



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Business, Innovation & Skills

Further education and skills sector: implementing the Simplification Plan

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National Audit Office

Department for Business, Innovation & Skills

Further education and skills sector: implementing the Simplification Plan

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

26 November 2014

This report evaluates the Department for Business, Innovation & Skills' work to simplify funding, assurance and information requirements in the further education and skills sector.

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Contents

Key facts 4

Summary 5

Part One

Background 11

Part Two

Reducing the administrative burden 18

Part Three

Further simplification 24

Appendix One

Our audit approach 33

Appendix Two

Our evidence base 36

Glossary 39

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Key facts

**£250m–
£300m**

our previous (2011)
estimate of the cost to
providers, to comply with
funding, qualifications and
assurance requirements

42

discrete actions in the
2012-13 Simplification Plan

£4m

estimated sector savings
from those Simplification
Plan actions whose impact
can be quantified

- 4.2 million** people learning in the further education and skills sector annually
- £7 billion** annual funding from the two main funding bodies
- 10** bodies given actions to implement in the 2012-13 Simplification Plan
- 219** general further education colleges in England
- 689** publicly funded commercial and charitable providers

Summary

1 The further education and skills sector (the sector) serves many different learners. For example, young people who want to continue academic or vocational learning outside of schools; those of all ages gaining basic skills; and others who seek extra skills or formal qualifications. It trains a growing number of apprentices, and provides some higher education courses.

2 There are over 1,100 organisations offering education and training in the sector. Of these, around 220 'providers' are general further education colleges, which provide education and training to around three-quarters of the learners. Around 700 providers are commercial or charitable bodies, which support the remaining one-quarter of learners.

3 Providers receive around £7 billion of funding each year, mainly through the Department for Business, Innovation & Skills (BIS), the Department for Education and the Department for Work & Pensions. This supports around 4.2 million learners. Funding is complex, because different bodies fund different types of learner. Broadly, the Department for Education funds 16- to 19-year-old students via the Education Funding Agency. BIS funds learners aged 19 and over through the Skills Funding Agency and higher education students through the Higher Education Funding Council for England. Additional funding is available from the European Social Fund, which is administered jointly by the Department for Work & Pensions and BIS. Also, from 2015 onwards, local enterprise partnerships will begin to take responsibility for allocating local capital budgets for adult skills and the latest programme of European monies.

4 Ofsted oversees providers by focusing on the quality of provision, and the Further Education Commissioner may intervene if a college is in difficulty. Also, providers must meet the requirements of the not-for-profit or commercial awarding bodies that they elect to use, of which there are around 170 in total.

5 Funding and oversight bodies must ensure providers use public money properly. But their assurance arrangements may impose significant administrative demands on providers. Providers need to produce data for the funding and oversight bodies, as well as for themselves, to demonstrate that funds are well managed and meet quality standards. However, to offer value for money, arrangements must be appropriate, efficient and avoid unnecessary duplication. They must also balance the assurance they provide for public money with the costs of the bureaucracy they impose.

6 In December 2011, we published a report on bureaucracy in the sector. The report estimated the cost of complying with funding, qualifications and assurance requirements could be around £250 million to £300 million. A subsequent Committee of Public Accounts report expressed concern that providers faced different funding, qualification and assurance arrangements. It found that these “create an unnecessary burden ... and divert money away from learners”, and recommended that BIS, which has lead responsibility for the sector, should streamline the demands on providers.

Scope and approach

7 This report evaluates BIS’s work to simplify funding, assurance and information requirements across the sector. It considers whether the Simplification Plan drawn up by BIS following the Committee’s recommendations was a satisfactory response to the challenge of complexity. We also look at whether BIS’s Plan achieved impact. Most actions in the Plan apply to all providers, so most of our findings are sector-wide. However, where appropriate we refer separately to ‘colleges’ or to ‘commercial and charitable providers’.

Key findings

Creating the Simplification Plan

8 In 2012, BIS developed a plan to simplify the administrative burdens on the sector. It produced the first version of its cross-government Simplification Plan in July 2012 in response to the report from the Committee of Public Accounts. The Plan contained 42 separate actions, with responsibility for completing them spread across 10 bodies. BIS used the Further Education Reform and Performance Board, which included representatives from the sector, to coordinate and oversee the Plan (paragraphs 2.2 and 3.19, and Figure 6).

9 The Plan proposed a series of changes, but was not a strategic stocktake of where simplification might have the greatest impact. BIS based the Plan on suggestions from the various funding and oversight bodies, but providers had little voice in developing it. The actions varied in scale and likely impact, and the Plan did not estimate expected net savings. Around half of the actions were ambitious (see paragraph 11), and aimed to improve arrangements for providers directly. Others were smaller, or about how the oversight bodies work together (paragraphs 2.3 to 2.5).

10 BIS does not know the overall cost to providers of complying with assurance activities, and therefore cannot say whether compliance costs are rising or falling. Our previous report in 2011 found there was little information on providers' compliance costs, making it difficult to target efforts to reduce costs. The Skills Funding Agency is the only oversight body to have tried to quantify compliance costs, although the exercise covered further education colleges only. The Agency reported difficulty distinguishing between the extra costs it imposed on colleges and the costs they would incur anyway, and that some work providers described as burdensome was hard to cost accurately. The Agency ultimately decided not to pursue the exercise any further (paragraphs 2.6 to 2.8).

Implementing the Simplification Plan

11 Providers acknowledge benefits from the implementation of the main commitments in the Plan. BIS reported that over 30 of the 42 commitments had been achieved by September 2013. The providers we visited all recognised that funding and oversight bodies had taken individual steps to streamline their processes. The actions cited positively included the following:

- The further development of the individualised learner record (an electronic record the provider completes, and funding bodies use to monitor providers' performance against funding allocations).
- The Education Funding Agency's decision to provide funding by programme of learning rather than by qualification, and to produce a toolkit that allows providers to better understand their funding allocations and the impact of operational changes they might make, for example to student numbers.
- The Skills Funding Agency's efforts to publish an earlier and clearer set of funding rules.
- The Skills Funding Agency's decision to abolish the financial management and control evaluation return – this return had required colleges to report annually on the quality of their financial management and accountability arrangements.
- Ofsted's new risk-based approach which means that 'outstanding' providers are unlikely to be inspected unless their performance declines; and its reduced framework of requirements before an inspection.
- The Joint Audit Code of Practice, which should ensure that if selected for review, a provider will only receive an audit visit from one of the funding agencies, rather than both (paragraphs 2.9 and 2.10).

12 Overall, BIS's Plan has brought cost savings of around £4 million. BIS commissioned an evaluation in 2013 to measure the outcome of the actions in the Plan considered to have had an early impact. Most providers consulted during the evaluation felt the administrative burden was either worse than or no different from that experienced before the Plan. Based on figures in the evaluation we estimate the principal changes have saved around £4 million a year across all providers. The evaluation found that providers were unlikely to see any economies in staffing costs. This finding is supported by the fact that the number of administrative and central services staff colleges employ rose by 5% between 2010-11 and 2012-13 (paragraphs 2.11 to 2.16, and Figure 8).

Further simplification

13 BIS and the Department for Education have not done enough together to streamline funding arrangements. Much of the cost associated with assurance stems from having multiple funding arrangements. There are two main funding bodies that apply different funding principles, potentially to learners on the same course. Also, providers who get funding from the European Social Fund must comply with additional assurance requirements. The providers we visited said they struggle with the mix of arrangements, despite the efforts made by the Skills Funding Agency and the Education Funding Agency to simplify their own systems. Providers were concerned about funding streams where rules change each year, resulting in time and cost implications for their own work, including the need to employ staff who understand these complexities and the additional challenges that changes can create for the financial management of the institution (paragraphs 3.4 to 3.7, and Figures 9 and 10).

14 There is scope for BIS to encourage greater harmonisation of the administrative requirements imposed by the various awarding bodies. Providers are free to choose the awarding bodies that best match their curriculum and offer value for money and an appropriate level of service and products. Some large providers, offering a very diverse range of qualifications, may deal with up to 60 awarding bodies. Providers reported challenges in meeting the awarding bodies' widely differing requirements. Providers said, for example, that awarding bodies have different rules for student registration, examination withdrawal and invoicing. They do not always use the unique learner number to identify students although BIS has evidence that it is being used much more widely than previously. The Joint Council for Qualifications, which represents the 7 largest awarding bodies, has started a project to make data exchange between the awarding bodies and providers more efficient. However, the Council is an independent body, and so this project was never intended to be part of the Simplification Plan (paragraphs 3.10 to 3.13).

15 Providers could do more to learn from each other and take opportunities to streamline their own arrangements. Some providers already collect learner destination data but, at the time of our visits to providers, some were exploring other options, sometimes costly, for getting this information. In a similar way, some providers interact with far fewer awarding bodies than others and consequently have to deal with far less variation in information requirements. There is scope for providers to learn from each other in such instances (paragraphs 3.9 to 3.11).

16 BIS has done little to estimate the compliance costs of forthcoming changes, which may make funding and accountability arrangements more complex. It is making changes to improve the responsiveness of the sector to the needs of businesses and learners. These changes include putting capital budgets for adult skills into the hands of local enterprise partnerships and piloting employer-funded learning. We found just one example where BIS had tried to estimate the extra costs of its reforms. This estimated the additional costs to businesses from introducing advanced learning loans, but it did not estimate the costs of the changes to providers (paragraphs 3.14 to 3.18 and Figure 11).

17 There is no comprehensive framework document setting out the roles, responsibilities and accountabilities of the funding and oversight bodies. Given the number of funding and oversight bodies involved in the sector, we would expect BIS to have published a statement setting out the accountabilities of the various organisations and how they are intended to fit together. Such a statement could also usefully set out the flows of data throughout the system. By contrast, the oversight bodies in the higher education sector have recently published an 'Operating Framework' which describes the organisations that handle different aspects of regulation, and shows how arrangements are changing to meet the needs of students and society (paragraphs 3.21 to 3.23 and Figure 12).

Conclusion on value for money

18 The Simplification Plan was a modest response to the issues raised by the Committee of Public Accounts in relation to over-complexity in the further education and skills sector. The Plan contains some good ideas, volunteered by the funding and oversight bodies, but implementing these ideas has not impacted significantly on the cost burden of complexity, as this report shows. A much more serious effort, led by BIS, is needed to meet the Committee's concerns and deliver better value for money in a sector that is already hard-pressed.

Recommendations

- a** **BIS should improve the quality of information on the compliance costs imposed by the sector's funding and assurance bodies.** Without this information, it will be difficult to prioritise work to simplify funding and oversight arrangements.
- b** **Working with the Department for Education, BIS should publish a document that clarifies the roles, responsibilities and accountabilities of the various oversight bodies.** There is no document that fully explains the sector's operating framework for the benefit of stakeholders, including providers and learners.
- c** **BIS should work with the Department for Education to find more radical ways to simplify the complex funding arrangements.** The funding bodies have each tried to simplify their own funding arrangements. But providers still have to navigate funding systems that work to very different principles.
- d** **BIS should ensure that forthcoming changes are implemented consistently with policy aims, but do not introduce unnecessary complexities and costs for providers.** BIS does not currently estimate potential compliance costs associated with proposed changes, to inform its implementation decisions.
- e** **BIS should work with Ofqual, the Joint Council for Qualifications and the Federation of Awarding Bodies to reduce the variation in administrative requirements placed on providers by the awarding bodies.** There is limited commonality in the administrative requirements awarding bodies place on providers, for example on issues such as using the unique learner number, student registration and examination withdrawal. These different requirements impose additional costs on providers.

Part One

Background

1.1 Further education broadly means all formal learning outside schools and higher education institutions. The further education and skills sector (the sector) serves many learners, including:

- young people continuing academic or vocational learning outside schools;
- young people and adults seeking basic skills; and
- others who want to develop skills or get formal qualifications.

1.2 The sector offers vocational and skills training for the growing number of apprentices, and provides some higher education courses. It has a vital role in supporting economic growth, helping employers to develop a capable workforce and giving learners the opportunity to pursue successful careers.

1.3 Around 4.2 million students learn in the sector each year. The sector gets funding of around £7 billion each year, mainly through the Department for Business, Innovation & Skills (BIS) and the Department for Education.

The range of providers

1.4 In England, over 1,100 different organisations provide further education courses and help people to develop vocational skills (**Figure 1** overleaf). These organisations are known as 'providers'. Providers vary in size, with the largest colleges having a turnover of more than £50 million and over 5,000 students.

Figure 1

The range of further education providers in England

Type of provider	Number
General further education colleges	219
Other types of college (eg specialist colleges for subjects such as agriculture, and art)	28
Other publicly funded providers that do not fit into the categories above (eg local authorities and higher education institutions that provide some further education)	193
Commercial and charitable providers	689
Total	1,129

Note

1 We do not consider the 94 sixth-form colleges in this report, as they are closer to the schools sector.

Source: Department for Business, Innovation & Skills and Skills Funding Agency, *Further Education and Skills Funded Learners: Participation by Provider by Funding Stream, Learner and Learning Characteristics 2012/13*, May 2014

Funding and oversight

1.5 BIS is responsible for the regulatory framework and policy governing further education. It works to ensure value for money and reduce bureaucracy from various departments and agencies. BIS and the Department for Education are responsible for funding post-16 learning in England.¹ There are two main funding bodies: the Skills Funding Agency and the Education Funding Agency. The Skills Funding Agency, sponsored by BIS, provides funding for education and skills courses for those aged 19 and over. The Education Funding Agency, sponsored by the Department for Education, gives funding for education and skills programmes for the 16 to 19 age group. Responsibility for overall apprenticeship policy is led by a joint BIS/Department for Education Apprenticeships Unit. **Figure 2** sets out the main funding sources.

1.6 Providers may also get public funding from other sources, such as the European Social Fund, which is administered jointly by the Department for Work & Pensions and BIS. The 2014–2020 European Social Fund programme has the potential to provide an additional £1 billion of funding.

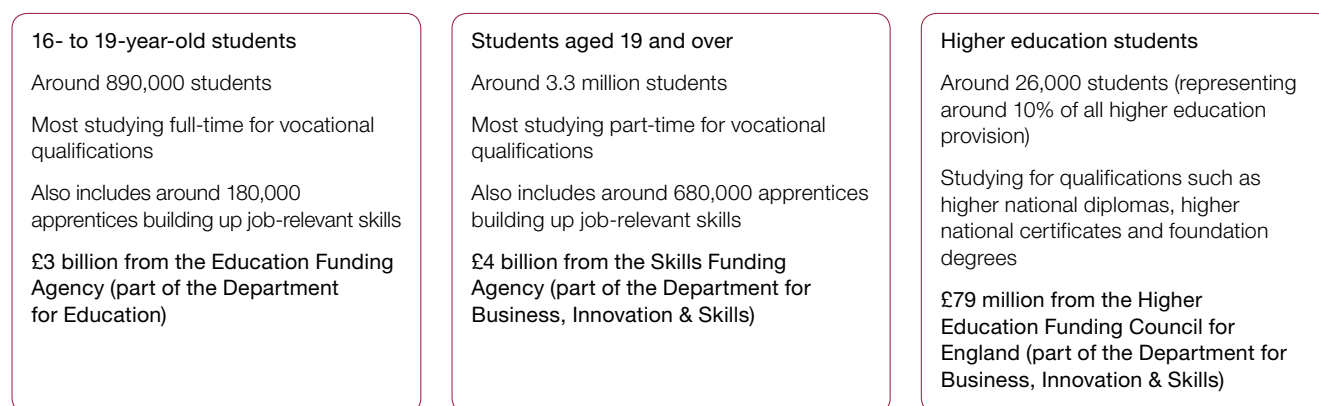
1.7 Providers will face several major funding changes in the coming years. Local enterprise partnerships will take on responsibility for allocating European Social Fund and capital funding.² They will be responsible for allocating the majority of European Structural and Investment Funds (of which the European Social Fund forms a part), and procurement for this programme is expected to start in 2015. The capital element of skills funding comes from part of the Local Growth Fund allocated to local enterprise partnerships from the 2015-16 financial year. Also from 2015, more employers will have the opportunity to fund skills training directly.

1 Available at: www.gov.uk/government/policies/improving-the-quality-of-further-education-and-skills-training

2 Department for Business, Innovation & Skills, *Skills Funding Statement*, February 2014.

Figure 2

The main sources of funding for learners in further education

**Notes**

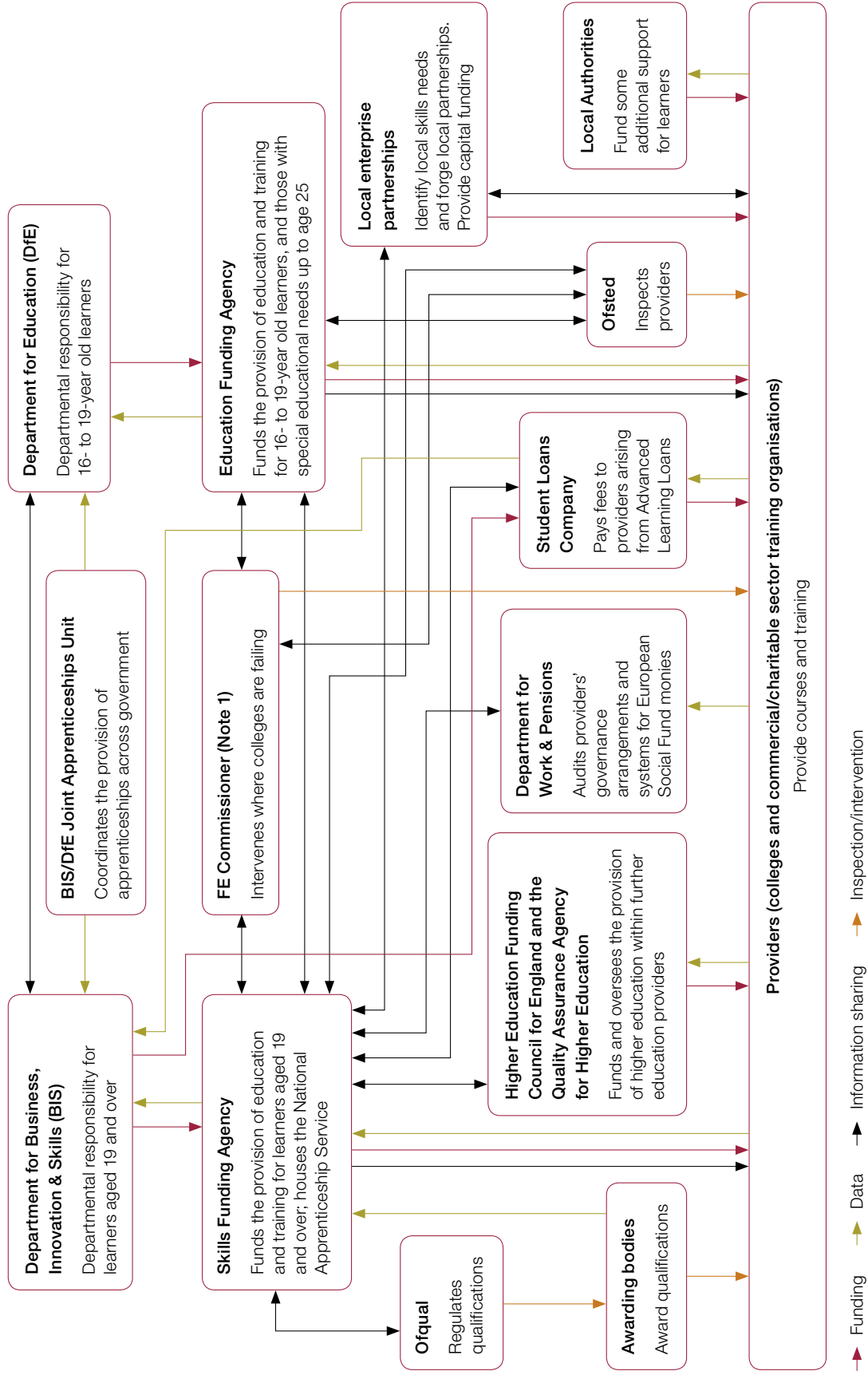
- 1 Funding figures are based on allocations to providers for the 2013/14 academic year.
- 2 Learner numbers are based on 2012/13 figures, as this is the most recent year for which data are available for all groups.
- 3 Apprenticeship funding for all ages is included in the funding from the Skills Funding Agency.

Source: National Audit Office

1.8 As well as the funding bodies, there are other organisations responsible for overseeing various aspects of performance, quality of provision and qualifications (**Figure 3** overleaf). The principal ones are:

- **Ofsted**
The 'Office for Standards in Education, Children's Services and Skills', inspects providers.
- **Ofqual**
The 'Office of Qualifications and Examinations Regulation' recognises and monitors the bodies that award qualifications.
- **Awarding bodies**
These ensure that providers and learners meet the standards needed for individual qualifications. They are independent commercial or charitable bodies.
- **Further Education Commissioner**
A role set up in late 2013, the Commissioner intervenes in colleges with poor-quality provision, inadequate performance standards or weak financial management.

Figure 3
The main funding and oversight interactions



Note

1 The remit of the Further Education Commissioner covers colleges only, and not commercial/charitable providers.

Information requirements for providers

1.9 Providers are required to generate and submit a variety of information to the funding and oversight bodies for funding and assurance purposes. **Figure 4** sets out the main types.

1.10 The funding and oversight bodies place varying requirements on the different types of provider. Some of these differences are defined by legislation, while others have developed over time as a result of policy decisions. Overall, the requirements placed upon colleges are slightly greater, as shown in **Figure 5** overleaf.

Figure 4

Types of information that providers are required to submit to funding and oversight bodies

Function	Information submitted
Funding and data collection	<p>Funding claims setting out actual spend against allocation (and forecast spend to year-end where appropriate) at 3 set intervals each year.</p> <p>Data on each learner, gathered at enrolment and at subsequent stages in the year, and submitted electronically via the individualised learner record. The record is submitted monthly, with 2 additional returns in September and October for year-end reconciliation and to inform allocations for the next year.</p> <p>Declaration of subcontracting activity.</p>
Financial health and audit	<p>Two-year financial forecast.</p> <p>Finance record that summarises accounts data into a format that the funding bodies consolidate into a benchmarking report.</p> <p>Audited financial statements (including the regularity audit opinion).</p> <p>Audit Committee's annual report.</p> <p>Documentary evidence and supporting explanations that give assurance for auditors and inspectors.</p>
Ensuring quality of provision	<p>Survey data gathered from learners and employers.</p> <p>Details of learners taking exams, and exam papers, assessments, or online tests.</p> <p>Information for the awarding bodies on course content and delivery.</p>

Source: National Audit Office visits to providers

Figure 5

Differences in funding and information requirements between types of provider

Regulatory area	Colleges	Commercial and charitable providers
Funding (Education Funding Agency)	Funding is allocated based on the number of participating students in the previous year. No adjustments to funding are made during the course of the year.	Funding is allocated based on the number of participating students in the previous year. Funding may be adjusted in-year depending on variations in learner numbers and performance.
Funding (Skills Funding Agency)	<p>Paid monthly on profile and reconciled at year-end for most funding streams.</p> <p>Must provide up to 3 funding claims in year, setting out actual provision to-date and forecast of spend for remainder of funding year.</p> <p>No guarantee of additional funding for any delivery over and above allocated funding, but can apply for growth monies in-year.</p>	<p>Paid monthly in arrears on the basis of actual provision reported in individualised learner record returns.</p> <p>Must provide funding claims if they have a discretionary learner support budget.</p> <p>Potential to increase or decrease maximum contract values in-year.</p>
Finance	<p>Audited financial statements to the 2 funding agencies.</p> <p>Two-year financial plan with commentary to the 2 funding agencies.</p> <p>Finance record to the Skills Funding Agency.</p>	Audited financial statements to the 2 funding agencies.
Audit	<p>The same audit plan applies equally to all provider types. Funding is audited on a sample basis to ensure that funding has been properly and correctly claimed.</p> <p>Required to give the Skills Funding Agency a regularity audit opinion (ie whether expenditure and income have been used for the purposes intended by Parliament).</p>	The same audit plan applies equally to all provider types. Funding is audited on a sample basis to ensure that funding has been properly and correctly claimed.
Data	Advised to make quarterly data returns, but monthly returns for apprenticeships.	Advised to make monthly data returns.

Source: National Audit Office

Simplifying funding and oversight of the sector

1.11 In December 2011, we published a report on bureaucracy in further education, focusing mainly on publicly funded colleges.³ The report estimated that administering funding, qualifications and assurance cost around £250 million to £300 million. A subsequent Committee of Public Accounts report expressed concern that government bodies imposed conflicting funding, qualification and assurance systems. It concluded that “differences in the information required and collected create an unnecessary burden for training providers and divert money away from learners.”⁴

1.12 The Committee recommended that BIS should “establish a cross-government approach to harmonise the funding, assurance and information requirements placed on providers into a single system which is capable of meeting the needs of all public sector bodies that interact with providers”. BIS agreed with the Committee’s recommendation. However, it disagreed with the recommendation for a single funding system. This was because the 2 main funding systems (those of BIS and the Department for Education) were “targeted at different groups with their own distinctive priorities and needs.”⁵

Scope of this report

1.13 This report evaluates BIS’s work to simplify funding, assurance and information requirements. It considers the quality of the Simplification Plan BIS produced in response to the Committee’s recommendations, and its impact. Most actions in the Plan apply to all providers, so most of our findings are sector-wide. However, where appropriate, we refer separately to ‘colleges’ or to ‘commercial and charitable providers’.

1.14 We assess value for money against whether:

- BIS created a suitable Simplification Plan based on analysing where its impact might be greatest;
- the Plan effectively simplified funding, assurance and information requirements and reduced providers’ compliance costs; and
- BIS, working with the Department for Education and others, is well placed to simplify further.

³ Comptroller and Auditor General, *Reducing bureaucracy in further education in England*, Session 2010–2012, HC 1590, National Audit Office, December 2011.

⁴ HC Committee of Public Accounts, *Department for Business, Innovation and Skills: reducing bureaucracy in further education in England*, Seventy-sixth report, Session 2010–2012, March 2012.

⁵ HM Treasury, *Treasury Minutes*, Cm 8352, May 2012.

Part Two

Reducing the administrative burden

2.1 This part of the report examines whether:

- BIS created a clear and comprehensive Simplification Plan; and
- working with the Department for Education and others, BIS implemented the Plan effectively and made improvements.

Creating the Simplification Plan

Drawing up the proposed changes

2.2 BIS produced the first version of its single, cross-government Simplification Plan in July 2012, acting on a recommendation from the Committee of Public Accounts. BIS compiled the Plan by asking funding and oversight bodies to contribute ideas, based on the administrative concerns that providers expressed. The Plan contained 42 discrete actions. Responsibility for carrying out the actions was spread across 10 bodies, as shown at **Figure 6**. Over succeeding months, BIS added further actions to the Plan.

Figure 6

Responsibility for actions within the 2012-13 Simplification Plan

Organisation(s)	Number of actions
Skills Funding Agency, Education Funding Agency, Department for Education, and National Apprenticeship Service	11
Department for Education and Education Funding Agency	11
Higher Education Funding Council for England	8
Ofsted	5
BIS and Department for Education	3
Ofqual	2
Department for Work & Pensions and Jobcentre Plus	1
UK Commission for Employment and Skills (UKCES)	1
Total	42

Source: Department for Business, Innovation & Skills

2.3 The Plan was a pragmatic set of improvements rather than a coherent change programme based on analysing where the greatest impact was needed. It lacked estimates of the likely net savings attributable to individual actions. The first version of the Plan organised proposed actions by the bodies responsible and there was no clear prioritisation. The Higher Education Funding Council for England had almost as many actions as the Skills Funding Agency and Education Funding Agency despite higher education funding making up just over 1% of funding for further education providers.

2.4 The actions in the Plan varied in scale and likely impact. Around half of the actions involved streamlining administrative arrangements and were therefore likely to directly affect providers. Some of the more ambitious actions included:

- simplifying the funding system for students aged 19 and over;
- setting up a single audit framework for all providers;
- getting the benefits of using a unique learner number for each student, including transferring learners' attainment data between schools, providers and awarding bodies;
- collecting data consistently, for 16 to 18 provision in schools and providers, while aligning arrangements for students aged 16 to 18 and 19 and over where possible; and
- shortening Ofsted's inspection regime and removing 'outstanding' colleges from the inspection schedule unless their performance drops.

2.5 Other actions were less aspirational, or mainly about how oversight bodies interact. In this way, they were less likely to directly affect providers. These actions included:

- updating memorandums of understanding;
- developing an action plan for large employers contracting for apprenticeships; and
- mapping the higher education system, to start developing new operating models for funding and regulation.

Measuring compliance costs

2.6 Our 2011 report found that BIS and the Department for Education did not properly understand the compliance costs the various oversight bodies impose on providers. We found that the failure to identify the cost to providers of complying with funding and assurance requirements limited the ability of the departments to target their efforts. After our report, the Skills Funding Agency began a programme to understand the demands it placed on providers. The review focused on 7 providers: 4 colleges, 2 commercial providers and 1 charitable provider. It examined where systems and processes in 3 main areas imposed burdens for providers. Those areas were: financial assurance and audit; data collection, funding systems, qualifications, eligibility and fees; and communications.

2.7 The Skills Funding Agency reported difficulty distinguishing between the extra costs it imposed on providers and the costs they would incur anyway. Equally, it found that some work that providers described as burdensome was hard to cost accurately. This included quantifying the time and cost of poor-quality communication from the Agency contributing to errors in processes. The Agency's estimates of the costs of the burden varied widely and, as a result, it ultimately decided to abandon the exercise. None of the other funding and assurance bodies has attempted to estimate the cost of compliance associated with its own work.

2.8 In comparison, the Higher Education Funding Council for England has tried to establish the burden of its requirements on higher education institutions and identify those costs. It has set targets to cut costs and commissioned periodic reviews to assess progress. The most recent review, published in 2009, showed that most sector costs come from a few obligations and that, by better understanding where these costs arise, future cost reductions could focus more on the areas of greatest burden.⁶ In July 2013, the Higher Education Better Regulation Group reported on the cost to higher education providers of complying with regulatory changes for student immigration controls.⁷ It developed a cost model to monitor the changing cost of compliance.

Implementing the Simplification Plan

Making individual changes

2.9 BIS reported that, by September 2013, it had completed over 30 of the 42 actions in the original Plan. It had also carried out actions added to the original Plan, making 50 discrete achievements altogether. The providers we visited acknowledged some of the more significant changes made by individual bodies:

- **Skills Funding Agency**

The Agency further developed the individualised learner record, which combines data for learners on one electronic return. The Skills Funding Agency and Education Funding Agency use this to monitor providers' performance against their allocation or contract. Providers see the record as a powerful tool, combining learner data essential to running their business.

The Agency made efforts to publish an earlier and clearer set of funding rules governing the programmes it funds.

The Agency also abolished the financial management and control evaluation. Colleges previously had to complete and return this evaluation each year, with evidence to show their arrangements for accountability, internal control, financial planning and monitoring.

⁶ PA Consulting Group, *Positive accountability: Review of the costs, benefits and burdens of accountability in English higher education*, January 2009.

⁷ Higher Education Better Regulation Group, *Cost and benefit analysis project on immigration regulation*, July 2013.

- **Education Funding Agency**

The Agency decided to provide funding by programme of learning (which effectively means by learner) rather than by qualification. It also produced a toolkit to help providers understand their funding allocations and to model the impact of changes that they might make, for example on student numbers.

- **Ofsted**

The inspection body introduced a shorter framework of requirements for inspections, with a handbook for providers to use when preparing for inspection. Under the new risk-based approach, Ofsted is unlikely to inspect 'outstanding' providers unless their performance drops. Ofsted has also shortened the standard notice period for inspections of further education and skills providers to no more than 2 working days, reducing the time needed to 'prepare' for inspections.

2.10 Many providers also welcomed the Joint Audit Code of Practice from the Skills Funding Agency and Education Funding Agency.⁸ The Code states that assurance arrangements should be:

- accepted by other funding bodies, as far as possible;
- consistent for similar types of learning providers, and proportional; and
- carried out with minimum bureaucracy, usually with a 'one learning provider, one funding assurer' arrangement.

The overall impact on compliance costs

2.11 There is little information on the scale of compliance costs across the sector, but BIS has tried to evaluate the incremental impact of the Simplification Plan. Its evaluation, completed in October 2013, measured the impact on providers of some tasks it thought likely to have had an early and significant impact.⁹

2.12 The evaluation found some notable changes, including those in paragraph 2.9. It suggested that the changes where impact could be quantified could bring savings worth around £4 million each year. These included:

- Colleges had reduced administrative costs because they no longer had to complete the annual financial management and control evaluation. This saved an estimated £3,000 to £6,500 for each college each year, and would mean a total opportunity cost saving of around £1 million per year for all colleges.
- Some providers had benefited from the unique learner number. If agencies, schools and awarding bodies used this more widely, it could save £1.8 million each year.

⁸ Skills Funding Agency and Education Funding Agency, *Joint Audit Code of Practice*, July 2013.

⁹ Department for Business, Innovation & Skills, *Evaluation of the 'New Challenges, New Chances' reform plan*, October 2013.

2.13 The evaluation highlighted other aspects of the Simplification Plan that may have made efficiencies for some providers, but where administrative cost savings could not be demonstrated (**Figure 7**).

2.14 Despite these efforts, most senior provider staff surveyed during the evaluation reported no reduction in the overall administrative burden. Some 60% of those responding to a survey in the evaluation felt the administrative burden in 2012/13 was no different from that in 2011/12, and 24% felt it had increased. The evaluation concluded that providers were unlikely to see economies in staffing costs but it suggested some of the changes due in 2013/14 and 2014/15 would increase the impacts and savings.

2.15 Our discussions with providers confirmed that costs and numbers of administrative staff had not fallen in recent years. Providers reported that funding reductions had put pressure on budgets in all areas of the business. But, while some of them mentioned there might be scope to cut costs in areas such as internal audit, none were considering cutting the number of administrative staff.

Figure 7

Aspects of the Simplification Plan where administrative cost savings could not be demonstrated

Regulatory area	Simplification change	Impact on administrative costs
Funding and data collection	Introduce a single set of funding rules.	Easier to interpret the guidance, but no noticeable cost reductions.
	Fewer funding rates to apply.	No expected impact on costs, as income forecasts are generated automatically.
	Introduce a single data return with rationalised data requirements and oversee additional data requests.	Single data return for adult learners is welcome, but it is unclear whether an overall reduction in data fields will significantly affect administrative costs.
Financial health and audit	Shorten the financial forecast return from 3 years to 2 years.	Potential for small savings in time, but no noticeable difference in costs.
	Remove prescription over the internal audit work carried out at colleges.	Less prescription may reduce internal audit costs.

Source: Department for Business, Innovation & Skills, *Evaluation of the 'New Challenges, New Chances' reform plan*, October 2013.

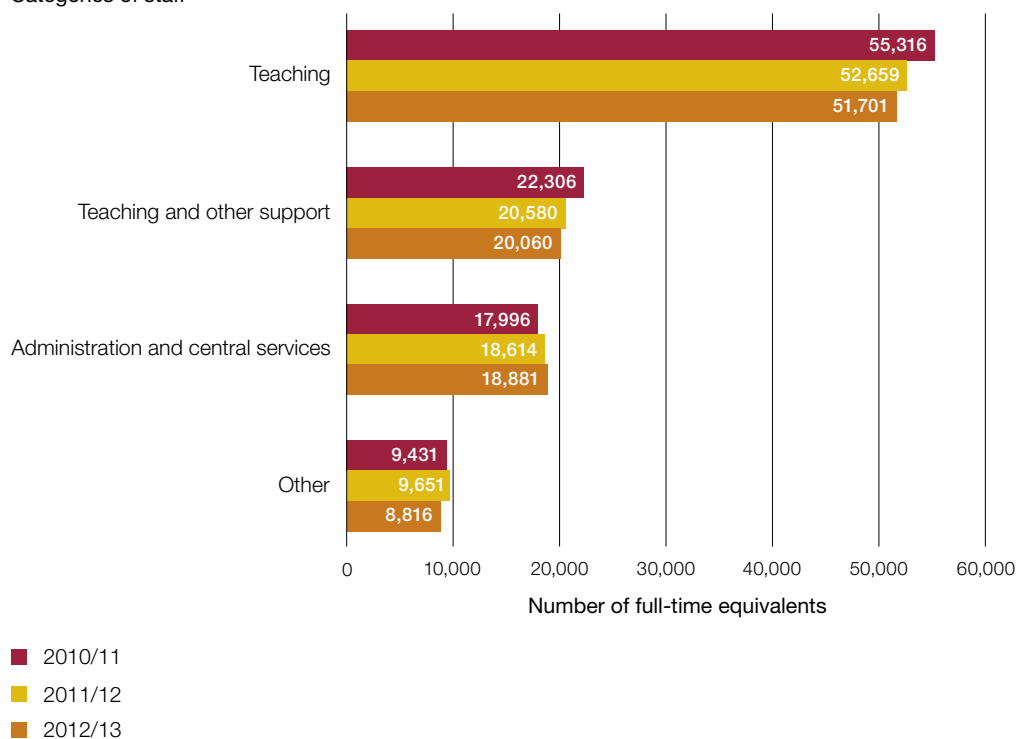
2.16 Colleges must send finance record data to the Skills Funding Agency. The Agency, in conjunction with the Association of Colleges, uses this information to produce an annual benchmarking report that colleges can use to compare their performance against others. We examined colleges' staff numbers for the 3 financial years to 31 July 2013. We found the total number of teaching staff and other types of staff had declined, but the total number of administrative and central services' staff had increased by 5% (**Figure 8**). This increase may be attributable to a range of factors – not only complying with the administrative requirements that are highlighted in this report, but also carrying out core tasks associated with the colleges' normal course of business.

Figure 8

Trends in college staff numbers, 2010/11 to 2012/13

Between 2010/11 and 2012/13, the total number of 'Administration and central services' staff rose by 5%

Categories of staff



Notes

- 1 Numbers are in full-time equivalents (FTEs).
- 2 The finance record requires colleges to assign staff using the following categories: senior management team; teaching; teaching support and other support; administration and central services; and premises.

Source: Skills Funding Agency and Education Funding Agency, *College accounts academic year 2012 to 2013 data*; Skills Funding Agency and Education Funding Agency, *College accounts academic year 2011 to 2012 data*; Skills Funding Agency and Education Funding Agency, *College accounts academic year 2010 to 2011 data*, available at www.gov.uk/government/publications/sfa-financial-management-college-accounts

Part Three

Further simplification

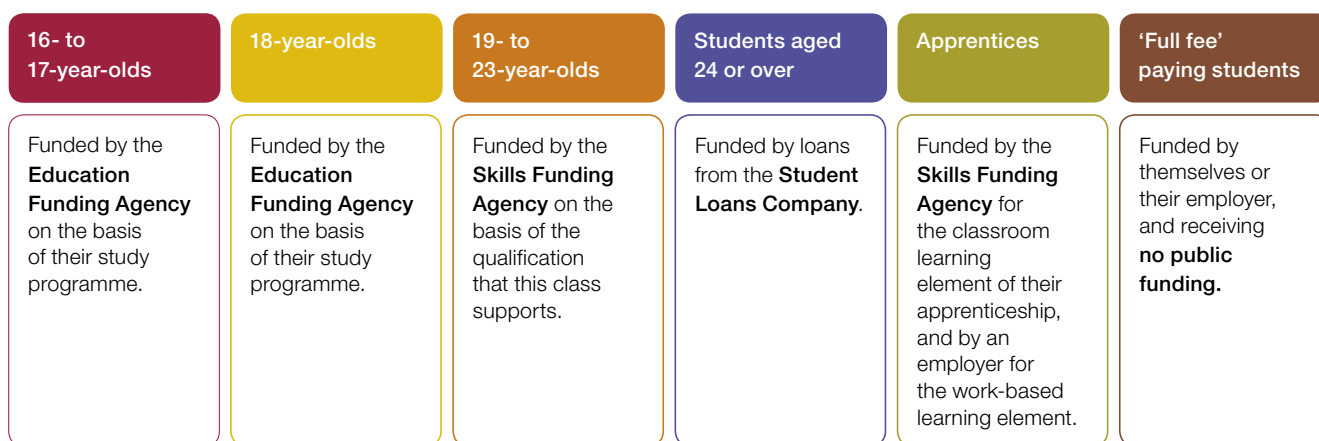
3.1 This part of the report examines whether arrangements for BIS to make further progress in simplifying funding and oversight of the sector are adequate.

3.2 In its 2012 report, the Committee of Public Accounts found that data, funding and assurance requirements in the sector needed to be better coordinated. The Committee recommended that BIS should set up a cross-departmental approach to simplify funding, assurance and information requirements on providers into a single system. The approach should meet the needs of all public bodies that work with providers. In its response, BIS accepted the need, in principle, for a single assurance system.

3.3 During our visits in 2014, providers referred to areas of continuing complexity and duplication, in funding, data collection and complying with the requirements of awarding bodies. All of this assurance work has time and cost implications for providers, which we outline in paragraphs 3.4 to 3.13 and **Figure 9** and **Figure 10**.

Figure 9

The range of potential funding routes, for students in the same classroom



Source: National Audit Office

Figure 10

Examples of recent funding changes and the implications for providers

What was the change?

The Education Funding Agency previously assigned providers a funding allocation for high-needs students. Local authorities are now responsible for commissioning places and agreeing levels of top-up funding.

Introducing 24+ Advanced Learning Loans.

What was the implication?

In extreme cases, providers must work with more than 10 different local authorities. Administration time can be a burden, since they may need to apply for funding for each student.¹ Each local authority may have a different process, and the provider may spend time chasing payments.

There is extra administration work for providers during enrolment and ongoing communication with the Student Loans Company about attendance rates and loan payments.

Note

¹ The colleges we visited had between 24 and 146 high-needs students.

Source: National Audit Office visits to providers.

The impact of continuing complexity and duplication

Multiple funding systems

3.4 The 2 main funding bodies operate different funding systems:

- The Education Funding Agency funds students to pursue a programme of learning that usually involves a variety of qualifications. This is consistent with how the Education Funding Agency funds schools. Basic funding for 16- to 17-year-olds studying full-time is £4,000 per year, although many students will attract additional funding due to geographical or other factors. Basic funding for students aged 18 and over is slightly lower.
- In contrast, the Skills Funding Agency attaches funding to the delivery of individual qualifications. It introduced a simplified funding system for the 2013/14 academic year, reducing a structure with over 6,000 different funding rates to a small number of funding bands and programme weightings.¹⁰ These bands range from around £700 to £11,000. Providers welcomed the change, but continue to cite some challenges in administering the requirements. Arrangements are not as simple as the new framework suggests, because funding by qualification can depend on factors such as location and the student's existing skills or qualifications.

¹⁰ Skills Funding Agency, *A New Streamlined Funding System for Adult Skills*, March 2013.

3.5 A published catalogue of the qualifications for those aged 19 and over that are eligible for public funding is updated on a monthly basis, and is intended to allow providers to identify changes. Every January, the Skills Funding Agency publishes an initial list of qualifications deemed eligible for the funding year that starts in August. At the same time, the Agency identifies those qualifications that it plans to withdraw. The funding rules state that a provider should not enrol a learner on a qualification until the qualification has been approved for funding. The providers that we visited felt that it could still be a challenge to keep abreast of changes to the funding systems. Some providers were concerned about losing out financially if they include a course in their curriculum and enrol learners, but funding for that qualification is then withdrawn.

3.6 Funding for individual students may raise further complexities. Since 2013/14, some learners have been funded via a loan from the Student Loans Company. For learners doing apprenticeships, the Skills Funding Agency funds the learning part of their programme, while the employer meets the work-based part.

3.7 Because of the range of funding approaches, individuals attending the same class may, in a small number of cases, be funded through as many as 6 different routes (Figure 9). Providers say they still struggle with the different arrangements, despite simplifications. Complex arrangements may affect financial planning and sustainability. They may also put extra burden on providers as they try to interpret new requirements, and set up internal policies, systems and processes in response. The continuing pattern of change was a main concern for many providers we spoke to, and was often considered a source of time and cost pressure. One provider said: “There is no time to let the new changes settle and see the benefits. We don’t realise the efficiencies because we have to move on to implementing the next change”. Figure 10 shows some practical challenges for providers of responding to recent funding changes.

Data requests

3.8 Providers were not always convinced that administrative and data requirements were streamlined or effective. Examples cited included the following:

- **Funding from the European Social Fund**

The Skills Funding Agency may seek funding from the European Union to help meet the costs associated with providing certain types of training courses. Providers are not always aware at an early stage whether the Agency intends to apply for funding from the European Social Fund for elements of their training provision. This matters because in such instances, providers need to follow additional funding rules, such as meeting more stringent documentation requirements. Where European funding is not sought, providers can save time and cost by dispensing with these extra requirements. The Skills Funding Agency has informed us that it intends to use only a small core of providers in this way in future, and that all other providers will therefore know that the additional requirements do not apply to them.

- **Administration of apprenticeships**

Providers say they are now employing more staff to meet the administrative requirements coming from the growth in the provision of work-based learning and apprenticeships programmes. One provider said that, since introducing the Apprenticeship Certification England (ACE) system, they had increased their administrative staff numbers by 2 full-time equivalents.¹¹

- **Surveys of learners and employers**

All the providers we visited mentioned the burden of completing surveys. Providers reported running up to 15 surveys per year, commissioned by such bodies as the Skills Funding Agency, Ofsted and Higher Education Funding Council for England. Providers typically distribute the surveys during lessons, to encourage students to complete them. Where learners struggle with basic literacy skills, teaching staff sometimes help them to interpret the questions. Providers were also frustrated by delays in publishing the results. Many providers ask learners similar questions in their own surveys, but can access the results quickly and respond to problems.

- **Patchy use of the unique learner number**

Secondary schools must allocate each 14-year-old pupil a unique number, which can later be used to transfer details of academic achievement and other data between institutions. However, at the time of our fieldwork visits, providers told us that the unique learner number still often failed to appear in the data that schools and awarding bodies provide, or that other numbers, such as the pupil reference number, were used in its place. In such instances, providers need to get evidence of attainment from learners, and manually input information that they could have obtained electronically. Use of the unique learner number in school data collections has been mandatory since January 2014. The requirement for each learner to have an accurate number appears in funding rules, and is therefore part of the contract with providers. BIS has evidence that more information is being uploaded automatically than was the case in 2013, and is continuing to work with stakeholders in order to deal with outstanding issues around the use of the unique learner number.

3.9 Providers could learn more from each other about how to manage major data requests. For example, some providers already collect data on what their learners are doing after their course, while others are still considering how they might get the information. Ideas we heard included employing extra staff, contracting the work to specialist companies, or developing mobile phone applications to encourage ex-students to upload information. All of these ideas involved additional costs, estimated at £10,000 to £20,000 for each provider. Providers could do more to learn lessons from each other on what works well.

¹¹ ACE is a bespoke online system that lets apprentices (or training providers or employers acting for them), apply for their apprenticeship completion certificate.

Complying with the requirements of awarding bodies

3.10 Administering examinations and assessments is a significant part of a provider's role. Awarding bodies develop qualifications and oversee their assessment, and are monitored by Ofqual. There are around 170 awarding bodies in the sector, and deciding which awarding bodies to use is up to the provider. Providers are free to choose the awarding bodies that best match their curriculum and offer value for money and an appropriate level of service and products. A large college may deal with up to 60 awarding bodies, although the numbers vary significantly between colleges and some providers interact with far fewer. In recent years, 5 awarding bodies have awarded over 80% of all achievements.¹² Awarding bodies are independent entities and place their own information requirements on providers. Requirements vary by qualification and by awarding body. Providers therefore choose whether the benefit of offering more qualifications through a wider range of awarding bodies offsets the additional administrative effort involved.

3.11 Providers said that awarding bodies have different approaches to basic processes such as submitting data, invoicing and record retention. For example, awarding bodies do not consistently use the unique learner number to identify students, or the established electronic data interface to send and receive information. In addition, they use different rules for issues such as student registration and examination withdrawal. Many providers we visited had concerns about what they saw as increasing costs of administering examinations, as remote online assessment becomes more popular. Awarding bodies have developed their own platforms and software for examinations, and this presents challenges for colleges. For example, not all computers have the capacity to cope with the software, so some colleges upload the software and remove it as required. Other colleges may ultimately need to purchase additional computers. Again, there is scope for providers to learn more from each other's experiences.

3.12 Ofqual must achieve efficiency and value for money in providing regulated qualifications. The original Simplification Plan included an action for Ofqual to set up a regular forum with colleges to consider the burden imposed by awarding bodies. However, Ofqual has decided that it can deliver this objective equally well by engaging with colleges through ad hoc sessions on specific topics.

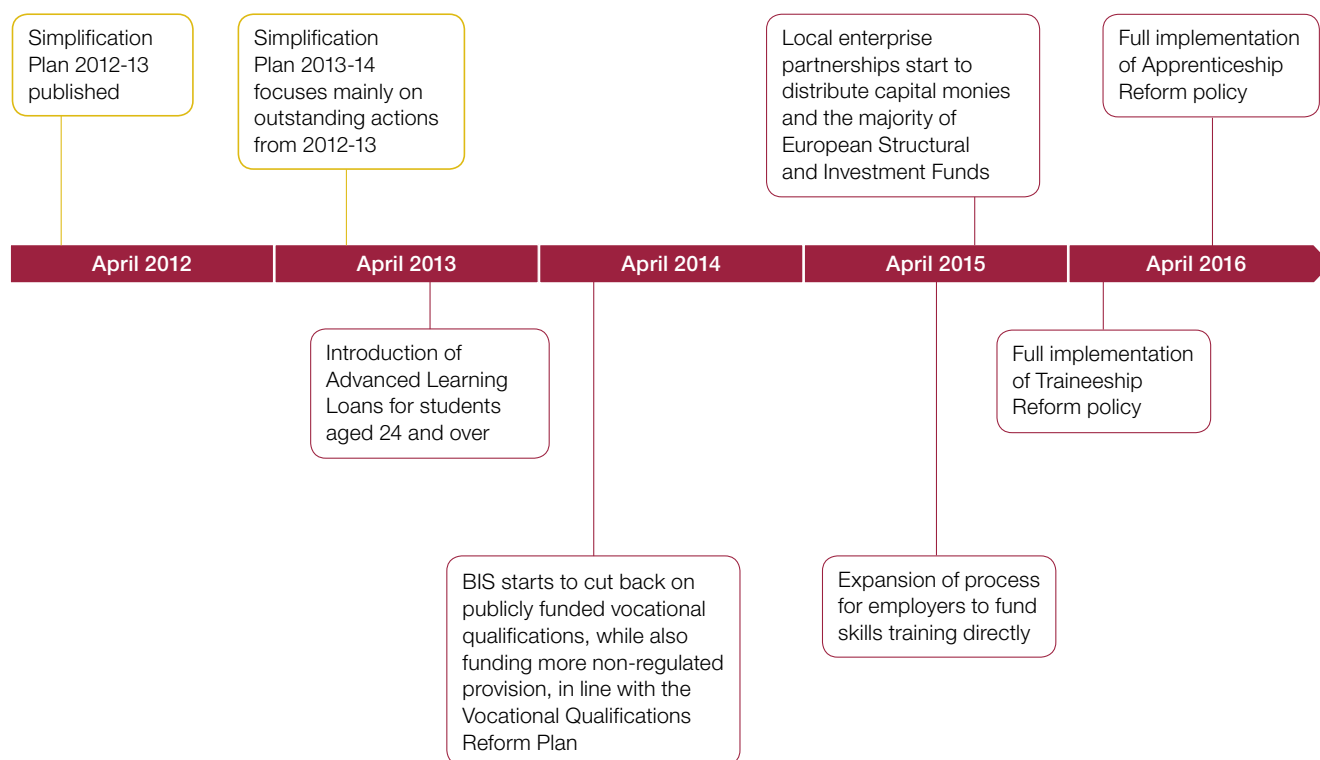
3.13 The Joint Council for Qualifications represents the 7 largest awarding bodies. It has launched a project that aims to make data exchange between awarding bodies and providers more efficient. The project should complete in late 2015. The Federation of Awarding Bodies, the independent trade association representing over 120 vocational awarding bodies in the UK, supports the project and is helping its members to make an informed decision regarding adoption of the data standards. The Joint Council for Qualifications expects the project to deliver benefits to providers by improving consistency and standardisation of processes. The project reports to the Information Standards Board, which is jointly sponsored by BIS and Department for Education, but as the Joint Council for Qualifications is an independent body, the project was never intended to be part of the Simplification Plan.

¹² Ofqual, *Annual Qualifications Market Report*, September 2013.

Assessing the administrative impact of planned reforms

3.14 The sector is undergoing major reforms that may have implications for the administrative burden (**Figure 11**). The *Green Book* guidance on appraisals says bodies must assess the costs and benefits of any change in regulatory requirements.¹³ In addition, BIS's Better Regulation Framework Manual¹⁴ and Accountability for Regulator Impact Guidance¹⁵ require government departments to assess the impact of proposed statutory or significant reforms on costs, and assess the expected benefits, when these changes affect businesses. We examined how far the assessments of planned reforms evaluate the potential impact on administrative costs.

Figure 11
Timeline of sector reforms



Note

1 More detail on many of the sector reforms is set out in the Skills Funding Statement. (Department for Business, Innovation & Skills and Skills Funding Agency, *Skills Funding Statement 2013–2016*, February 2014).

Source: National Audit Office

13 HM Treasury, *The Green Book: Appraisal and Evaluation in Central Government*, July 2011.

14 The Better Regulation Framework Manual applies to measures that regulate or deregulate business or concern the regulation of business.

15 Accountability for Regulator Impact Guidance applies to any proposed change in policy, process or practice by a regulator which does not require a full impact assessment. Department for Business, Innovation & Skills, *Accountability for Regulator Impact Guidance*, July 2013.

3.15 In June 2012, BIS published a regulatory impact assessment of Advanced Learning Loans for learners aged 24 and over.¹⁶ The assessment quantified costs and benefits of several options and showed direct costs to businesses in administering repayments. However, it did not assess the extent of additional administrative requirements for providers.

3.16 For other changes in the sector, such as those for traineeships and apprenticeships, we saw no evidence that BIS had assessed and quantified the costs and benefits of these changes. BIS explained that traineeships were designed in line with existing regulations, so it was able to decide, without needing Cabinet Office confirmation, that the Better Regulation Framework did not apply. For apprenticeship funding changes, the Cabinet Office agreed that the changes fell outside the Better Regulation Framework and BIS was not required to submit the policy for clearance to the Reducing Regulation Committee.¹⁷

3.17 Understanding the costs, benefits, and risks of any change is fundamental to better regulation and transparent policymaking. We have previously said, in respect of assessing regulatory impacts more generally, that "... low levels of quantification and lack of strong evidence in many assessments indicate the limitations on departments' understanding of what drives the costs and benefits of their regulatory interventions".¹⁸ BIS should develop this understanding, as an integral part of its approach to assessing the impact of proposed changes on providers in the further education sector and how best to manage the changes.

3.18 BIS has set up a stakeholder panel to help assess the likely bureaucratic burden of any reforms. The panel has considered some significant issues, such as traineeships and reforming the apprenticeship programme, administering further education loans, intervening with failing providers, teaching people with learning difficulties, and expanding 'city deals'. The panel has regularly discussed simplification issues, often focusing on how information and communication could be clearer, but we found limited evidence of its impact on how proposed changes were implemented.

Roles, responsibilities and joint working across the sector

3.19 BIS has overseen efforts to improve joint working between the funding and assurance bodies. For example, it worked with the Department for Education via the Further Education Reform and Performance Board to coordinate and oversee those carrying out the Simplification Plan. The Board included sector representatives such as college principals and staff from the departments and agencies.

¹⁶ Department for Business, Innovation & Skills and Skills Funding Agency, *Further Education - 24+ Advanced Learning Loans Impact Assessment*, June 2012.

¹⁷ The Reducing Regulation Committee is a Cabinet Committee of ministers that oversees government policy on regulation.

¹⁸ National Audit Office, *Submission of evidence: controls on regulation*, September 2012.

3.20 Within a highly complex sector, the funding and assurance bodies have sought to clarify responsibilities, share intelligence and identify risks. For example, the Higher Education Funding Council for England and the Skills Funding Agency have a memorandum of understanding setting out how they can rely on each other's oversight arrangements. The Skills Funding Agency also has memorandums of understanding with the Department for Work & Pensions on arrangements and obligations for each of the priority objectives of the European Social Fund. Other examples of collaboration on funding, performance and standards issues include:

- the Joint Operations Group, which discusses operational matters across the Skills Funding Agency and Education Funding Agency;
- the Joint Consultative Committee, consisting of BIS, the Department for Education, the Skills Funding Agency, the Education Funding Agency and Ofsted, which discusses policy and strategic business developments in each organisation and across the sector; and
- the Skills System Performance Group, made up of BIS, the Department for Education, the Skills Funding Agency, the Education Funding Agency and others in the sector, which aims to share intelligence and adopt a systematic approach to reviewing performance in order to understand the performance of the sector as a whole.

3.21 Providers do not, however, always understand the roles and responsibilities of the various funding and oversight bodies. Examples cited by providers included: the extent of Ofqual's powers over awarding bodies; sharing information between the Skills Funding Agency and local authorities; coordinating intelligence between the funding agencies and Ofsted; and the amount of information on learners that awarding bodies share.

3.22 In 2013, a report by the Association of Colleges Governors' Council¹⁹ highlighted confusion among college governing bodies about who they are accountable to, and called for departments and funding bodies to work with the Governors' Council to produce a single overall operating/accountability framework, similar to the framework developed for the higher education sector.²⁰ Many of the key features of the higher education framework, as set out in **Figure 12** overleaf, could readily be applied to the further education sector.

¹⁹ Association of Colleges Governors' Council, *Creating Excellence in College Governance*, 2013.

²⁰ Higher Education Funding Council for England, *Operating Framework for Higher Education in England*, July 2013. The framework was published on behalf of the Regulatory Partnership Group, whose purpose is to develop and coordinate the regulatory arrangements for all higher education providers in England.

Figure 12

Operating framework for higher education in England

Area	Objective
Setting out the purpose of the framework	<p>To explain:</p> <ul style="list-style-type: none"> ● how higher education providers are held to account and regulated; ● how these arrangements are changing to meet students' and society's needs, and to provide value for money for taxpayers; and ● how organisations handle different aspects of regulation, and the framework for overseeing higher education.
Identifying the framework's target audience	<p>To address those affected by the operating framework, identified as:</p> <ul style="list-style-type: none"> ● primarily those in the sector – public agencies, sector bodies, representative bodies and higher education providers; and ● current and prospective students, who may want to know how the quality of courses is monitored and complaints handled, the institutions' financial performance, and providing information about courses and providers.
Identifying the bodies to include in the framework	<p>To set out those bodies who contribute to the operating framework, identified as:</p> <ul style="list-style-type: none"> ● government departments – Department for Business, Innovation & Skills, Home Office; ● higher education sector bodies – UCAS, Higher Education Statistics Agency, Quality Assurance Agency, Office of the Independent Adjudicator; ● non-departmental public bodies (NDPBs) – Student Loans Company, research councils, Office for Fair Access, National College for Teaching and Leadership, Ofsted; and ● statutory bodies – Health Education England/local education and training boards, professional regulatory and standards bodies.
Setting out the issues to be covered by the framework	<p>To clarify arrangements such as how:</p> <ul style="list-style-type: none"> ● the operating framework is overseen; ● organisations and courses become designated; ● providers are held to account; and ● provider risk is assessed and reported.

Source: National Audit Office analysis of the 'Operating framework for Higher Education in England'

3.23 BIS, in partnership with the Association of Colleges, published a guide to college governance in August 2014 that describes the environment in which colleges operate.²¹ Colleges and their governing bodies can use the document to understand how they are accountable to customers and stakeholders, and to demonstrate this accountability. But the guide cannot be described as an operating framework for the sector as it does not comprehensively set out the roles and responsibilities of each body involved, or explain how the bodies work together to effectively regulate and hold providers to account.

21 Department for Business, Innovation & Skills, *College Governance: A Guide*, August 2014.

Appendix One

Our audit approach

1 In this report we evaluate the Department for Business, Innovation & Skills' (BIS's) work to simplify funding, assurance and information requirements in the further education and skills sector. We consider whether:

- BIS created an appropriate Simplification Plan based on analysing where its impact might be greatest;
- the plan was effective in simplifying funding, assurance and information requirements and reducing providers' compliance costs; and
- BIS, working with the Department for Education, is well-placed to simplify further.

2 In reviewing these issues, we used an evaluative framework based on BIS's Simplification Plan (**Figure 13** overleaf) to consider which arrangements would be best value for money. By 'best' we mean the most desirable possible, while acknowledging expressed or implied constraints.

3 Our audit approach is summarised in **Figure 14** on page 35. Our evidence base is in Appendix Two.

Figure 13

Our evaluative framework

The Department for Business, Innovation & Skills has simplified how it funds and oversees further education and skills, while maintaining an effective assurance regime

BIS created an appropriate plan, based on an analysis of where its impact might be greatest

At the overall level, BIS set out the scale of change planned for the sector, and communicated this to relevant bodies.

At the detailed level, BIS articulated a clear and comprehensive set of actions.

The individual items in the plan were prioritised, and indicated the scale of likely impact.

There was a sound methodology for calculating the cost to providers of funding and assurance activity, and evidence that this was used to assess costs versus benefits.

The plan was effective in simplifying funding, assurance and information requirements, and reducing providers' costs of compliance

BIS oversaw the implementation of the plan in a timely and effective manner.

There is a strong message from providers that the reformed funding and assurance landscape is clearer and less burdensome.

The cost of compliance is falling over time as a direct result of changes made.

BIS, working with the Department for Education, is well-placed to take forward further simplification

Funding and assurance bodies have clear, discrete and mutually exclusive responsibilities.

Adequate effort is made to assess the costs and benefits of new activities.

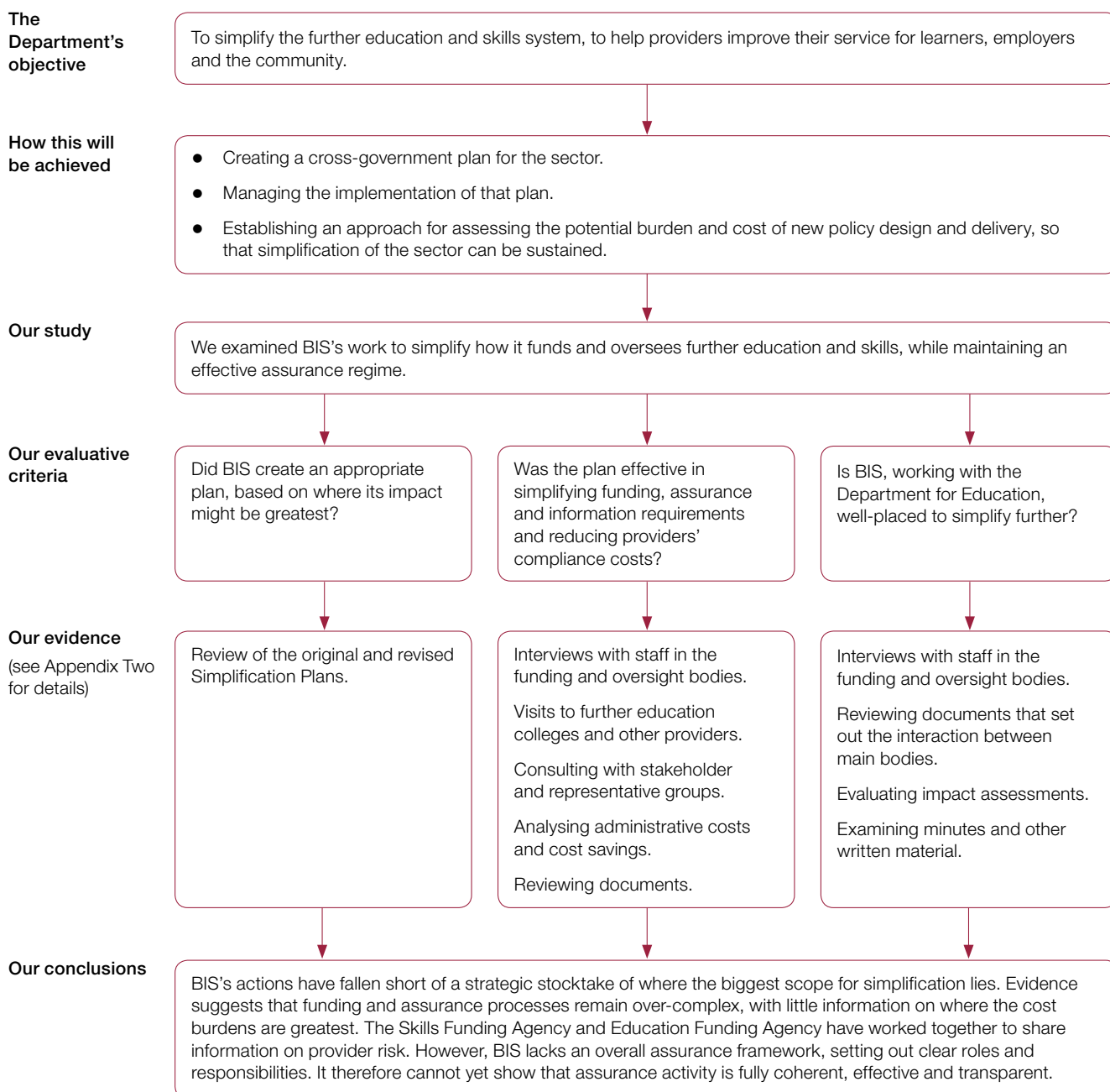
Intelligence is shared with those responsible for overseeing the sector in an effective and timely manner.

There is a formal framework, suitable for all stakeholders, that sets out the roles and responsibilities of all funding and assurance bodies.

Source: National Audit Office

Figure 14

Our audit approach



Appendix Two

Our evidence base

1 We reached independent conclusions on how BIS has simplified the further education and skills sector after analysing evidence we collected between April and July 2014. Our audit approach is in Appendix One.

2 We conducted interviews with staff in the funding and oversight bodies.

These interviews established how providers had implemented actions in the Simplification Plan. We used the interviews to establish the likely administrative impact of forthcoming sector changes. We interviewed staff from the following bodies:

- **Department for Business, Innovation & Skills**
Staff in the Vocational Education Directorate; further education data and statistics staff.
- **Department for Education**
Qualifications policy lead; inspections and accountability team.
- **Education Funding Agency**
Director for Young People.
- **Skills Funding Agency**
Director for Funding and Programmes; Deputy Director for Funding Policy Implementation.
- **Higher Education Funding Council for England**
Regional Consultant.
- **Further Education Commissioner**
- **Ofsted**
Director, Further Education and Skills.
- **Ofqual**
Director of Policy.

3 We visited further education colleges. These visits helped us to understand the impact of actions in the Simplification Plan on providers. We heard about issues that still concern providers, and simplification actions that might happen. We selected 8 colleges that were diverse in geography, size and performance:

- Amersham & Wycombe College.
- Barking & Dagenham College.
- The Bournemouth & Poole College.
- Cambridge Regional College.
- East Durham College.
- Lambeth College.
- Loughborough College.
- Trafford College.

Job titles and roles varied across the colleges. Generally, at each college we interviewed the college principal/chief executive and heads of functions such as: funding; management information services; corporate planning; curriculum development; and quality improvement.

4 We visited commercial and charitable providers. Some of these providers employed apprentices. The visits allowed us to focus on apprenticeships in more detail. The providers were:

- Carillion plc;
- Derbyshire and Nottinghamshire Chamber of Commerce;
- Economic Solutions;
- McDonald's UK;
- Learndirect; and
- Jobwise Training Ltd.

5 We consulted several stakeholders and representative groups. We gathered many views about sector changes. These bodies were:

- 157 Group;
- Association of Colleges;
- Association of Employment and Learning Providers;
- Association of School and College Leaders;
- City & Guilds;
- Federation of Awarding Bodies;
- Joint Council for Qualifications; and
- Pearson plc.

6 We analysed administrative costs and cost savings. We assessed a report that BIS commissioned, including data on the likely savings that providers might make, after simplifying processes.

7 We reviewed BIS's impact assessments of implemented and planned reforms, and evaluated them for compliance with guidance for policymakers.

8 We reviewed relevant documents. These documents included:

- the 2012-13 and 2013-14 Simplification Plans;
- submissions to ministers on the progress of the Plans;
- an October 2013 research paper that evaluated reforms in the sector;
- minutes from the Stakeholder Panel for Assessing the Impact of Policy Development and Implementation;
- a statement on the strengthened intervention process in the sector;
- the guide to college governance; and
- minutes from groups that bring together key staff in the funding and oversight bodies.

Glossary

Department for Business, Innovation & Skills (BIS)	Funds learners aged 19 and over; also responsible for simplifying further education and skills.
Department for Education	Funds 16- to 19-year-old learners, via the Education Funding Agency.
Department for Work & Pensions	Gives European Social Fund money to support work in the further education and skills sector.
Education Funding Agency	Partner body of the Department for Education; funds 16- to 19-year-old learners in the further education and skills sector.
European Social Fund	The EU's main financial fund for supporting employment in member states – for learning in the further education and skills sector.
Federation of Awarding Bodies	The independent trade association for vocational awarding bodies in the UK.
Further education	Learning outside schools and higher education institutions.
Financial management and control evaluation	Now defunct annual submission that gave the Skills Funding Agency evidence about the quality of colleges' financial management systems and accountability arrangements.
Higher Education Funding Council for England	Funds higher education by further education providers.
Individualised learner record	Electronic tool with details of all learners in the further education and skills sector.
Joint Council for Qualifications	Represents the 7 largest awarding bodies in the further education and skills sector.
Local enterprise partnerships	Voluntary partnerships between local authorities and businesses; due to begin funding the further education and skills sector in 2015.
Ofqual (Office of Qualifications and Examinations Regulation)	Recognises and monitors bodies that award qualifications in the further education and skills sector.

Ofsted (Office for Standards in Education, Children's Services and Skills)	Inspects providers.
Opportunity cost saving	The value of alternative uses, eg employees' time.
Skills Funding Agency	Partner body of BIS; funds learners aged 19 and over in the further education and skills sector.
UK Commission for Employment and Skills	Non-departmental public body that gives advice on employment and skills policy.
Unique learner number	System to help transfer information from one learning institution to another, by giving each learner a discrete identifier.

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