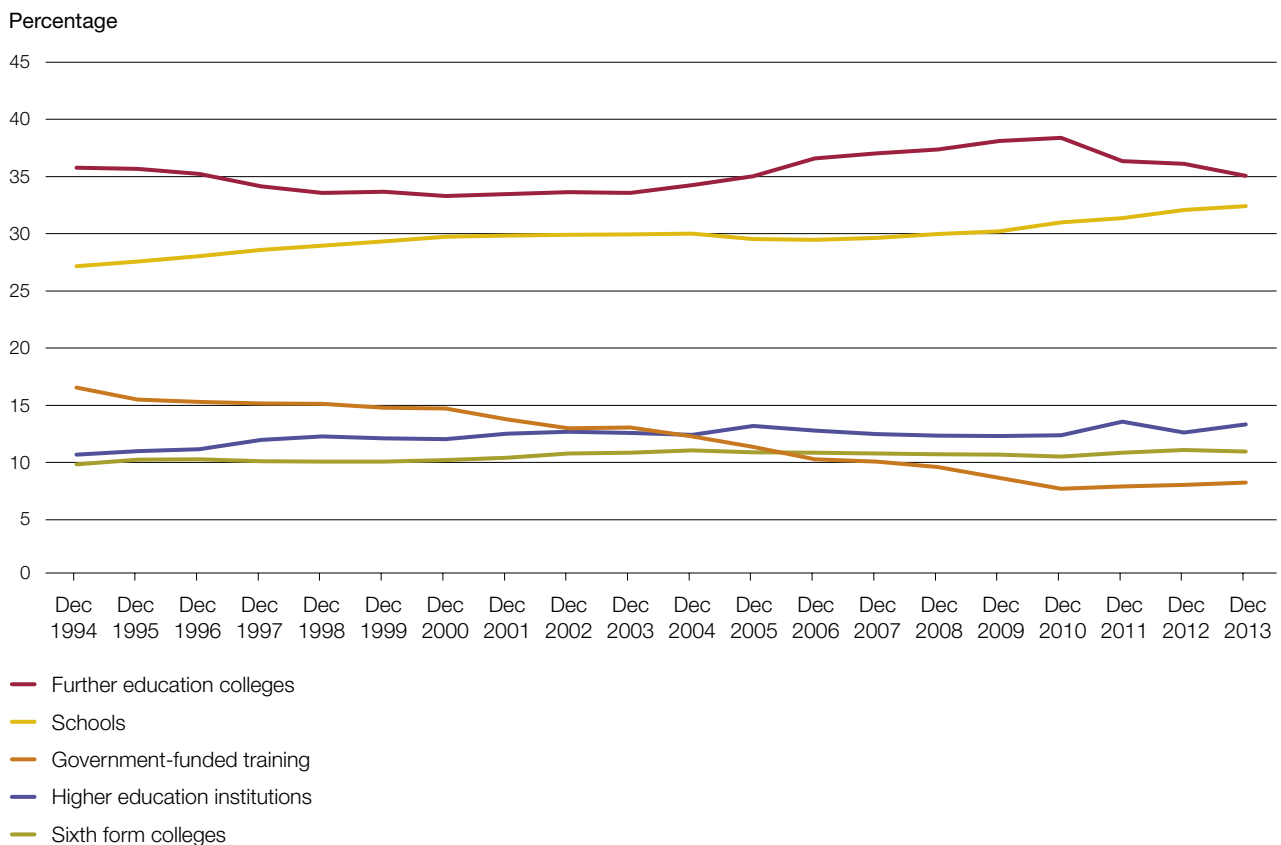
Where young people learn

3.5 Young people aged 16 to 18 participate in education and training in a variety of settings. Where they study has not changed significantly in the past 20 years, with the exception of a major drop, of more than 50%, in participation in government-funded training (**Figure 12**). At the end of 2013, just under half (46%) of young people in full-time education and training studied in either a further education or sixth form college. Around 8% were in government-funded training.

Figure 12

Where young people learn

Participation rate of those in full-time education



Note

1 At the end of December 2013 there were 1,394,300 16- to 18-year-olds in full-time education or government-funded training (excluding around 88,000 who were at an independent school).

16 to 19 Study Programmes

3.6 Young people can access many options after their 16th birthday and can choose types of learning to best suit their needs. But the overall portfolio of education and training they pursue must be coherent, to stretch them and give them the right options for the future. Good advice and guidance should help with this. But, in addition, from September 2013, schools and colleges have to give each learner a Study Programme including:

- courses based on previous attainment and career ambitions;
- relevant non-qualification activity, for instance work experience or a Traineeship from a provider rated good or outstanding by Ofsted; and
- maths and English for learners who do not achieve grade C in these subjects at GCSE.

3.7 Further education providers told us that Study Programmes had the capacity to improve the learning experience for young people. The Department plans to monitor how successful they are by tracking the number of young people who are:

- studying and achieving English and maths GCSEs between the ages of 16 and 19;
- studying for vocational qualifications; and
- doing work experience or a Traineeship.

Additionally, from 2016, the Department will require providers to publish performance data on its website. This data will include 16- to 18-year-olds' progress and attainment, retention rates, and destinations, such as whether young people go into higher education or employment. The Department will also look to Ofsted for independent information about the impact of Study Programmes.

3.8 We identified a number of risks to the Study Programme initiative:

- The Department has not specified how much of their resources providers should spend on designing Study Programmes, meaning there may be variation in the quality of implementation.
- According to a recent CBI survey,²⁴ only 46% of employers offer work placements of more than a week or 2 to young people.
- According to research by the Association of Colleges into 16 to 19 Study Programme design and implementation, based on a survey of 115 colleges, 32% of colleges reported a shortfall in the numbers of staff needed to deliver Level 2 maths and 28% reported a shortfall in the numbers needed to teach Level 2 English.²⁵

²⁴ CBI, *Gateway to growth: CBI/Pearson education and skills survey*, July 2014

²⁵ Association of Colleges, *AoC second 16-19 Study Programme Survey report*, January 2014

3.9 In recognition of the last point, in July 2014 the government published a further education workforce strategy setting out a range of initiatives to improve the leadership and quantity and quality of teachers in further education with a priority on maths and English.²⁶ The Department and the Department for Business Innovation & Skills have committed £30 million over 2 years to support the recruitment and training of teachers, with a particular focus on supporting the sector to recruit and enhance the training of existing teachers of maths and English.

Improving the quality of apprenticeships

3.10 Working with the Department for Business, Innovation & Skills, the Department is reforming apprenticeships after recommendations from *The Richard Review of Apprenticeships*. The overall effect will be to lengthen apprenticeships and give employers more say in their design and running, including determining assessment standards and grades. In future, all apprenticeships will:

- last for a minimum of 12 months, to provide deeper learning and skills;
- include English and maths for those without at least a grade C in these subjects at GCSE; and
- end with an assessment of full competence.

3.11 The 2 departments are working with groups of employers to make these changes. They aim to have the new system of apprenticeships fully in place from 2017/18. The Department has phased out a type of apprenticeship called Programme-led Apprenticeships, which allowed people to begin work on an apprenticeship framework with an education or training provider without being employed. The government decided to stop this initiative as part of its reform to improve the quality of apprenticeships. It believes apprentices should be employed from the first day of their apprenticeship in order to develop the skills and knowledge they need for their occupation.

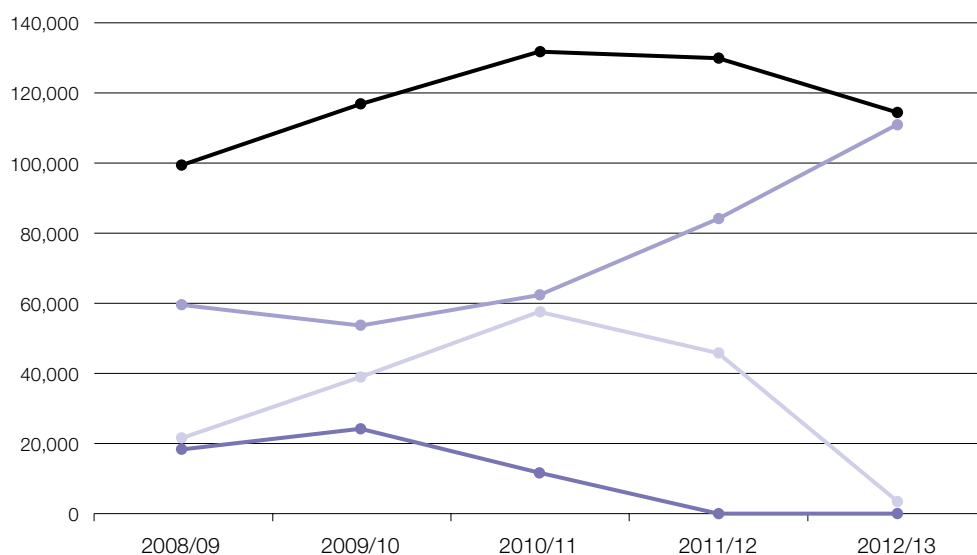
3.12 Already, the number of apprentices starting an apprenticeship of 12 months or more has increased. In 2011/12, 84,100 apprentices started one, compared with 110,900 starts in 2012/13, an increase of 32% (**Figure 13**). Over the same period, however, there was an overall decrease of 15,400, or 12%, in the number of young people starting apprenticeships.

Figure 13

16- to 18-year-old apprenticeship starts, 2008/09 to 2012/13

The number of apprenticeships starting due to last 12 months or more has increased by 24% since 2010/11

Number of 16- to 18-year-old apprenticeship starts



● Total 16 to 18 apprenticeships

● 12 months or more excluding programme-led

● Fewer than 12 months planned length of stay

● Programme-led

Notes

1 Volumes are rounded to the nearest 100.

2 Planned length of stay is based on the planned end date of the apprenticeship as recorded in the Individualised Learner Record.

Source: Skills Funding Agency and Department for Business, Innovation & Skills

Taking the apprenticeship reforms forward

3.13 These statistics show that, as they develop their apprenticeship reforms, the 2 departments will need to manage potential risks to the overall participation rate. Longer apprenticeships, in the context of reduced funding, might lead to fewer apprenticeships in total, which, in turn, could reduce overall participation.

3.14 In addition, the government currently pays the full cost of training 16- to 18-year-old apprentices, but announced in 2013 that this will change. By 2016, employers will have to contribute towards their apprentices' training costs (apart from the costs of English and maths study). In addition, the government plans to cap the maximum level of its funding for each apprentice and give providers funding using payment by results. The government is trialling a funding model in 2014/15 for apprenticeship starts on new employer-designed standards, including an additional incentive payment for each 16- to 18-year-old recruited.

3.15 Through these reforms the government is aiming to make employers 'co-investors' in apprenticeships and customers of training, which it considers will incentivise them to take more responsibility for improving quality. However, employers do not have to have apprentices and there is a risk that fewer may do so if they have to meet the training costs themselves or perceive the process to be a burden.

3.16 There may be a particular barrier for small and medium-sized enterprises, which are relatively under-represented among providers at present.

- Of all private sector business businesses, 99.9% are small and medium-sized enterprises with fewer than 250 employees.²⁷
- Less than 29% of firms with fewer than 50 employees, and 67% of medium-sized enterprises with 50 to 249 employees, provide apprenticeships.

The 2014 CBI survey also showed that employers have poor awareness of new vocational qualifications, with 85% knowing little or nothing about them.²⁸

3.17 The Department is seeking to address barriers for small and medium-sized enterprises through its Apprenticeship Grant for Employers of 16- to 24-year-olds (AGE). The grant supports businesses, with fewer than 1000 employees, to recruit young people as an apprentice, who may not otherwise have done so. Up to April 2014, the grant had supported 53,600 16- to 18-year-olds.

²⁷ Department for Business, Innovation & Skills, *Business population estimates for the UK and regions 2013*, October 2013.

²⁸ CBI, *Gateway to growth: CBI/Pearson education and skills survey*, July 2014.

Appendix One

Our audit approach

1 We examined how well the Department was implementing reforms to raise participation in education and training and improve learning's relevance and quality. We reviewed:

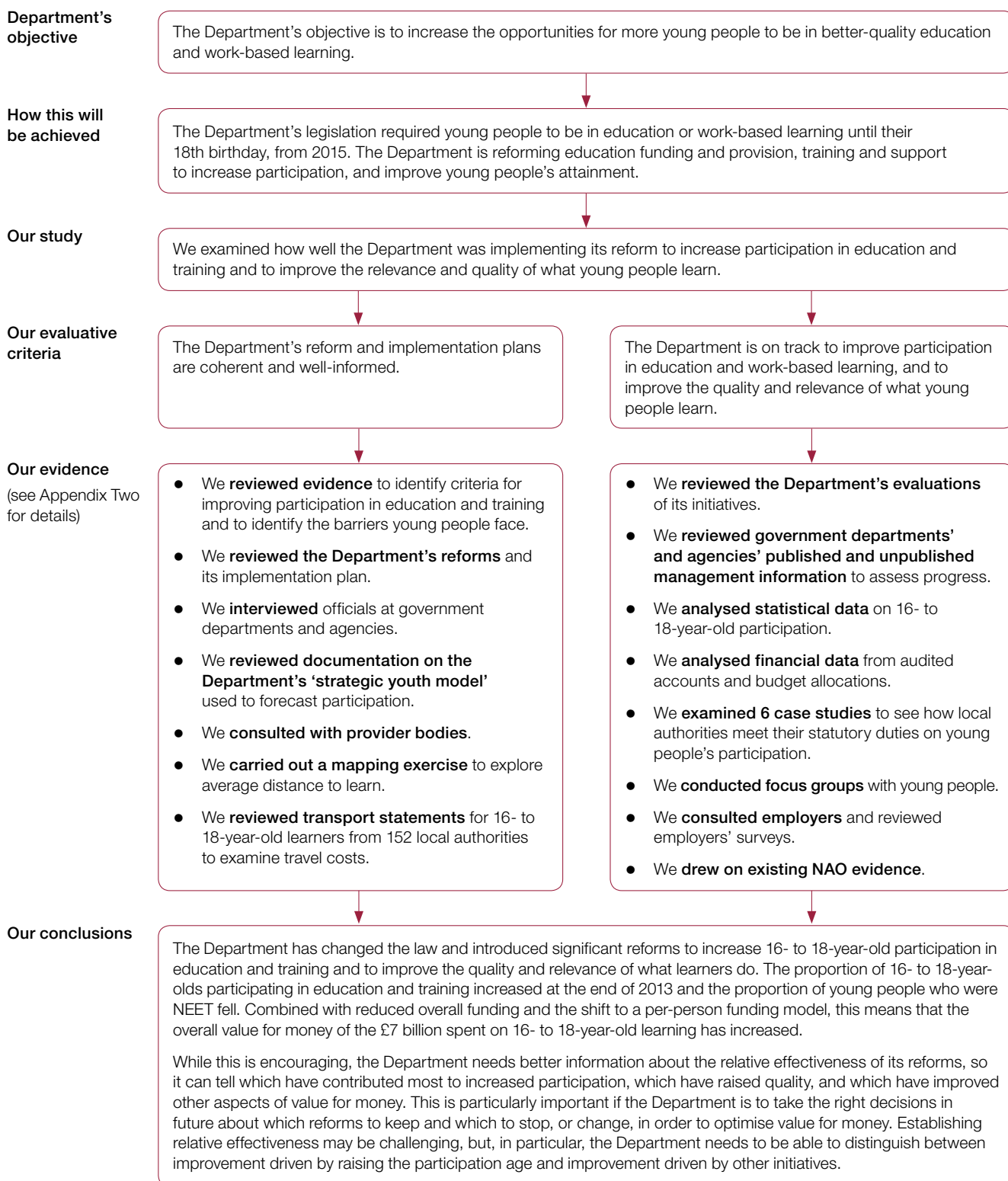
- the challenges to improving participation in education and training and the government's response;
- progress in increasing participation in education and training; and
- progress in improving education and training's quality and relevance.

2 We used an analytical framework with evaluative criteria to consider the best way to carry out the Department's reforms. By 'best' we mean the most desirable possible, while acknowledging expressed or implied restrictions or constraints. A constraint is, for example, the timing of the Department's reforms; which, for some, are in the early days of implementation.

3 We summarise our audit approach in **Figure 14** overleaf and describe our evidence base in Appendix Two.

Figure 14

Our audit approach



Appendix Two

Our evidence base

- 1 We completed our review of 16- to 18-year-old participation in education and training after analysing evidence we collected between February and June 2014.
- 2 We used an analytical framework with evaluative criteria to examine what approach to implementing reform would be best. Our audit approach is outlined in Appendix One.
- 3 **We examined whether the Department's plans for reform were coherent and well-informed:**
 - We **reviewed existing evidence**, including *The Richard Review of Apprenticeships*, *Review of Vocational Education – The Wolf Report*, Ofsted thematic reviews and Committee of Public Accounts' reports to identify criteria for improving the quality and relevance of education and training.
 - We reviewed research reports to identify the barriers young people face to participation, including research by the National Foundation for Educational Research. This included a survey of 2,029 young people, who were chosen to be representative of young people aged 16 and 17 for their gender and attainment, for the incidence of learning disabilities and disabilities and for their destinations in the September after leaving year 11.
 - We **reviewed published policy documents and unpublished briefings**, and held **semi-structured interviews** with the Department for Education, the Department for Business, Innovation & Skills, the Education Funding Agency and the Skills Funding Agency to understand the Department's reforms and its implementation plans.
 - We **reviewed** documentation that supports the **Department's 'strategic youth model'** used to forecast participation in education and training. We examined the approach to modelling through interviews with the Department, using questions taken from our framework for auditing models.

- We **consulted provider bodies** to understand the challenges of providing 16 to 18 education and work-based learning and to get their perceptions on the Department's implementation of its reforms. We interviewed:
 - the Local Government Association;
 - the Association of Colleges;
 - the Association of Employers and Learning Providers;
 - the National Association of National Specialist Colleges; and
 - the 157 Group.²⁹
- We **carried out a mapping exercise** to explore the distance 16- to 18-year-olds must travel to access 16 to 18 providers. We used software to map the current address and type of provider (using postcodes from the Education Funding Agency). We then assessed distances to the nearest further education college, sixth form college or school (by type) for 2014.
- We **reviewed local authorities transport statements** for 16- to 18-year-old learners from 152 local authorities to examine travel costs.

4 We examined whether the Department was on track to increase participation and to improve the quality and relevance of education and work-based learning:

- We **reviewed the Department's evaluations** of the 16 – 19 Bursary Fund, Youth Contract and Apprenticeship Trailblazers and its reports on Raising the Participation Age pilots.
- We **reviewed the Department's and Education Funding Agency's published and unpublished management information** to assess progress against their initiatives.
- We **carried out descriptive analysis** to understand 16- to 18-year-old participation using national participation figures at the end of 2013.³⁰
- We **carried out descriptive analysis of financial data** from the audited accounts and budget allocations of the Education Funding Agency to examine spending patterns on 16 to 18 education and work-based learning provision.
- We **conducted 6 case studies** to explore how local authorities meet their legal duties on young people's participation (see Appendix Three online).³¹ In our review of case studies we did not try to draw conclusions about individual authorities' performance, nor did we attempt to draw wider conclusions about all local authorities.

²⁹ The 157 Group is a consortium of 29 of the UK's largest Further Education Colleges.

³⁰ Department for Education, *Statistical First Release 18/2014: Participation in Education, Training and Employment by 16-18 year olds in England*, end 2013, issued 25 June 2014.

³¹ We visited Brighton and Hove city council, Durham county council, Hertfordshire county council, Sheffield city council, Southend-on-Sea borough council, and Surrey county council.

We selected 5 of the 6 case studies in consultation with the Local Government Association and considered the following factors:

- the number of young people in the local area;
- the proportion of young people who were NEET or whose status was unknown to the local authority;
- geographical region; and
- local unemployment levels.

1 of the 6 case studies was self-selecting in that it contacted us directly to support our study.

For each case study we explored how local authorities:

- identified 16- to 18-year-olds and maintained knowledge of their activities;
 - used information and data, and shared it with the Department and other local authorities and stakeholders;
 - supported young people to join education and training, for example programmes the local authority provided, funded by the European Social Fund;
 - provided careers advice services.
- We **conducted focus groups** with 16- to 18-year-olds in education or work-based learning or who were NEET to understand young people's experiences. We selected our focus groups with the support of Catch 22 and StreetChance, 2 charities which support young people who are NEET or at risk of being NEET.

We asked young people about their:

- experiences in accessing education and work-based learning;
- awareness of the options available to them; and
- satisfaction with the opportunities available.

- We **consulted employer bodies**, such as the Federation of Small Businesses, as well as large employers to understand employers' perspectives on the Department's reforms. We reviewed survey data evidence that the Confederation of British Industry and Pearson collected, in their education and skills survey 2013 (base: 294 employers). We reviewed evidence on employers' perspectives in the Department's evaluation of the Trailblazers initiative.
- We reviewed our own work on 16 to 18 education and training;³² the Education Funding Agency;³³ oversight of special education for young people aged 16 to 25;³⁴ adult apprenticeships;³⁵ and on the financial sustainability of local authorities.³⁶

32 Comptroller and Auditor General, *Getting value for money from the education of 16 to 18 year olds*, Session 2010-11, HC 823, National Audit Office, March 2011.

33 Comptroller and Auditor General, *Performance and capability of the Education Funding Agency*, Session 2013-14, HC 966, National Audit Office, January 2014.

34 Comptroller and Auditor General, *Oversight of special education for young people aged 16-25*, Session 2010-2012, HC 1585, National Audit Office, November 2011.

35 Comptroller and Auditor General, *Adult apprenticeships*, Session 2010-2012, HC 1787, National Audit Office, February 2012.

36 Comptroller and Auditor General, *Financial sustainability of local authorities*, Session 2012-13, HC 888, National Audit Office, January 2013.

This report has been printed on Evolution Digital Satin and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation, which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.



National Audit Office

Design and Production by NAO Communications
DP Ref: 10504-001

£10.00

ISBN 978-1-904219-36-1



9 781904 219361
