



Department
for Business
Innovation & Skills



Skills Funding
Agency

**SKILLS FUNDING STATEMENT
2013-2016**

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Foreword by Matthew Hancock, Minister for Skills and Enterprise

The value of education and enterprise in a changing world cannot be under-estimated. As Minister for Skills and Enterprise, I am determined to champion, challenge and celebrate vocational education to be the best it can be, helping everyone reach their potential. But all around us, the world is changing fast, and we must not be left behind. I want the skills system to be at the forefront of the challenge for higher expectations so that everyone can fulfil their potential.

The need has never been more pressing. The recent OECD report has shown us that, like it or not, whilst still competing with traditional powers in Europe and North America, there are rising powers in Asia, South America and the Middle East. It highlighted that in Britain today our young people are less competent in the basics of literacy and numeracy than our older generation. This cannot continue. It is imperative that, as we look to reform our skills system, we improve the basic skills for all who need it.

We must set our expectations high, so every learner is stretched and acquires the skills employers' value. In a jobs market where what you earn depends on what you learn, my key priorities remain - Traineeships, Apprenticeships, higher standards and better qualifications. We must make sure that our skills system is rigorous and responsive to the needs of employers. We must prepare people for the world of work and, in so doing, ensure that enterprise runs through the reformed skills system.

If you are an employer in the skills system or looking to engage with it, perhaps through Apprenticeships or Traineeships, I urge you to get involved, as we make the system more responsive to your needs. It is hard to stress enough the need for skills training to be of the highest quality. I know that many of you are already changing the way you work, looking to raise standards, championing the use of well-assessed, well-respected qualifications that accurately register the skills and competence someone has. We have given all providers the flexibility to do this. For the sake of our learners, employers and our economy, we also require clear accountability – with tougher intervention where necessary.

I am grateful for the commitment, hard work and support the skills system has shown in responding to existing reform. I now challenge us – together – to accelerate this reform. Most providers recognise the importance of being learner focused and employer led, and are increasingly using technology as an empowering tool to drive real reform, especially for those hardest to reach. I know you are looking to focus all your funding on delivering high quality provision, with excellent teaching and learning, and that you are looking to support growth, but, as I hope you would expect me to say, there is always more to do.

Where you are delivering the skills training that individuals and employers value, I want public funding to reward you. But we must look at our current delivery models and our current funding offer and ask – are they right? Do they do what we need? Is our funding system incentivising delivery of high quality provision? Do our teachers, trainers and support staff have the knowledge and skills to meet learner and business needs? What more can we do to rise to the challenge of raising standards in English and maths? Are

we funding priorities that will lead to progression for individuals, a skilled labour market and sustainable growth? And if not, we need to be brave enough to challenge and, importantly, to change our future funding offer to ensure we can create the world class skills system we have been talking about for so long.

I know many of you are deeply committed to the reforms underway but I ask all of you to take a lead, to act, and to be involved in this reform. I ask you to look forward and to imagine not just what the future might look like next year but over the next decade and beyond. We all need to own our future skills system and champion it with pride.

Introduction

1. *Rigour and Responsiveness in Skills*¹, published jointly by BIS and DfE in April 2013, set out the Government's approach to reforming the skills system. Our priorities remain to provide Traineeships to improve young people's chances of gaining sustainable employment; Apprenticeships as a core offer to all young adults; English and maths for those who need them; and provision for all learners to increase their skills, competence and knowledge. It is paramount when using our limited funding that we ensure a continual improvement in quality and value for money. We must use our collective expertise and evidence to build a responsive skills system that has rigour, employer ownership and enterprise at its core.
2. The skills system is in reform. At the heart of the changes underway are the principles of employer ownership and enterprise, ensuring funding follows learners, and encouraging colleges to be social enterprises, not delivery arms of Government. Whilst in tough fiscal times we will continue to support valued provision, reviewing your business plans should provide a catalyst to build new and strengthened relationships, engage and contract with employers, forge local partnerships and look proudly to new models of delivery that will underpin sustainability for the future. Working with all of those who have an interest in the skills system of the future will be the key to reaping long-term benefits for learners, our present and future labour force, and ultimately our economy.
3. We want to ensure the skills offer now, and going forward, is clear and meets the needs of employers. The Apprenticeship Trailblazers are the most visible aspect of this. Trailblazers are led by employers and are developing new concise and clear standards for Apprenticeships. We will use the Trailblazers and experiences across the sector to gather real evidence of what works best and where public funding can add most value and have the greatest impact.
4. In doing so we must ensure that there are clear pathways of progression that are easily understood by employers and learners. The vocational route for young people through qualifications, Technical Levels, Intermediate-level, Advanced-level and Higher Apprenticeships, onwards to Higher Education study, should provide an equally valued ladder of aspiration to that of a purely academic route. We will look to ensure unnecessary barriers to achieving progression are removed.
5. The skills system will look very different in the near future. We must not be complacent. We must all be ready for further reform and be involved. Learners must demand high quality pedagogy which will necessitate that stronger links are built between employers, teachers and teaching. It is essential that we attract new teachers, trainers and tutors into the skills system and ensure existing teachers and support staff increase their skills to deliver the new English and maths provision and to support learners with learning difficulties and/or disabilities. The skills system

¹ Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/186830/13-960-rigour-and-responsiveness-in-skills-amended.pdf

must look to its customers – employers and learners themselves – to own the skills agenda for their areas, with providers recognising that Government funding must sit alongside private sector funding, delivering good value for money whilst supporting rigorous training. Government funding will be awarded to those providers with high quality world class offers aligned to the needs of employers and learners and proven outcomes.

English and maths

6. The recent OECD International Survey of Adult Skills gave a clear message on the below average levels of basic skills among adults and the very poor basic skills of young people in England. We must improve the quality of provision and ensure that it embraces all who should benefit, so that everyone who needs to can improve their English and maths to at least GCSE A*-C². We have embedded English and maths in all our major programmes, including Apprenticeships and Traineeships, and within study programmes for 16-19 year olds so that people understand the importance of these subjects.
7. We will continue to fully fund English and maths for those with an identified need up to and including GCSE. We challenge everyone in the sector to set high expectations for their learners, so that each one is stretched and helped to gain the skills and knowledge that employers want. Many providers already do this but, as Ofsted and the Skills Funding Agency audits have confirmed, too many learners have not been properly assessed or challenged and so finish their courses knowing little more than when they started, and certainly not enough to consolidate and build on those skills. Many adult learners with poor English and maths skills may have had a difficult experience of education in the past. The challenge for all providers is to find creative ways of helping those learners develop these essential skills.
8. Raising standards in teaching and learning, especially in English and maths, is critical. Therefore, we have put in place:
 - New bursaries³ of up to £20,000 each for talented graduates wanting to become teachers of English, maths or teachers for learners with learning difficulties and/or disabilities (LDD), available in the 2013-14 and 2014-15 financial years.
 - Support for professional development for up to 2,000 teachers who want to teach maths to GCSE standard, with other programmes for teaching English and supporting learners with LDD to come in 2014-15.
 - Support for the new Core Maths - supporting schools and colleges to teach new high-quality maths qualifications for students aged between 16 and 18.

² Subsequent mentions of GCSE or GCSE standard should also be taken to mean GCSE at grades A* to C.

³ Full details are available at <https://www.gov.uk/government/publications/further-education-initial-teacher-training-bursary-guide-academic-year-2013-to-2014>

9. The new Education and Training Foundation is playing a vital role in supporting the drive for high standards in teaching and learning across all aspects of delivery including English and maths but also by taking forward the recommendations from Frank McLoughlin's important commission into adult vocational teaching and learning (*It's About Work*⁴ – March 2013).

Apprenticeships

10. Following the consultation last year on Apprenticeship reforms, the Government's plan for implementing these changes was published on 28 October 2013⁵. These reforms will put employers in the driving seat, ensuring Apprenticeships deliver the high quality training employers need and that supports economic growth. Funding will be routed through employers and the Government will develop a model which uses HMRC systems to do this. We will consult on the technical details of the system in the spring and also on the option of an alternative funding route for the smallest businesses.
11. Whilst Trailblazers lead the way in developing the first new Apprenticeships, we must also support employers and learners on our current Apprenticeship programme. We will give the Trailblazers the opportunity to help us test the new funding model for Apprenticeships and the evidence seen will help to inform how, and at what levels, future funding is made available. It is therefore imperative that we begin now to streamline and standardise the delivery of funding, with a minimum of disruption, to ready ourselves for the new standards.
12. 24+ Advanced Learning Loans (Loans) were introduced in August 2013 for those aged 24 and over studying at level 3 and above. These have been successful. Latest data available showed that by the end of December 2013 over 57,000 potential learners had applied for Loans to enable them to gain intermediate and higher-level skills without facing the financial barrier to entry. This has been a better than expected success. However, there was a notable exception to this.
13. It is clear that Loans are not the preferred funding route for employers or prospective Apprentices. In readiness for the reformed Apprenticeships, and noting the take-up to date via Loans, Apprentices aged 24 and over will no longer be required to take out a Loan. Those who have already taken out a loan will not be required to repay them. From February 2014, the Government intends to make⁶ Advanced-level and Higher Apprenticeship frameworks for those aged 24 and over eligible for funding from the Adult Skills Budget (ASB). This will make the whole of the Loans budget available for non-Apprenticeship training and will be reflected in the Agency's Funding Rules 2013/14.

⁴ Available at <http://repository.excellencegateway.org.uk/fedora/objects/eg:5937/datastreams/DOC/content>

⁵ *The Future of Apprenticeships in England: Implementation Plan* full guide available at <https://www.gov.uk/government/consultations/future-of-apprenticeships-in-england-richard-review-next-steps>. A summary of the Implementation Plan is available at Appendix A.

⁶ This will also apply for those Loans funded Apprentices who started their Apprenticeship between 1 August 2013 and February 2014 inclusive.

Support for young people

14. The Autumn Statement announced early findings from the Cabinet Office's ongoing cross-departmental review of how best to support young people into work ('the 16-24 Review').
15. Recent evidence on adult basic skills demonstrates there is much more to be done to improve our performance internationally. The Government has introduced a new requirement that all young people who have not achieved a level 2 qualification in English and maths at 16 should continue studying these subjects until age 19. Building on this, the Autumn Statement set out that we will pilot⁷ a new scheme of support for 18 to 21 year olds on Jobseeker's Allowance (JSA) in two parts: JSA claimants without level 2 qualifications in English or maths will be required to study these subjects for up to 16 hours per week alongside job search; and after 6 months on JSA claimants will be required to participate in a work experience placement, a Traineeship or other relevant skills provision, or community work placement.

Traineeships

16. We will continue to fund, and grow, high quality Traineeships for young people, giving them the skills and work experience they need to be able to compete more effectively for Apprenticeships or other jobs. At the core of Traineeships are work preparation training, English and maths, and a high quality work experience placement. In order to support more young people to access Traineeship opportunities, we are extending the funding to include 24 year olds from 2014/15, making Traineeships a 16-24 programme rather than a 16-23 programme.
17. The Autumn Statement also announced plans to exempt JSA claimants undertaking Traineeships from the '16 hour rule', which prevents more than 16 hours of training per week. This is a welcome step that will enable more tailored design of Traineeships to better meet the needs of individuals and employers, ensuring that Trainees can move easily into an Apprenticeship or other job.
18. We want to see a continuing expansion of Traineeships in future years ensuring many more young people take up this opportunity, but we must maintain quality. Looking towards 2015/16 and as part of the wider work on rewarding success and improving accountability, we are considering how to better incentivise positive outcomes from Traineeships, in particular around jobs and Apprenticeships. At the same time we are looking at ways to achieve greater consistency in the way Traineeships are funded across 16-24 provision. We will continue to work with the sector to inform any future developments.

⁷ Further details on the proposed pilot will be announced as soon as possible.

Qualifications

19. Qualifications allow learners to record their achievements and to signal these to others. Adults deserve the same rigorous, relevant and recognised vocational qualifications as those introduced for 14-16 year olds following from Professor Alison Wolf's report, and for 16-19 year olds via the introduction of new Tech Levels⁸ from September 2014. This same rigorous approach is essential for determining the value, and accompanying government contribution, for adult qualifications.
20. In August 2013 the Agency completed a robust review of adult vocational qualifications and stronger rules are now being applied around the qualifications that enter and remain in scope for public funding to ensure they deliver value for money. The qualifications available going forward, informed by the recent UKCES⁹ report, will have rigour. With simplification and standardisation underpinning the approval process, the Agency will only make qualifications available for public funding if they are recognised by employers, have a clear purpose and have appropriate content. The approval for funding new qualifications will only occur when the process is completed and, importantly, a real demand for the qualification has been shown. Qualifications will be removed from public funding where there is little or no demand or where the qualifications cannot be shown to be responding to a clear business need. It is important that over time complexities do not creep back in and the qualifications on offer remain both appropriate and of a high quality. This new rigour will be complemented by the *Vocational Qualifications Reform Plan* to be published early in 2014. The reform plan will tie together an approach across different age ranges and different types of vocational qualifications.
21. We recognise the relevance of non-regulated provision¹⁰ for some learners. We will continue to fund this provision when we are assured that it is of high quality and supports progression to enable learners to access qualifications or, where a qualification is not appropriate or available, supports the learner towards a meaningful outcome, including preparing for and entering employment. For 2014/15 the Agency will make clear the categories of non-regulated provision it will fund. More generally, the *Vocational Qualifications Reform Plan* will consider whether funding qualifications is suitable for all learners, or whether an alternative approach to funding may be more appropriate.

⁸ From 2016, only the Level 3 Tech qualifications that have won the backing of universities and employers will be included in the performance tables.

⁹ Report by Lead Commissioner of the UK Commission for Employment and Skills Nigel Whitehead is available at <http://www.ukces.org.uk/assets/ukces/docs/publications/review-of-adult-vocational-qualifications-in-england-final.pdf>

¹⁰ Non-regulated provision is defined as learning with no external awarding organisation accreditation. It is designed, delivered and, in some cases, certificated by a provider.

Innovation

22. Encouraging innovation is a key means of improving teaching, driving efficiency, achieving greater value for money and ensuring responsiveness in skills provision. We want to see many more radical approaches to the use of available educational technologies and will ensure that the funding and regulatory system encourages providers to innovate with online learning alternatives to traditional delivery routes and blended learning. For 2014/15 the Agency, working with the sector, will look at how we can put in place appropriate funding mechanisms to better facilitate online learning. It will focus on a specific range of qualifications and will test out approaches working with awarding organisations and with the sector. This work will inform further funding decisions for 2015/16 in the context of increasing knowledge about the range, breadth and success of online delivery.
23. Proposals such as those of FELTAG¹¹ and in the UKCES report highlight the way in which the use of technology in the delivery of vocational qualifications could be incentivised, while the Perkins Review of Engineering Skills¹² calls for use of learning technology to extract maximum value from expert lecturers and quality content. We are committed to embedding the benefits and value for money that an increased use of technology can bring.
24. Providers should learn from innovations already in progress elsewhere. The UK now has its own MOOC¹³ platform in FutureLearn, providing free courses from over 26 UK universities and content providers. FutureLearn also includes businesses that will be supporting courses designed to increase learner's specific skills and knowledge. We would like to see more providers do the same and make the most exceptional training available more widely, both in this country and internationally.

Inspiring Learners and the National Careers Service

25. The skills system can inspire those looking to change lives through learning – making positive choices informed by the labour market leading to higher aspirations and better motivation. We are committed to improving the quality of careers information, advice and guidance, and have introduced a new statutory duty on schools and equivalent requirements on colleges to help deliver this. The introduction of the National Careers Service (NCS) has been a success, offering a high quality priority face-to-face service to unemployed adults and those with greatest need, as well as telephone and web services for all ages. But we need to do better. We want it to be a flexible, responsive and agile organisation. We need employers to both inspire and encourage young people and adults to consider career options and to develop career management skills. Especially for young people, offering more real-life contact with the world of work increases their ability to make effective life changing decisions and understand where different choices could take them in the future.

¹¹ Further Education Learning Technologies Advisory Group

¹² Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254885/bis-13-1269-professor-john-perkins-review-of-engineering-skills.pdf

¹³ Massive Open Online Course

26. From October 2014 new contracts for the NCS will be in place with 95% of the budget being paid on delivery of one or more of three outcomes for customers: customer satisfaction, career management, and jobs and learning. We will no longer simply pay for volumes of guidance sessions. We expect to see the drive towards more highly qualified advisers continue, helping those supported by the benefits regime to increase their earnings and reduce their dependency on the state. The website will offer easy to follow customer pathways, supporting tools and resources which engage and enthuse users whatever their age and circumstances. The remaining 5% of the budget will be paid for outcomes arising from effective partnership working, including delivering the facilitation role between schools and employers, which supports the Inspiration¹⁴ vision for young people. Greater engagement with employers through Local Enterprise Partnerships (LEPs) and City Regions will provide improved labour market information and a greater local focus.

Accountability and autonomy

27. Throughout all the reforms, we need to ensure our vision for the skills system is not lost. Rigour and responsiveness must be delivered through the twin approach of autonomy and accountability whilst ensuring we do not introduce additional bureaucracy.
28. Autonomy for providers will only be successful when coupled with our three accountability tools: ensuring access to high quality information; implementation of new and tough minimum standards; and a strong intervention regime across the skills system. We are also enhancing accountability at a local level by giving LEPs allocations of European Social Funds (ESF) for 2014-2020 and FE capital funding from 2015-16, ensuring both the quality of provision and its relevance to local employment and growth.
29. As a provider you must recognise that you are operating in an open market which must allow for new entrants. A diverse sector brings greater choice to learners and employers, driving up quality. We are therefore exploring how new providers can enter the system. Building on our existing approach of an open, competitive and diverse provider base which includes colleges, training organisations and the third sector, we are looking at how we can bring greater diversity and innovation through new FE Corporations and elite institutions providing the very best in their specialism.
30. We are also aware that, in light of the new freedoms and flexibilities available, many providers, especially colleges, are also looking at the relevance of their existing business models. Wherever a college is considering a major structural or delivery model change, they should conduct a Structure and Prospects Appraisal, looking first and most importantly at the needs of learners and employers. Colleges need to work through the change in a systematic way which ensures accountability to customers, transparency with stakeholders, with full and open consultation (in advance of any statutory consultation), and openness and competitiveness in terms of looking for new partners, where that is relevant. To aid transparency across all

¹⁴ Available at www.gov.uk/government/publications/careers-inspiration-vision-statement

providers we would encourage all recipients of an Adult Skills Budget allocation to make their annual financial accounts available via their websites.

Intervention as a safeguard of quality

31. Whilst looking to reward success we must not shy away when there are problems. Whilst encouraging you to aspire to the best across all aspects of the skills system, where performance is poor we will take action swiftly and decisively.
32. The FE Commissioner, supported by FE Advisers, has now been appointed. He and his team are in the process of reviewing the position of those FE colleges, designated institutions and local authority maintained FE institutions that have failed inspection, and/or failed to reach minimum standards and/or have poor financial health. The FE Commissioner will then advise Ministers and the Chief Executives of the funding agencies on the actions that need to be taken to secure improvement.
33. When a sixth form college (SFC) meets the same criteria for intervention the same suite of potential actions will be considered. Intervention in individual SFC cases will continue to be managed by the Education Funding Agency (EFA), reporting to Ministers. The EFA will work with the Skills Funding Agency and consult with DfE and BIS, and if appropriate the FE Commissioner, where adult provision is also concerned. Providers funded through a contract for services with the Agency will continue to follow the assessment, escalation and intervention process set out in the contract, which would usually result in termination of contracts where performance fails.

The offer for 2014/2015

34. Apprenticeships remain the Government's top priority. Funding will continue to be prioritised to encourage increased take up and availability of Apprenticeships. We want becoming an Apprentice or securing a place to study higher education to be seen as the norm. Whilst recognising the need for high quality, longer duration Apprenticeships we have to ensure we support these with an appropriate level of public funding. We have a tough challenge: to balance funding for high quality Apprenticeship provision with the availability of Traineeships to develop the skills of our young people and make them fit for work, whilst providing access to English and maths for all who need to reach GCSE standard, and skills training for those who are unemployed.
35. Where providers, working with employers, identify there is still a gap in funded provision we have provided the flexibility to use the Innovation Code. Last year saw a significant increase in the numbers of employers, providers and learners engaging in skills development through the Code. We are exploring how the Code can be used as a key mechanism to offer contributory funding for Apprenticeships undertaken through new standards developed by Trailblazers. The Code can form part of a bespoke and quick response to a skills gap, such as in the City Deals, whilst the broader principles of the Code – of delivering responsive training before a qualification is accredited, and of employers and providers working collaboratively to design and decide the best training solution to an identified need – will be critical if we are to have a truly employer-driven, responsive skills system in the future.
36. In 2014/15 we are continuing to pay a proportion of the agreed rate for the achievement of qualifications and where an unemployed learner leaves a course early to enter work. Qualifications are an important recognition of achievement. However, we recognise that they do not reflect the full range of policy outcomes we are looking for. We have put in place measures to capture learner destinations on the Individualised Learner Record (ILR) as we consider how funding can be more strongly linked to outcomes in future. As part of this we expect providers to place a greater emphasis in 2014/15 on capturing destination information for all your learners.
37. The Adult Skills Budget (ASB), in line with most public spending, continues to be under pressure and budget levels are reducing. The 2010 Spending Round achieved a good outcome for the provision of adult skills but we still need to ensure that Government funding delivers value for money whilst giving individuals the skills they need to enter and progress in work. Eligibility rules for learners to be funded through the ASB are clear; these are based upon prior attainment of skills, age and status, which when combined with a Loans offer will ensure that skills provision is prioritised and focussed towards young adults and the unemployed.
38. With ever tighter budgets across skills provision, the freedoms and flexibilities introduced across the sector remain central to the responsive offer available through the ASB. The need to ensure resources can be deployed effectively is paramount to ensuring local demand can be met so we will extend the flexibility of

the ASB for this purpose. For 2014/15 we will use the current funding system underpinned by a simple matrix of rates. This ensures that funding directly follows the learner.

39. In August 2013 we confirmed a funding cap per learner to provide assurance against accelerated learning delivery which carries a risk of a reduced quality of offer to learners. For 2014/15 we will strengthen the rigour of this mechanism by introducing a new monthly limit on the amount of funding earned per learner with the provider. As now, this will apply across all ASB provision, except Apprenticeships.

Full government funding

40. We will offer full government funding¹⁵ for 2014/15 as detailed in table 1.

Table 1

	Provision	Learner
1	English and maths qualifications and units to help adults progress to GCSE A* to C (Level 2)	Learners aged 19 and over
2	Traineeships to help young people progress to an Apprenticeship or other job	Young people aged 16 ¹⁶ to 24
3	Qualifications ¹⁷ and units (up to and including Level 2) to help adults ¹⁸ into work	Learners aged 19 and over
4	Qualifications and units (Level 3 or above) to help adults ¹⁷ into work	Learners aged 19 to 23 ¹⁹
5	Entry and Level 1 qualifications ²⁰ (not English, maths or ESOL) to help adults to progress to their first full Level 2	Learners aged 19 to 23
6	First full ²¹ Level 2 qualification	Learners aged 19 to 23
7	First full ²¹ Level 3 qualification	Learners aged 19 to 23

¹⁵ There will continue to be a learning and skills offer for offenders aged 18 and over which draws on the mainstream provision available.

¹⁶ The Education Funding Agency have responsibility for funding those aged 16 to 19.

¹⁷ Including the provision of English for Speakers of Other Languages (ESOL).

¹⁸ Notes relating to the benefits rules are available at page 58.

¹⁹ The age descriptors have been amended subsequent to the 2012-2015 SFS to be clear on the ages covered i.e. 19 to 23 inclusive; the age eligibility is the same however as in the 2013/14AY.

²⁰ Entry and level 1 qualifications have previously also been referred to as 'Foundation learning'.

²¹ 'First full' as described in the Skills Funding Agency Funding Rules 2014/2015.

English and maths

41. We will continue to fully fund English and maths provision up to and including level 2 - both GCSE and other qualifications at level 2 - for all adults who have not yet achieved at this standard. We will also continue to require learners to be enrolled on a course at a level above that at which they have been initially assessed. We expect initial and diagnostic assessments to be robust and thorough. The Skills Funding Agency has strengthened its assurance arrangements and from 2013/14 expect to see evidence of learners having been effectively assessed at the beginning of their learning and then placed on a higher level course.
42. The Department for Work and Pensions will increase conditionality for new claimants accessing JSA and Universal Credit (all-work related requirements group) from April 2014. Claimants will be screened and those with poor spoken English will be mandated to providers for initial assessment and, if necessary, training. Additional resource of £30m in 2014-15 (£45m in 2015-16) has been made available to support the expected increase in demand for English language training. The Skills Funding Agency will confirm how this funding will be administered shortly.

Apprentices

43. Building on our commitment to raise English and maths skills levels, from 2014/15 all new Apprentices that have already achieved Level 1 standard in English and/or maths prior to starting their Apprenticeship will be required to take up the offer of training to Level 2 standard. All Intermediate level Apprentices will still be required to achieve a minimum of Level 1 in English and maths. Apprentices will not be required to have achieved the higher level in order to complete their Apprenticeship unless this is a requirement of the framework.
44. Individuals who do not already have a Level 1 in English and maths prior to starting their Intermediate-level Apprenticeship must study at that level. This will ensure that Apprenticeships can still be accessed by those with lower initial attainment in English and maths, including Apprentices with learning difficulties and/or disabilities.

Traineeships

45. To support and grow the availability of high quality Traineeships, the current funding arrangements for Traineeships will continue in 2014/15²², along with extending the funding to include 24 year olds from 2014/15. The delivery of Traineeships will remain restricted to those providers who have achieved an Ofsted inspection grade of Outstanding or Good at the start of the programme (or achieve either of these grades during the year), and are not under Notice from either the Education Funding Agency (EFA) or the Skills Funding Agency.

²² The EFA has written to the sector to explain how its funding methodology will apply in 2014/15, which includes some small changes that may apply to Traineeships.

46. Traineeships for 16 to 19 year olds will continue to be funded using the EFA's standard funding-per-student methodology. For those Traineeships contracted via the EFA, if providers expand the number of 16 to 19 Traineeships offered in any given academic year (including 2013/14), this will be reflected in future allocations.
47. As announced in the Autumn Statement we are planning to exempt JSA claimants who are undertaking Traineeships from Jobcentre Plus' '16 hour rule' which would otherwise prevent them from doing more than 16 hours of training per week. Further details on implementation will be announced as soon as possible.

Unemployed people seeking work

48. The offer for the unemployed is equally available to the long and short term unemployed. People on Jobseekers Allowance, Employment and Support Allowance (in the work related activity group), and those on Universal Credit mandated to training by the Jobcentre will continue to be able to access fully funded training to help them into work. This training can consist of qualifications and units up to level 2 from the Qualifications and Credit Framework (QCF) for example in basic skills, or employability as well as Level 3 or above vocational skills for 19 to 23 year olds. The offer also includes certain qualifications in first aid, food hygiene, health and safety, the use of forklift trucks and, in 2014/15 specific qualifications in security. We will keep qualifications linked to licences to practise under review.
49. We expect providers to deliver high quality suitably tailored training to individuals with an identified skills need preventing them from obtaining work, such as those referred by Jobcentres or Work Programme providers.
50. Providers may also offer fully funded provision to help unemployed people on other benefits into sustainable work. This is at a provider's discretion, and subject to the provider having sufficient funds available. The provider must be satisfied that the learning is directly relevant both to the individual's employment prospects and the needs of the local labour market.

Contributory government funding

51. We will contribute funding, as shown in table 2, to promote shared responsibility for investing in skills, recognising that in most cases, and especially at higher levels, most of the benefit goes to the learner by way of increased wage gains and progression and to the employer by having a higher skilled, more productive workforce.

Table 2

	Provision	Learner
1	Intermediate-level Apprenticeships (Level 2)	Apprentices aged 19 and over
2	Advanced-level Apprenticeships (Level 3)	Apprentices aged 19 and over
3	Higher Apprenticeships (at Levels 4, 5 and 6) – non-prescribed HE qualifications	Apprentices aged 19 and over
4	Entry, Level 1 and Level 2 qualifications ²³	Learners aged 19 and over who do not qualify for full-funding
5	Level 3 or 4 qualifications ²⁴	Learners aged 19 to 23 who do not qualify for full-funding Learners aged 24 and over have access to 24+ Advanced Learning Loans

Apprenticeships

52. Our key funding priority is to encourage an increased take up of, and provision for, Apprenticeships. We wish to see becoming an Apprentice or securing a place to study higher education as the key routes into sustainable work. We will therefore continue to offer a government contribution to the training of Apprentices. Ahead of the reformed Apprenticeships, we are looking to streamline and standardise the Apprenticeship funding offer. We have therefore removed Advanced-level and Higher Apprenticeships from Loan funding.

²³ Generally this applies to Level 2 qualifications that are not full or at the same level as previously studied. Full details of the conditions relating to this funding will be made available in the Funding Rules 2014/15 issued by the Skills Funding Agency, including for ESOL.

²⁴ Generally this applies to Level 3 or 4 qualifications that are not full or at the same level as previously studied. Full details of the conditions relating to this funding will be made available in the Funding Rules 2014/15 issued by the Skills Funding Agency.

53. As announced in the Autumn Statement, the Government is providing an additional £40m to deliver 20,000 more Higher Apprenticeship starts in England over 2013/14 and 2014/15 than previously planned. This will help employers to develop the skills needed to improve their productivity and support British industry to compete internationally.
54. In support of the employer focused reforms, the Skills Funding Agency is reviewing the funding rules to remove barriers that may be acting as a disincentive to employers engaging in Apprenticeships. The Large Employer Outcome Pilot (LEOP) was launched in August 2011 as part of a wider programme of simplification for larger employers. LEOP piloted a payment by outcomes approach for larger employers, reducing audit requirements and paperwork with the intention of redirecting funding towards Apprenticeships.
55. Evaluation of the pilot indicated that employers supported the simplified approach of paying on outcomes as a mechanism for reducing time and administrative burdens. The pilot is coming to a close and the valuable lessons learnt will be fed into the wider Apprenticeship reform work and, like all employers, those involved are encouraged to utilise their ASB to allow Apprenticeship delivery to grow. Starts on the pilot will cease from August 2014. Apprentices already participating via the pilot will continue to be funded to enable them to achieve their Apprenticeship.
56. To support smaller businesses the Apprenticeship Grant for Employers (AGE)²⁵ grant has been extended until December 2014 in its current form. The grant will continue to support businesses with up to 1000 employees taking on a new Apprentice aged 16 to 24. To be eligible, the employer must not have taken on an Apprentice in the previous 12 months and employers can claim support for up to 10 Apprentices.

24+ Advanced Learning Loans

57. Loans will continue to be available for learners in the skills system from 2014/15. Learners aged 24 and over studying at Level 3 and 4 will have access to Loans to help meet up-front course fees. This will also apply to those aged 24 and over studying at Level 3 and 4 in receipt of benefits where skills training will help them into work. The Loans policy promotes shared responsibility for the funding of skills provision, recognises that much of the benefit of advanced vocational study goes to the learner and removes one of the main barriers to learning, progression and re-training.

Unionlearn

58. For 2014/15 we will continue to fund unionlearn activity that is targeted at the learner and we will review the current funding arrangement for TU education.

²⁵ Full details are available at <http://www.Apprenticeships.org.uk/employers/steps-to-make-it-happen/incentive.aspx>

Community Learning

59. We will continue to offer a contribution to the overall cost of delivering Community Learning. Providers will be expected to add value to this public contribution by attracting additional revenue and making cost savings.
60. In 2014/15, Community Learning will continue to focus on turning around the lives of local people and maximising the impact of public funding on the social and economic well-being of individuals, families and communities, particularly those who are most disadvantaged. All Community Learning providers must be part of strong local partnerships and develop their plans in line with the Community Learning objectives²⁶. They must consult with local communities, Local Authority services, Local Enterprise Partnerships, Jobcentre Plus and other key local stakeholders, and importantly, add value to the public funding for this provision.

Offenders

61. Close engagement with the National Offender Management Service (NOMS) lies at the heart of our offender learning delivery, and we will continue to strengthen that relationship. Reforms to the prison system to reflect the Transforming Rehabilitation agenda mean we will change how we organise learning delivery whilst maintaining a focus on English and maths (including new assessments for all prisoners as they first arrive in custody) and vocational skills that lead to employment on release. Our close working relationship with NOMS will continue to be underpinned by a budget transfer that reflects the additional costs of learning delivery in prisons as a result of the earlier prison expansion programme.

²⁶ See the community learning objectives on page 14 of *New Challenges, New Chances*:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/145452/11-1380-further-education-skills-system-reform-plan.pdf

Support for socially disadvantaged learners

62. We remain committed to ensuring the skills system operates effectively to support the needs of the learners who are most disadvantaged. Any list of such learners by 'characteristic' is likely to be incomplete, but many learners share characteristics with each other and with other groups and it is important that common factors are recognised and that the skills system is able to respond to them.
63. Funding will continue for adult learners with identified support needs including those with a self declared learning difficulty and/or disability (LDD) in line with legislation including those who wish to start a Traineeship or Apprenticeship programme. In 2012/13, the skills system supported 434,700 self declared adult learners with LDD (13.2% of total learners) of which 51,800 were Apprentices.
64. However, we need to do more particularly in ensuring that employers are fully aware of their responsibilities towards disabled young people, and of the support available from across Government to support learners with LDD into sustainable employment, including those who want to start an Apprenticeship or Traineeship. All providers and awarding organisations have a legal duty under the Equality Act 2010 to make reasonable adjustments so disabled people are not put at a substantial disadvantage compared to other learners, and must offer these adjustments (including assistive technology) for tests or examinations. Supporting information on these duties is clearly set out in the Joint Council of Qualifications (JCQ) guidance.²⁷
65. We will continue to provide Discretionary Learner Support funding to providers to help remove obstacles to progression for disadvantaged and vulnerable learners. A recent study²⁸ has demonstrated that this targeted support enables learners to access and complete their qualification and progress into further and higher education. Learning Support funding has been significantly simplified for 2013/14 and provides support activity to meet the learning needs of learners. It is also available so providers can meet the additional needs of learners with LDD aiding them to participate fully in education and training. Learning Support also enables providers to meet the costs of reasonable adjustments as set out in the Equality Act 2010.

²⁷ Available at <http://www.jcq.org.uk/exams-office/access-arrangements-and-special-consideration>

²⁸ Available in *Review of the adult discretionary learner support fund for the further education sector* at <https://www.gov.uk/government/publications/discretionary-learner-support-review>

Special Educational Needs (SEN)

66. The Children and Families Bill, which is currently progressing through Parliament, includes provision to replace Statements of Special Education Needs and Learning Difficulty Assessments with Education Health and Care Plans (EHC Plans). The provisions create a seamless system for children and young people from birth up to age 25 if they need longer than their peers to complete their education²⁹. The provisions, which would start to be implemented from September 2014, bring new legal responsibilities to the sector, for example providers must have regard to the new 0 to 25 special educational needs Code of Practice.

²⁹ Further details are available regarding the *Children and Families Bill 2013* at <http://www.education.gov.uk/a00221161/>

Funding

67. The finance table shows the funding available through to 2015-16 FY.

Notes		Baseline 2013-14 £000s	Funding 2014-15 £000s	Indicative funding 2015-16 £000s
1	Adult Skills Budget	2,467,875	2,258,311	2,004,547
2	Employer Ownership	46,000	73,400	73,400
3	24+ Advanced Learning Loans	129,000	398,000	498,000
4	Offender Learning and Skills Service	130,400	128,900	128,900
5	Community Learning	210,747	210,747	210,747
6	European Social Fund	171,000	173,000	170,000
	TOTAL: Teaching and Learning	3,155,022	3,242,358	3,085,594
7	Learner Support	176,800	205,507	174,342
8	National Careers Service	87,868	90,878	90,878
	TOTAL: Student /Learner Support	264,668	296,385	265,220
9	Skills Infrastructure	55,161	58,900	23,675
10	Funding to Support the FE and Skills Sector	156,706	125,004	81,983
11	Capital Grants	449,871	414,857	410,000
12	GRAND TOTAL	4,081,428	4,137,504	3,866,472

Budgets in lines 1, 4, 5, 7, 8 and 9 are granted to the Skills Funding Agency for delivery by BIS

Budget line 6 is granted to the Skills Funding Agency by DWP and in 2015-16 will be available for LEPs to bid in to as part of the Local Growth Fund.

Budget line 11 is granted to the Skills Funding Agency by BIS in 2013-14 and 2014-15 and in 2015-16 £330m will be available for LEPs to bid in to as part of the Local Growth Fund, with the remainder held centrally by BIS.

Notes to support the finance table on the facing page

1	The Adult Skills Budget focuses on the funding priorities as set out in tables 1 and 2 and in 13-14 and 14-15 includes an amount to be transferred to the Education Funding Agency for Learners with Learning Difficulties Assessments and/or Education, Health and Care Plans aged 19 to the end of the academic year in which they turn 25.
2	The Employer Ownership Pilot is a competitive fund with funding being made available over 4 years. Projects in the first phase are now live and projects for the second phase are currently being negotiated. The pilot is now closed and there will be no more bidding rounds. However, in 2014-15 we will be launching the Employer Ownership Fund, to develop the work of the Pilot and to deliver a long term commitment to employer ownership of skills.
3	24+ Advanced Learning Loans are available for learners aged 24 and over studying at Level 3 and Level 4 (with the exception of Apprenticeships).
4	This budget provides vocational and employability skills programmes and includes £14m for the National Careers Service in custody. The eventual OLASS budget is likely to be larger once annual transfers from the Ministry of Justice to reflect extra education costs that flow from recent prison expansions are added.
5	FE colleges, voluntary sector organisations, Local Authority Adult Education Services and other providers of community learning are expected to add value to the public contribution by generating additional revenue and making cost savings.
6	The European Social Fund (ESF) has been allocated to LEPs for 2014-2020, and LEPs will agree strategies for use of the funding across the period with Government by March 2014. LEPs understand that part of the ESF must be used to improve the skills of the workforce and to help people who have difficulties finding work. The Agency will work with LEPs to match fund ESF investment in some areas to support and enhance its mainstream activity, enabling disadvantaged people to access and benefit from employment and skills opportunities. The Agency's match funding for 2015-16 will be accessed by LEPs via the Local Growth Fund.
7	Learner Support includes Discretionary Learner Support, the learner support element of the 24+ Advanced Learning Loan Bursary Fund, costs of the Professional and Career Development Loan scheme and support for Dance and Drama Awards for young adults.
8	In addition to the funding noted, DfE have provided funding to cover outstanding contractual obligations.
9	This funding includes the Apprenticeship vacancy system and the promotion and development of the Apprenticeship Programme, including Higher Apprenticeships.
10	This includes funding for a range of programmes not routed through the Skills Funding Agency including the UK Commission for Employment and Skills. In 2014-15 we have been able to bring forward £30m of efficiency savings identified in the Spending Round.
11	This investment will provide funding to improve the college estate in line with the FE College Capital Investment Strategy. From 2015-16, responsibility for capital funding of the local skills delivery infrastructure will transfer to the Local Growth Fund (LGF). £330m of this budget will be transferred to the LGF for 2015-16 and 2016-17 with the remainder held centrally by BIS to support national and strategic priorities.

Responsiveness to local need

68. The programme of reform we have introduced will ensure that adult skills provision is increasingly responsive to the needs of business and supports local economic growth and jobs. As LEPs develop their Strategic Economic Plans, they are identifying their local priorities for skills which will form part of the dialogue with Government through the Growth Deal process. Critically, LEPs will articulate in their plans priority skills issues linked to local growth ambitions and they will work with a broad range of stakeholders including the skills sector, along with schools and Higher Education Institutions, to secure a co-ordinated response. Providers have freedoms and flexibilities available to them to respond to business skills priorities and to ensure people have the skills they need to take advantage of local opportunities. City Deals have provided an opportunity to test how this can be done effectively and to consider additional flexibilities, where necessary, to address barriers to responsive provision and a number of City Deals are looking into options to pilot models of payment by results more directly linked to job outcomes.
69. LEPs are due to submit their Strategic Economic Plans by 31 March 2014 and we expect Growth Deals to be agreed by July 2014. LEPs have submitted their final strategies for use of European Structural and Investment Funds for the period 2014-2020, including £170m per year available from the ASB and included in the Local Growth Fund as matched funding for LEPs which opt-in to the Skills Funding Agency's new service.
70. To explore ways to increase further the responsiveness of the skills system, the Secretary of State announced in July 2013 a Skills Funding Incentive Pilot that is being developed in 3 LEPs: North East, Stoke and Staffordshire, and the West of England. These pilots are testing a number of models for future skills provision with the intention that future skills offers can be more easily aligned with local needs. Each pilot will initially build on the strong partnerships already in place and will consider whether funding incentives can help LEPs achieve better alignment between provision and local business priorities. We are currently developing a flexible approach with the 3 pilot LEPs to ensure the unique skills issues in each area can be addressed.

Skills Capital funding

71. For 2015-16, £330 million of skills capital funding will be made available to LEPs on a competitive basis through the Local Growth Fund (LGF) to use in tackling local skills capital priorities as set out in their Strategic Economic Plans. A further £330 million of skills capital funding will also be available in 2016-17. The LGF skills capital element is open to providers offering vocational education provision. Providers will have an important role to play in supporting the development of local plans, to ensure that local skills priorities can be delivered through the provision of 21st century facilities for local businesses and learners.

EU Structural and Investment Funds 2014-2020

72. We announced that, for the 2014-2020 funding period, the European Regional Development Fund, the European Social Fund and part of the European Agricultural Fund for Rural Development, will be combined into the European Structural and Investment (ESI) Funds Growth Programme for England (the “European Growth Programme”). LEPs will have a key strategic role in delivery of the majority of the Growth Programme. Each LEP has an allocation of ESI Funds and is developing a strategy for investment which aligns interventions funded from other local public and private sources, including the Local Growth Fund.
73. Skills are a high priority, particularly for the European Social Fund. ESF may be used for skills interventions at basic, intermediate and higher levels as long as it does not replace funding that would otherwise be subject to Government funding and Loans, and adds value to ASB provision. Providers should ensure they engage with their local LEP about the new European Growth Programme.

Reform of the Skills System

Success measures, quality and value for money

74. Whilst ensuring we fund the right offer for learners and employers, we must also ensure that we deliver good value for money, reward successful providers and incentivise priority, high quality provision. *Rigour and Responsiveness* was clear that, in an age of fiscal constraint, it is essential that Government funding only supports the achievement of high quality outcomes which employers need and individuals value. We therefore want to build a stronger focus on outcome funding for adult skills provision. We are looking at a range of outcomes, with a particular focus on unemployed learners, programmes such as Traineeships, and English and maths provision.

New outcome focused success measures

75. One measure currently used to assess and improve the quality of the skills system is Qualification Success Rates. Whilst continuing to use this measure to assess where intervention activity is needed and advise Ofsted's inspection process we recognise that success should not be measured by achievement of qualifications alone. Achievement is, of course, important, but outcomes such as employment and progression in education matter too. We are developing a set of outcome focused measures that will enable learners and employers to make more informed choices about which provider they go to and which qualification they take. We believe that these new measures will also allow for more informed performance management to be undertaken across all providers and we plan to consult the sector on how they should be used. The measures will look at the overall impact of adult vocational education on learners, businesses and local communities. We want to ensure that publicly-funded skills provision delivers value for money whilst being as effective as possible at ensuring that individuals develop the skills they need to secure and sustain high quality employment, to progress in work and to fulfil their potential.

76. We have been working on three core measures: destination (into further learning or into/within employment), progression (through learning) and earnings changes (following completion of learning).

77. All provision for those aged 19 and over funded by the Skills Funding Agency (through the ASB, Offenders Learning and Skills Services, or Loans) is in scope, including Apprenticeships and Traineeships. Some minor adaptations will be necessary to reflect the particular circumstances of delivering in a prison setting, but we are determined to include this provision in these measures.

78. As part of this work we are also looking at how these outcome measures align and support the 16 to 19 accountability framework, and as part of the desire to streamline 16 to 24 provision, we are also considering how these measures might be used for 16 to 18 Apprenticeships.

79. We published experimental data about earnings at LEP and sector subject area level in January 2014³⁰, and will publish experimental data on destinations and progression at provider level in summer 2014. The experimental data will aid transparency, and we will also publish our plans for how these measures can be used more widely to inform learner and employer choice; to understand the value of different qualifications and how we could use them as part of wider performance management arrangements at provider level.
80. In addition to the three core outcome focussed success measures, we will also develop methods of capturing the value that providers add during learning. The best approaches to measuring distance travelled start with the initial assessment, are integrated into the learner plan and used, with the learner, to assess progress towards the point of taking a qualification. This will provide better information for providers and learners and ensure that no learners are left behind making inadequate progress on their course.
81. We know effective management information systems which can systematically collect and report initial assessment data and record learning outcomes are not used routinely by every provider. In addition to the three core outcome focussed success measures, we will trial and implement a means of capturing data on learner progress over the course of their learning programme. This will provide better information for providers, learners and employers and ensure that no learners are left behind making inadequate progress on their course.

³⁰ <https://www.gov.uk/government/publications/further-education-learners-average-earnings-initial-outputs-of-emerging-results-from-earnings-analysis-of-matched-data>

DATA ANNEX

Data Annex

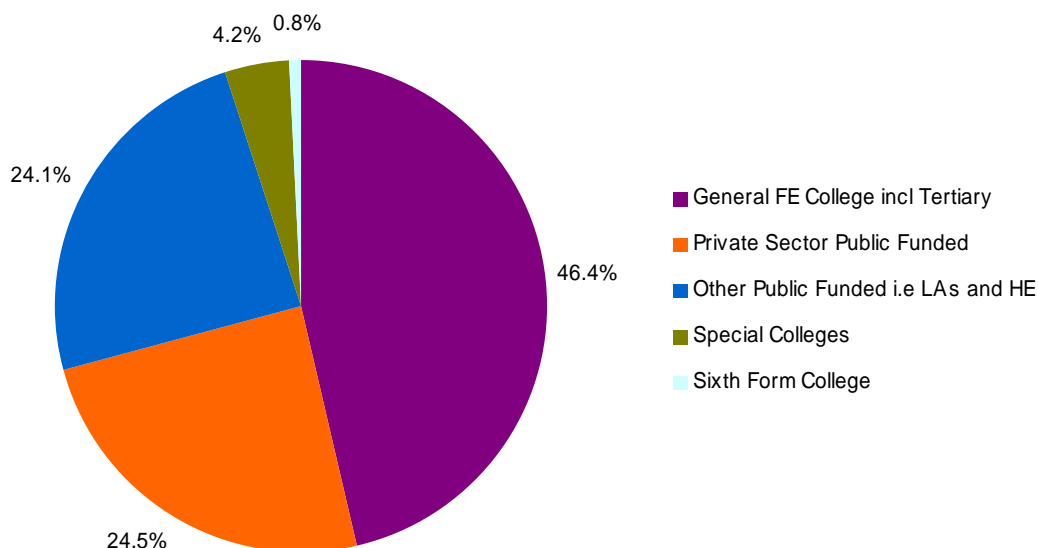
Summary

This section provides summary information on the number of adult learners funded by the Department for Business, Innovation and Skills, in line with the strategy set out in *New Challenges, New Chances* (NCNC) (December 2011), and the funding earned via the Skills Funding Agency for 2011/12 and 2012/13. These definitions and categories have been developed in order to monitor actual delivery against financial planning assumptions in the Skills Funding Statement. These figures will differ from learner numbers taken from the Statistical First Release (SFR) 'Further Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held'. The main difference is that here learners and aims are for Skills Funding Agency funded aims only, whilst the SFR counts all aims connected to a funded learner. Other differences concern the reporting age used, which depends on the funding rules for the category. All figures and tables throughout this document state the information source.

Adult (19+)

In 2012/13 there were 3,262,100 government-funded learners aged 19 and over (19+) participating in the skills system. This is a 4.1 per cent increase from 2011/12 when there were 3,133,000 learners. Almost half (46.4 per cent) of these carried out learning in a GFEC (General FE College), up from 44.7 per cent in 2011/12.

Figure 1 Adult (19+) Learners by Provider Type, 2012/13



Source: Individualised Learner Record (ILR) using NCNC categories

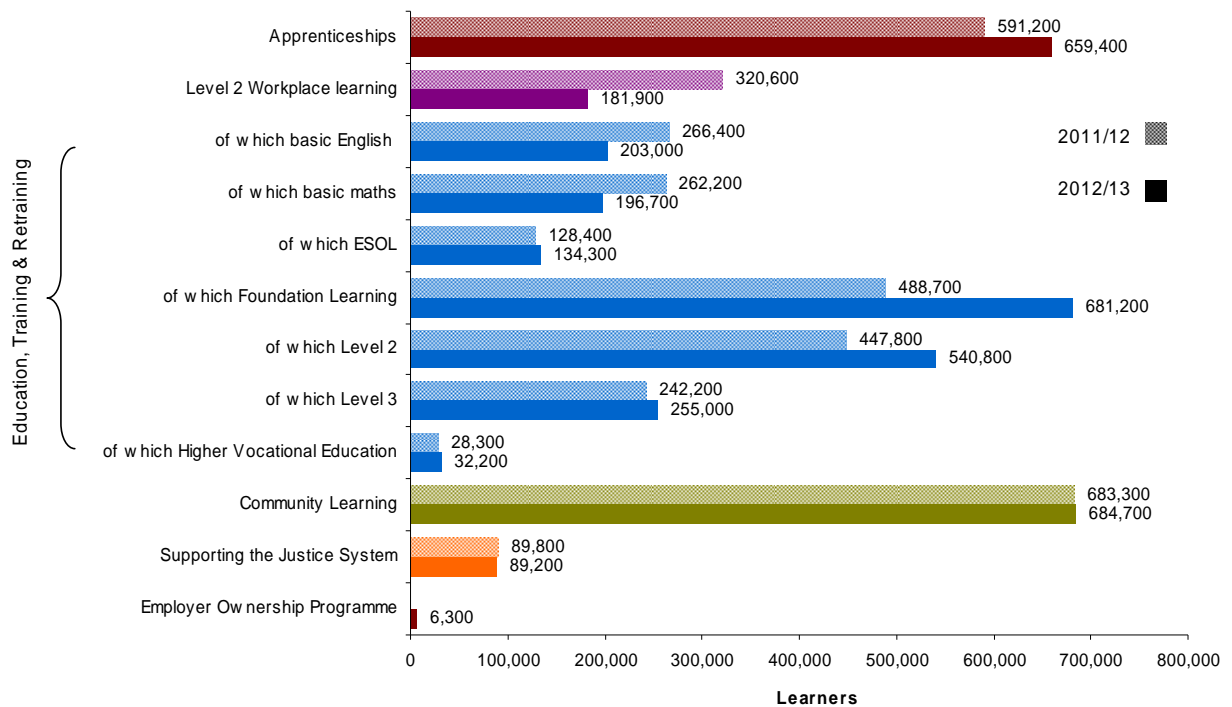
Figures 2a and 2b show the breakdown of all learners in the adult skills system by programme and the associated levels of funding for 2011/12 and 2012/13. They show that Apprenticeship participation increased by 12%. This increase was predominantly a result of increased recruitment in 2011/12 together with improvements in quality and learners staying on programmes for longer. £712m was utilised through 19+ Apprenticeships ensuring all demand for high quality Apprenticeships has been supported. There was a continued reduction in Level 2 Workplace Learning outside of Apprenticeships and the Employer Ownership Programme (EOP). This planned reduction was a result of prioritising workplace funding through Apprenticeships.

Foundation Learning (i.e. learning below Level 2) increased by 39% between 2011/12 and 2012/13. This was mainly as a result of providers delivering far more provision to unemployed learners – in 2012/13 there was a 35% increase in the number of unemployed learners. We also continued to see increases at Level 2 and 3. This is key in ensuring learners reach these important employability thresholds.

There was a small increase in the number of learners supported through the Community Learning budget. This demonstrates improved efficiency in delivery as the budget for Community Learning has remained static at £210m for a number of years. The number of learners engaged in education and training whilst in custody in the Justice Skills System remained very similar to 2011/12. In 2012/13 the Offender Learning and Skills Service (OLASS) implemented an increased focus on employability and a new way of funding provision as a result of the Offender Learning Review; maintaining the volume of learners engaged during the transitional year was therefore a positive achievement.

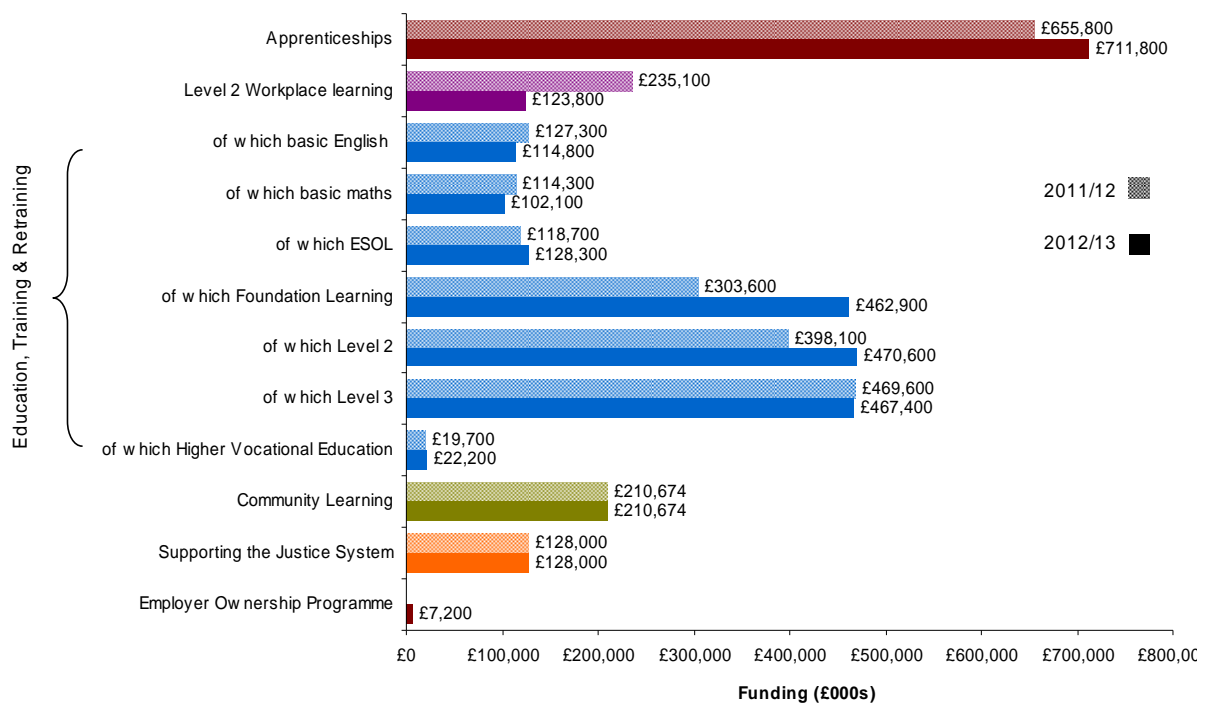
The EOP started delivering to learners part way through 2012/13. The second phase of the programme is in the process of being contracted and should increase delivery in future years.

Figure 2a Adult (19+)³¹ Learners in the Skills System by Programme, 2011/12 and 2012/13



Source: Individualised Learner Record (ILR) using NCNC categories

Figure 2b Adult (19+)³¹ Funding in the Skills System by Programme, 2011/12 and 2012/13



Source: Skills Funding Agency modelling based on actual performance

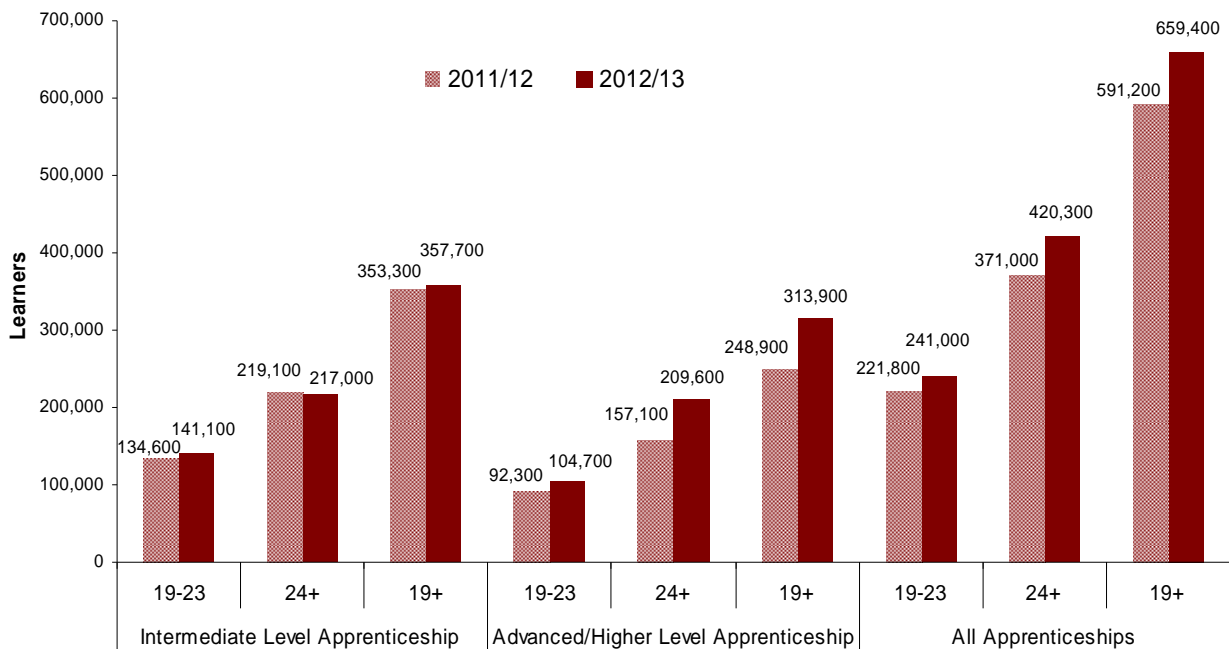
³¹ Includes offenders aged 18 or over in the 'Supporting the Justice System' category.

Figure 3 shows Apprenticeship participation using the NCNC definitions. These are slightly lower than published SFR 19+ Apprenticeship participation numbers as the NCNC categorises learners by their funding stream. This means a number of learners aged 19+ are actually funded through the 16-18 budget and as such are not included within the 19+ figures.

Figure 3 shows an overall increase in Apprenticeship participation of 12 per cent from 591,200 to 659,400. Of these, there were:

- 357,700 Intermediate Level Apprentices, compared to 353,300 in 2011/12;
- 302,200 Advanced Level Apprentices, compared to 243,800 in 2011/12;
- 11,700 Higher Apprentices, compared to 5,200 in 2011/12.

Figure 3 Adult (19+) Apprenticeship Participation, by Age and Level, 2011/12 and 2012/13

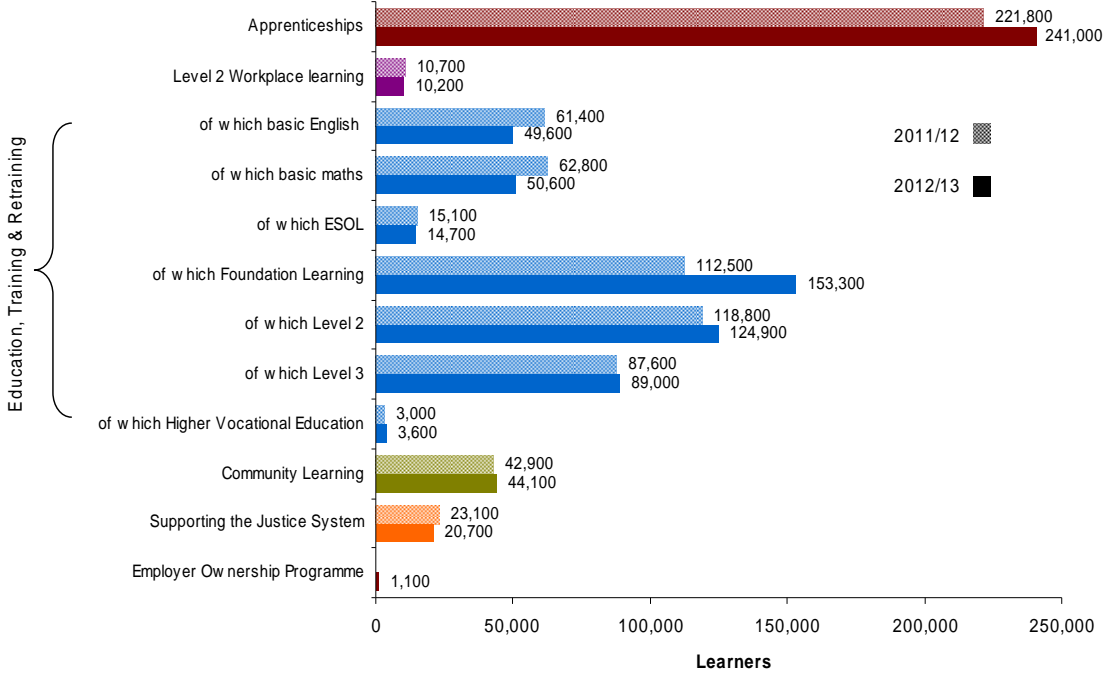


Source: Individualised Learner Record (ILR) using NCNC categories

Adult (19-23)

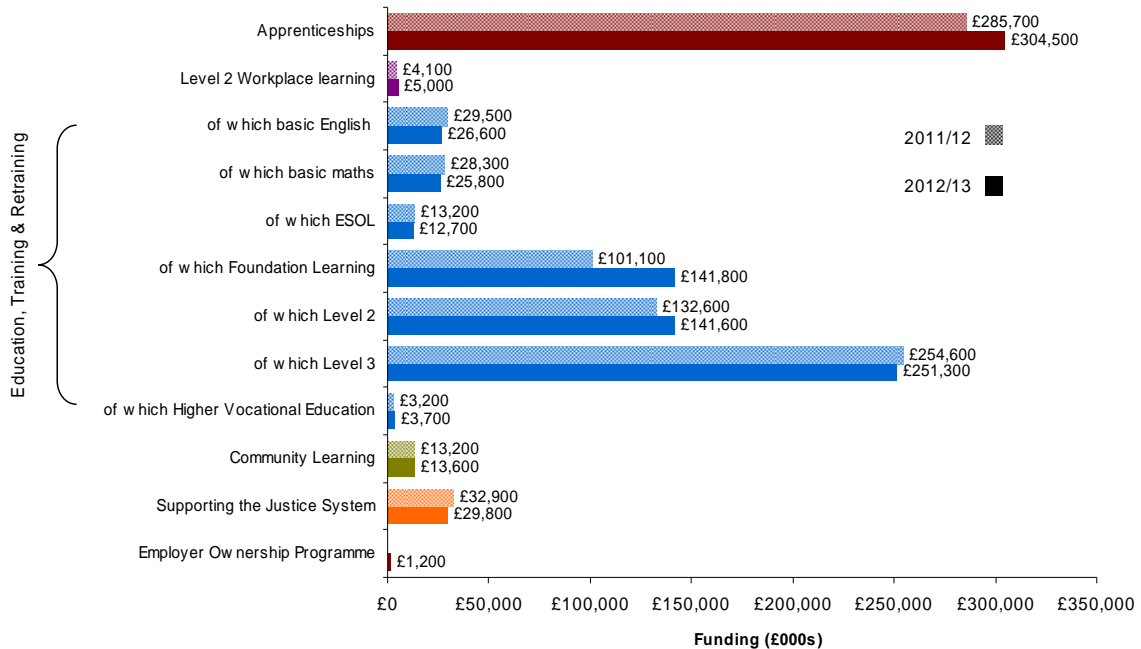
Figures 4a and 4b look at 19-23 year old learners in the skills system. The picture follows a similar pattern to that of all 19+ learners as shown in Figures 2a and 2b.

Figure 4a Adult (19-23) Learners in the Skills System, 2011/12 and 2012/13



Source: Individualised Learner Record (ILR) using NCNC categories

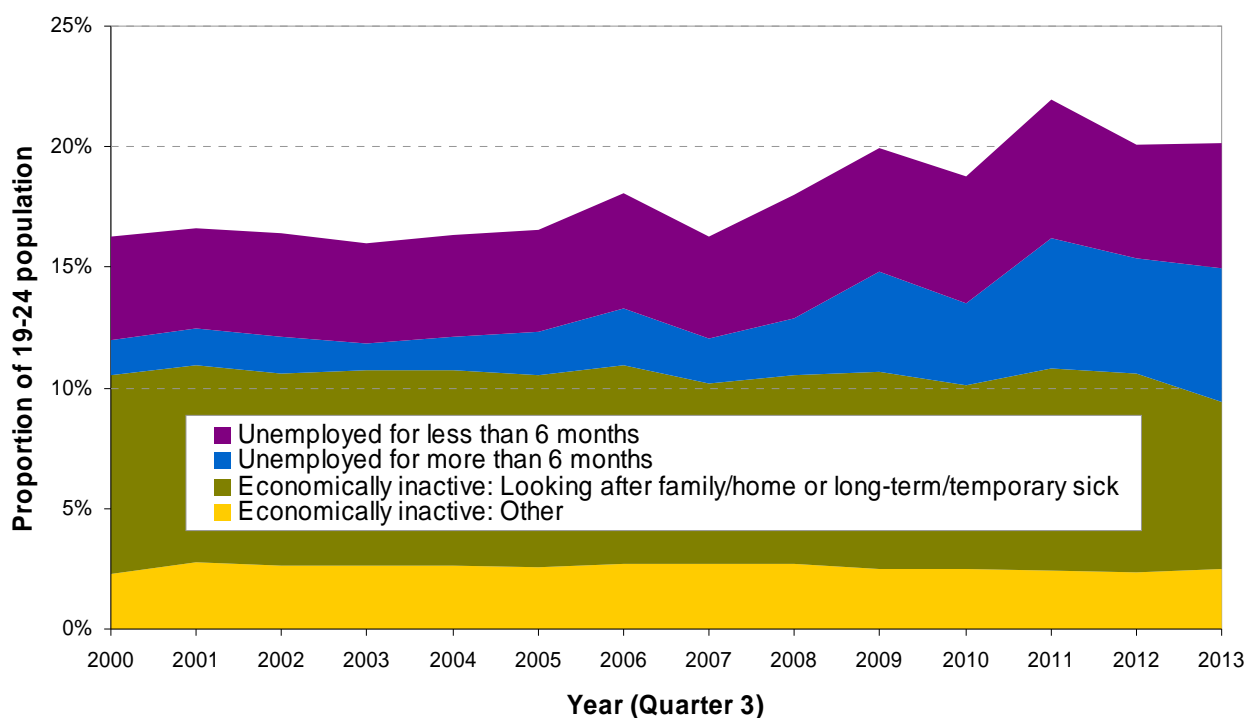
Figure 4b Adult (19-23) Funding in the Skills System, 2011/12 and 2012/13



Source: Skills Funding Agency modelling based on actual performance

Around 20 per cent of 19-24 year olds were Not in Education, Employment or Training (NEET) using Quarter 3 2013 figures. The Government recognises that there are still too many young people who are NEET. Those who struggle with the transition from education to work and spend six months or more as NEET are more likely to experience poverty and the effects of disadvantage well into adulthood. Participation in education and training makes a lasting difference to individuals, and is pivotal to the Government's ambitions to stimulate economic growth and improve social mobility. At Quarter 3 2013 53.1 per cent of the 19-24 year olds NEET were unemployed whilst the remaining 46.9 per cent were economically inactive³², including those looking after family or home, or who are sick. The longer term rise in 19-24 year olds NEET has been driven by those who are unemployed, specifically those who have been unemployed for more than six months.

Figure 5 19-24 Year Olds NEET as a Proportion of the 19-24 Population by Economic Activity, Q3 2000 to Q3 2013



Source: Labour Force Survey (LFS)

³² Economically inactive people are not in work and do not meet the internationally agreed definition of unemployment. They are people without a job who have not actively sought work in the last four weeks and/or are not available to start work in the next two weeks.

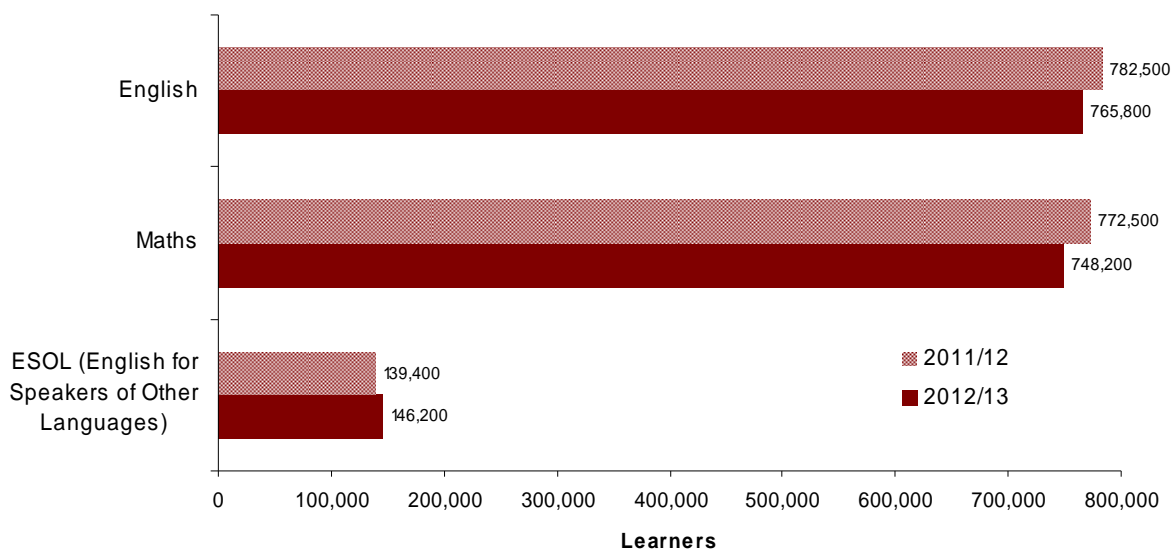
English and maths

English and maths skills are essential to enable people to function in society and progress in learning and employment. The charts in this sub-section provide information on English and maths and English for Speakers of Other Languages (ESOL) provision. This includes Apprenticeship delivery and figures are as reported within the SFR.

Many learners participate in more than one English and maths course. In 2012/13 the number of learners participating in English and maths (including ESOL) was 1,050,000, down 3.1 per cent from 1,083,000 in 2011/12. Participation on English courses and maths courses both fell (down by 2.1 per cent and 3.1 per cent respectively) for the first time following a two-year period of substantial growth. The reductions are as a result of the removal of Adult Basic Skills (ABS) certificates at Levels 1 and 2 and their replacement with more rigorous qualifications. This was part of the transition, as set out in *New Challenges, New Chances* and the reductions are therefore not unexpected.

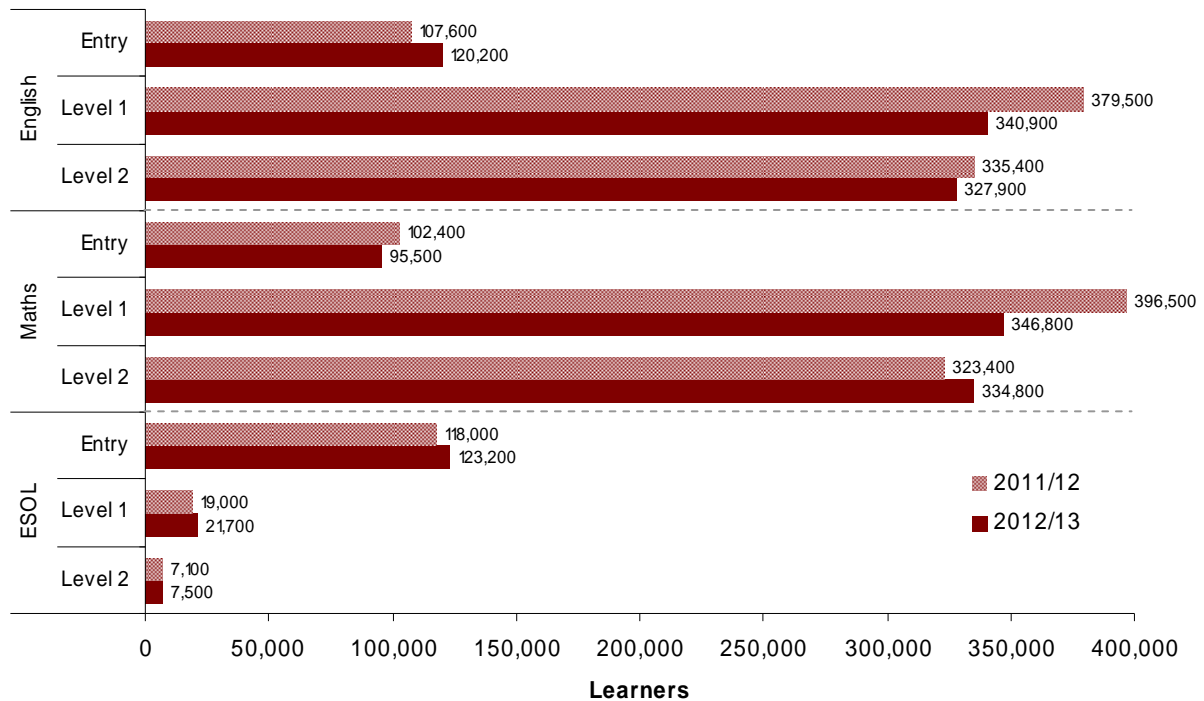
Participation on English for Speakers of Other Languages (ESOL) courses increased to 146,000 (up 4.9 per cent) following a three-year decline. It is important for immigrants without a good level of English language to learn English to improve their chances of finding employment and to integrate into society.

Figure 6a Adult (19+) English and Maths Participation by Subject, 2011/12 and 2012/13



Source: Quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Figure 6b Adult (19+) English and Maths Participation by Subject and Level, 2011/12 and 2012/13



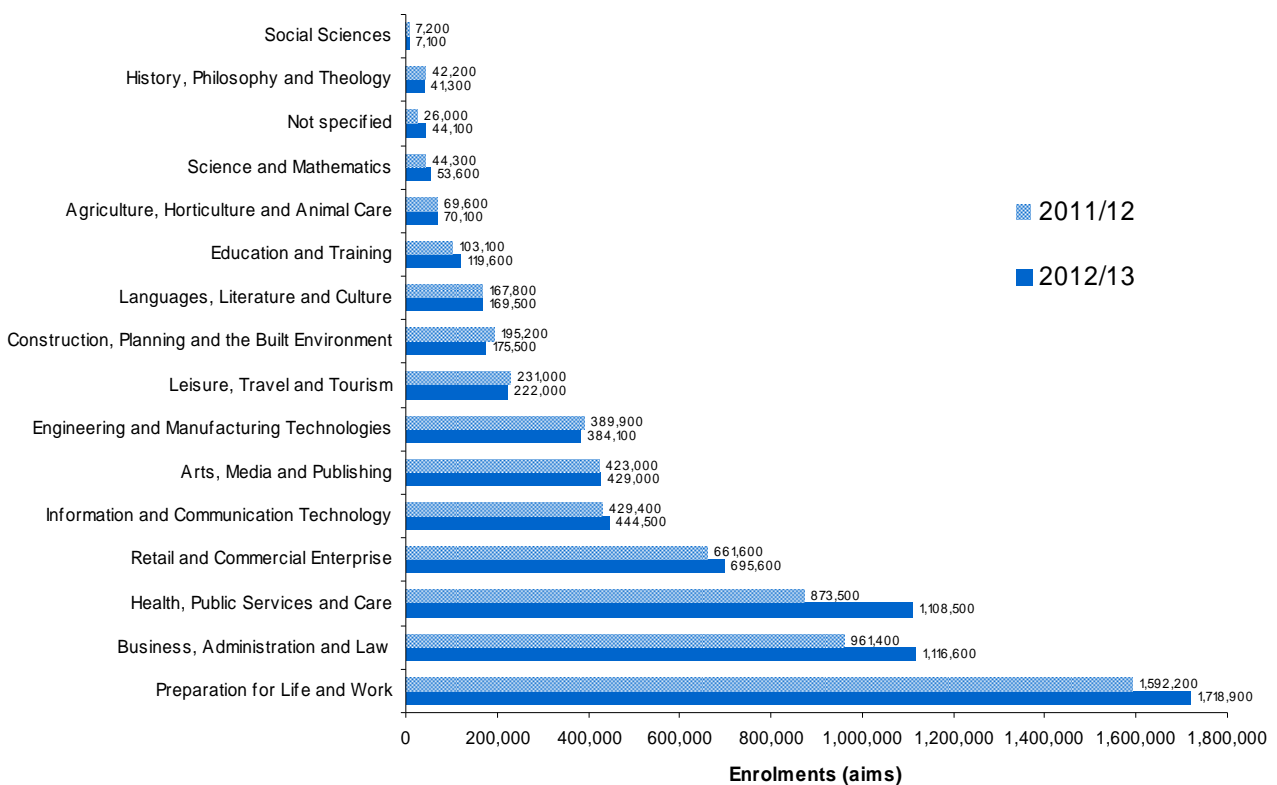
Source: Quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Sectors

Programmes in the skills system cover a wide range of subject areas. This section looks at the Sector Subject Areas that learners study. Sector Subject Areas are classifications of business areas as determined by the Qualification and Curriculum Authority (QCA). Figure 7a gives breakdowns by Sector Subject Area, Tier 1 (15 Sector Subject Areas) whilst Figure 7b gives the top 5 Tier 2 Sector Subject Areas (a more detailed classification).

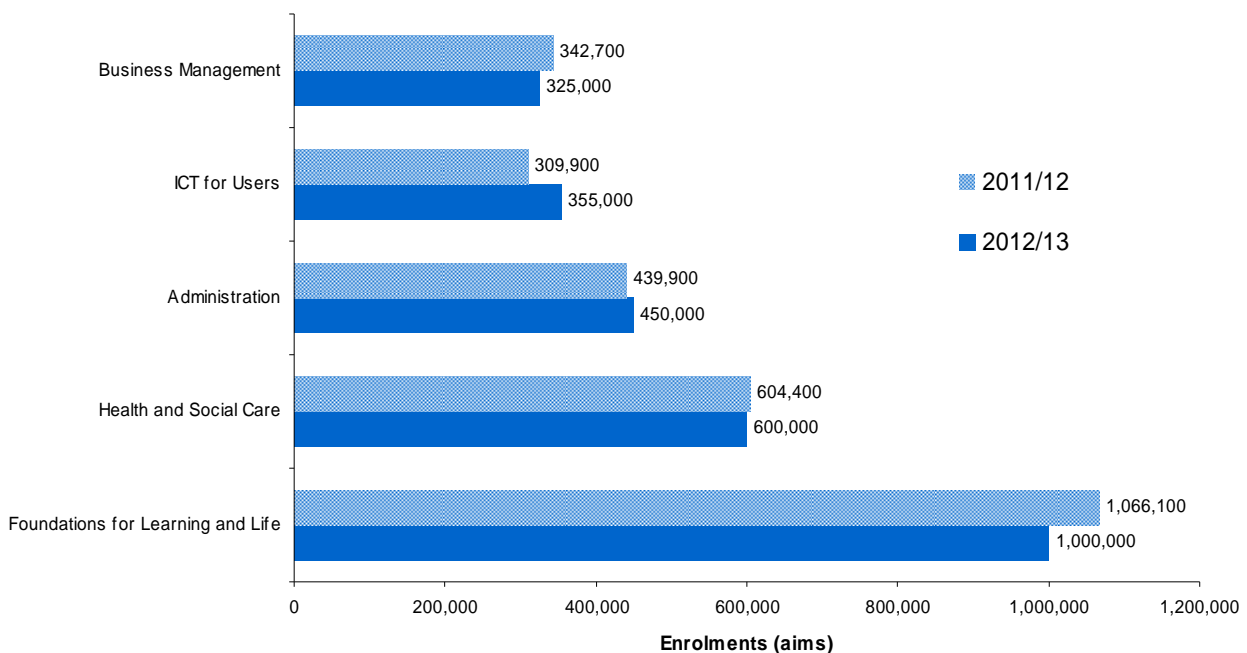
In 2012/13, the most popular Sector Subject Area for adult (19+) learners was "Preparation for Life and Work", with 1,718,900 aims. Other popular areas were "Business, Administration and Law" and "Health, Public Services and Care" which both saw increases in aims in 2012/13 to over one million.

Figure 7a Adult (19+) Enrolments (aims) by Sector Subject Area (Tier 1), 2011/12 and 2012/13



Source: Individualised Learner Record (ILR) using NCNC categories

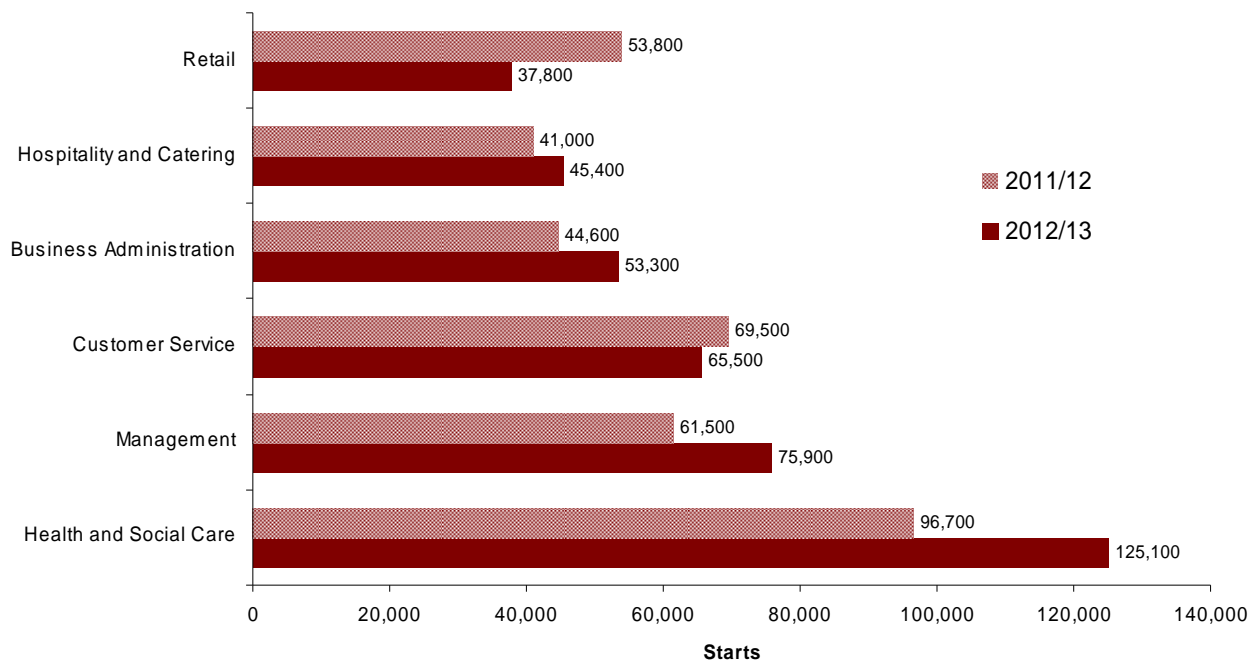
Figure 7b Adult (19+) Enrolments (aims) by Top Sector Subject Areas (Tier 2), 2011/12 and 2012/13



Source: Individualised Learner Record (ILR) using NCNC categories

Figure 7c shows the top Frameworks studied through Apprenticeships (using SFR definitions) in 2011/12 and 2012/13. In 2012/13 the top three frameworks were “Health and Social Care” (125,100 starts); “Management” (75,900 starts) and “Customer Service” (65,500 starts). Participation in “Health and Social Care” Apprenticeships increased by 29 per cent from 96,700 between 2011/12 and 2012/13 with Management Apprenticeship participation also increasing substantially by 23 per cent.

Figure 7c Adult (19+) Apprenticeship Participation by Top Frameworks, 2011/12 and 2012/13



Source: Based on quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

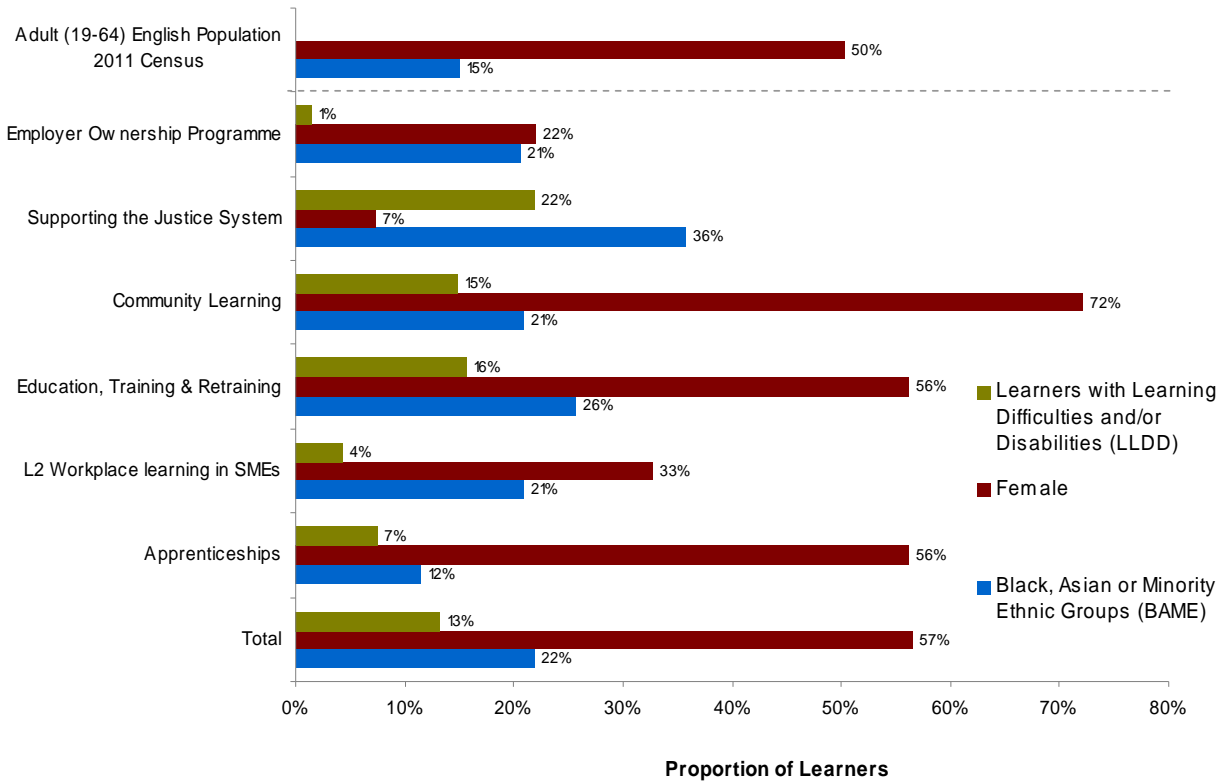
Equality & Diversity

The Government believes that a commitment to equality and diversity is critical to ensuring that we are able to deliver on BIS priorities, as well as the Government's wider goals. Tackling inequality at an early age through education is vital to achieving a fairer and more equal society. As well as helping young people fresh out of the compulsory education system continue into Further Education, BIS funds learners across all ages and social economic backgrounds to achieve their full potential and become more qualified.

In 2012/13 around 22 per cent of learners participating in the skills system were in a Black, Asian or Minority Ethnic (BAME) group. This is around 50 per cent higher than the proportion of the 19-64 year old English population that are BAME which is 15 per cent.

The proportion of learners with learning difficulties and/or disabilities was 13 per cent whilst 57 per cent of all adult learners in the skills system were female.

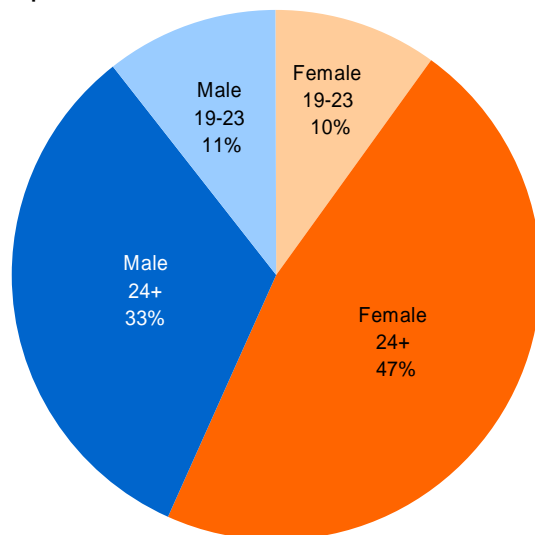
Figure 8a Adult (19+) Equality and Diversity in the Skills System, 2012/13³³



Source: Individualised Learner Record (ILR) using NCNC categories

Figure 8b Adult (19+) Learners in the Skills System by Gender and Age, 2012/13

The gender split of adult learners remained the same in 2012/13 as in 2011/12. There were slight increases in the proportions of both male and female 19-23 year olds compared to 2011/12 with similar reductions in the proportions of those aged 24+.

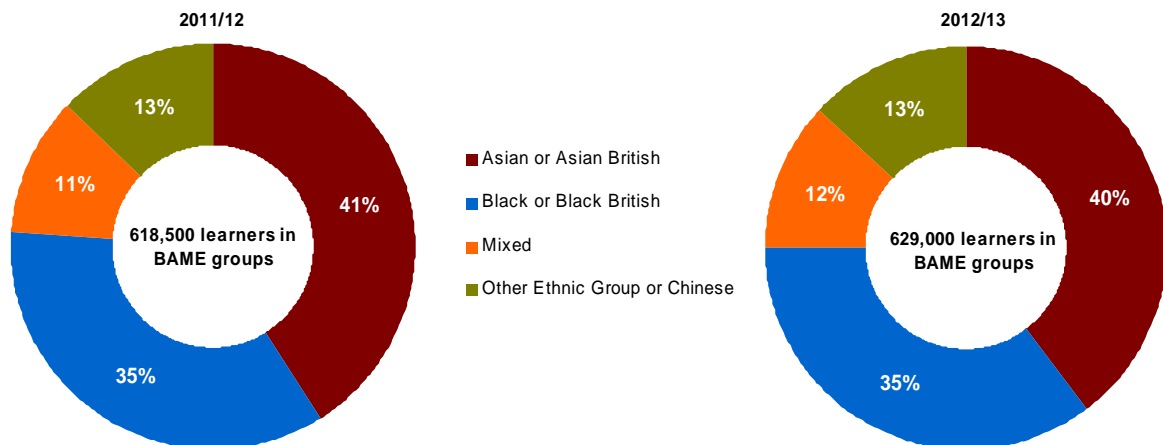


Source: Individualised Learner Record (ILR) using NCNC categories

³³ There is no England comparison for Learners with Learning Difficulties and/or Disabilities.

Figure 8c Adult (19+) Total BAME Learners in the Skills System by BAME group, 2011/12 and 2012/13

The number of BAME learners increased by 1.7 per cent to 629,000 in 2012/13 with the overall proportion of BAME learners within the skills system remaining around 22 per cent. There was little change in the composition of BAME groups from 2011/12 to 2012/13 with Asian or Asian British and Black or Black British ethnicities continuing to comprise three quarters of all BAME learners.

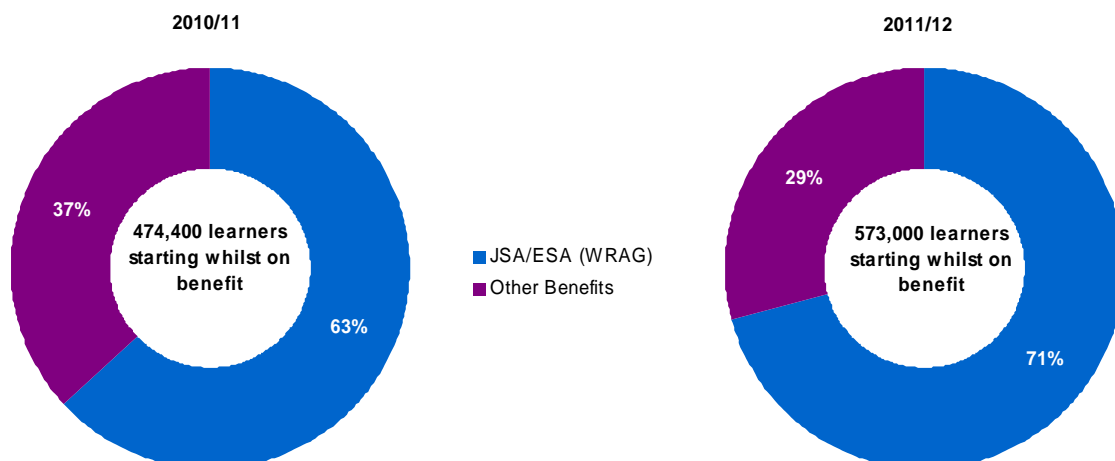


Source: Individualised Learner Record (ILR) using NCNC categories

Further Education and Benefit Claims

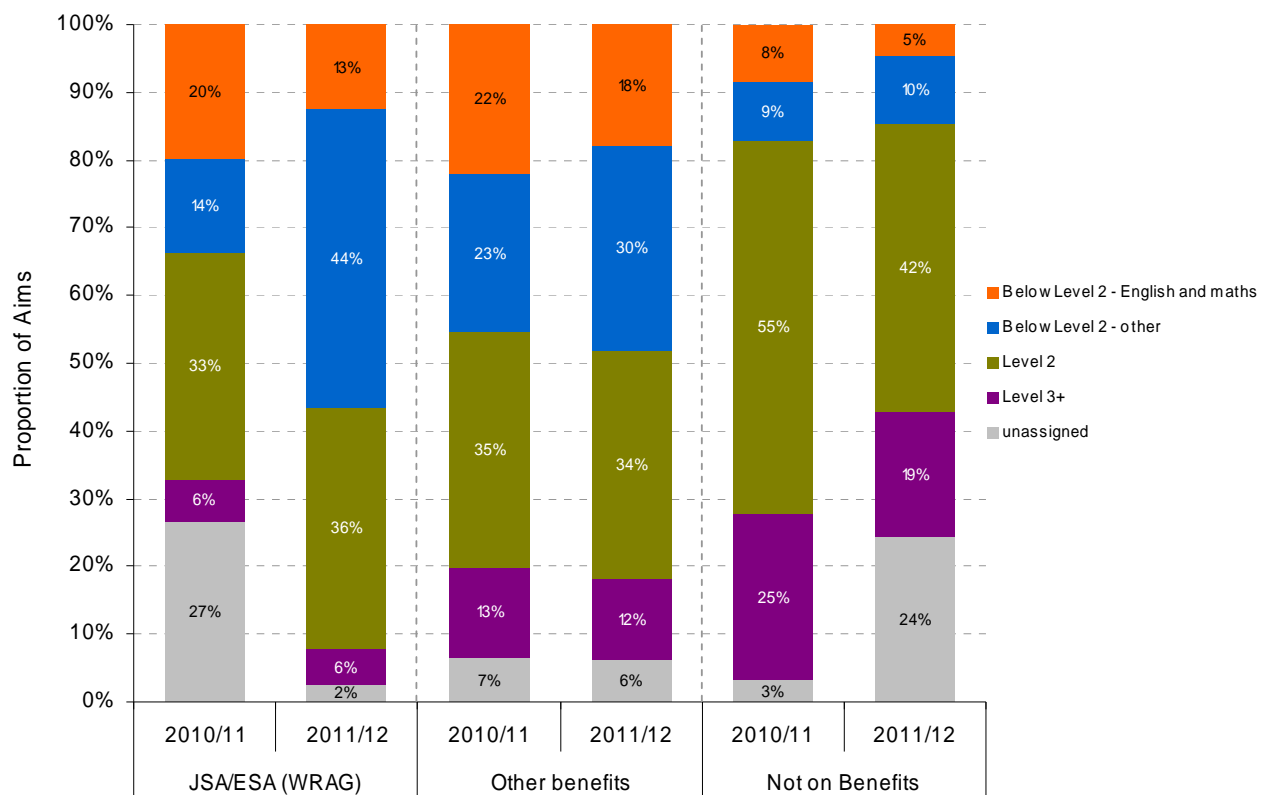
Matched BIS learner and DWP benefit data show that in 2011/12 (the most recent year for which full year data is available), 573,000 learners participated in the skills system whilst on benefits. 71 per cent of those were receiving Jobseeker's Allowance or Employment and Support Allowance (JSA/ESA WRAG), an increase from 63 per cent in 2010/11.

Figure 9a Adult (19+) Learners in the Skills System on Benefits, by Benefit Type, 2010/11 and 2011/12



Source: FE for Benefit Claimants: December 2013 http://www.thedataservice.org.uk/statistics/other_statistics_and_research/

Figure 9b Adult (19+) Aims in the Skills System, by Benefit Type and Level, 2010/11 and 2011/12



Source: FE for Benefit Claimants: December 2013
http://www.thedataservice.org.uk/statistics/other_statistics_and_research/

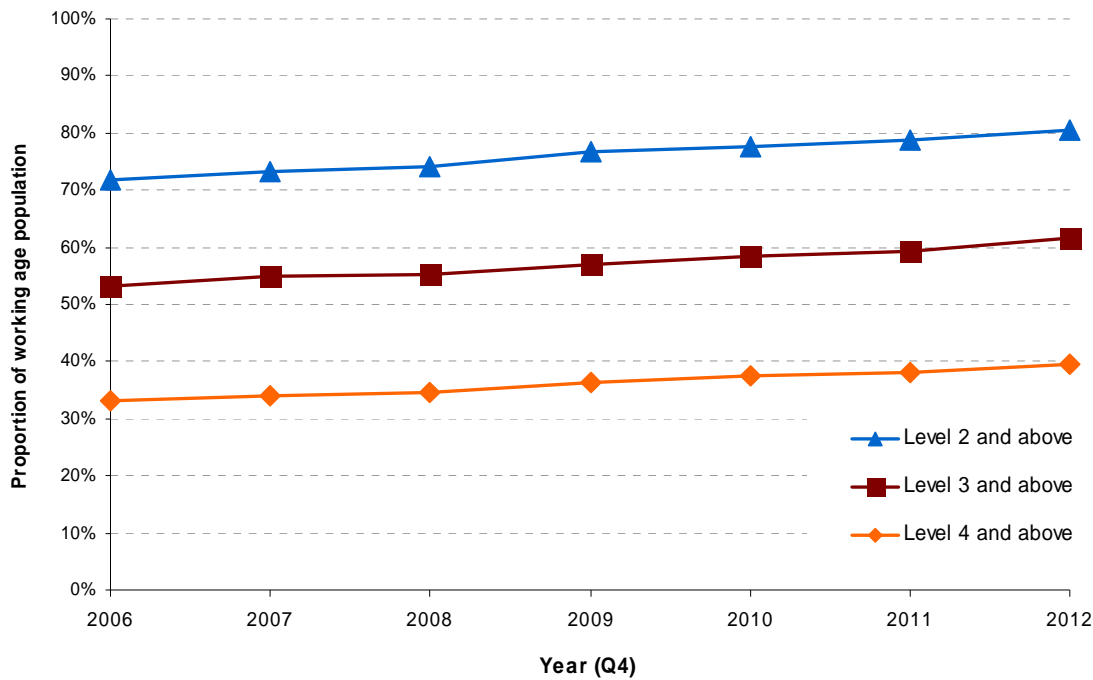
Progression and Outcomes

Highest Level of Qualification in the Population

Having a skilled population is vital to maintaining the international competitiveness of our economy and creating high quality jobs. Improving our skills does not just improve our economy; it also has the potential to make the UK a fairer place by creating more social mobility and enabling people to play their part in society.

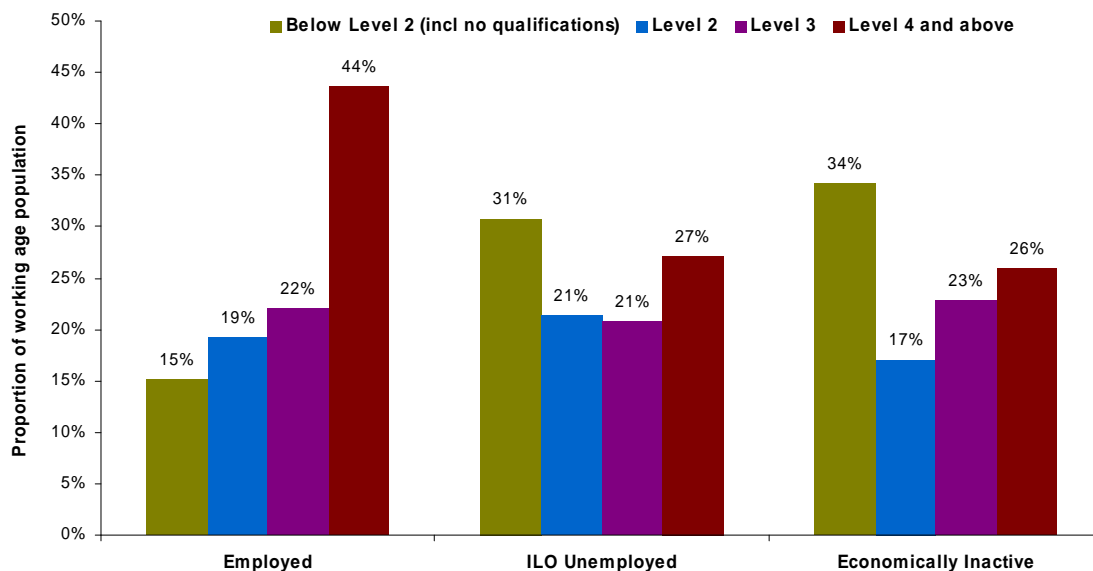
Figures 10, 11 and Table 1 look at the qualification levels and the economic activity of the working age population. The qualification levels of the working age population have increased gradually over recent years as shown in Figure 10. In 2012 it was estimated that 80.6 per cent were qualified to Level 2 and above; 61.6 per cent were qualified to Level 3 and above; and 39.5 per cent were qualified to Level 4 and above.

Figure 10 Highest Level of Qualification Held by Adults of Working Age, 2006 to 2012



Source: Labour Force Survey (LFS)

Figure 11 Highest Level of Qualification Held by Adults of Working Age, by Economic Activity³⁴, 2012 (Quarter 4)



Source: Labour Force survey (LFS)

³⁴ 'International Labour Organisation (ILO) unemployed' estimates are taken as those people declaring themselves as not being employed and actively looking and available for employment. The ILO Unemployment Rate is calculated as the number ILO Unemployed divided by the number Economically Active (ILO Unemployed + Employed). Economically inactive people are not in work and do not meet the internationally agreed definition of unemployment. They are people without a job who have not actively sought work in the last four weeks and/or are not available to start work in the next two weeks.

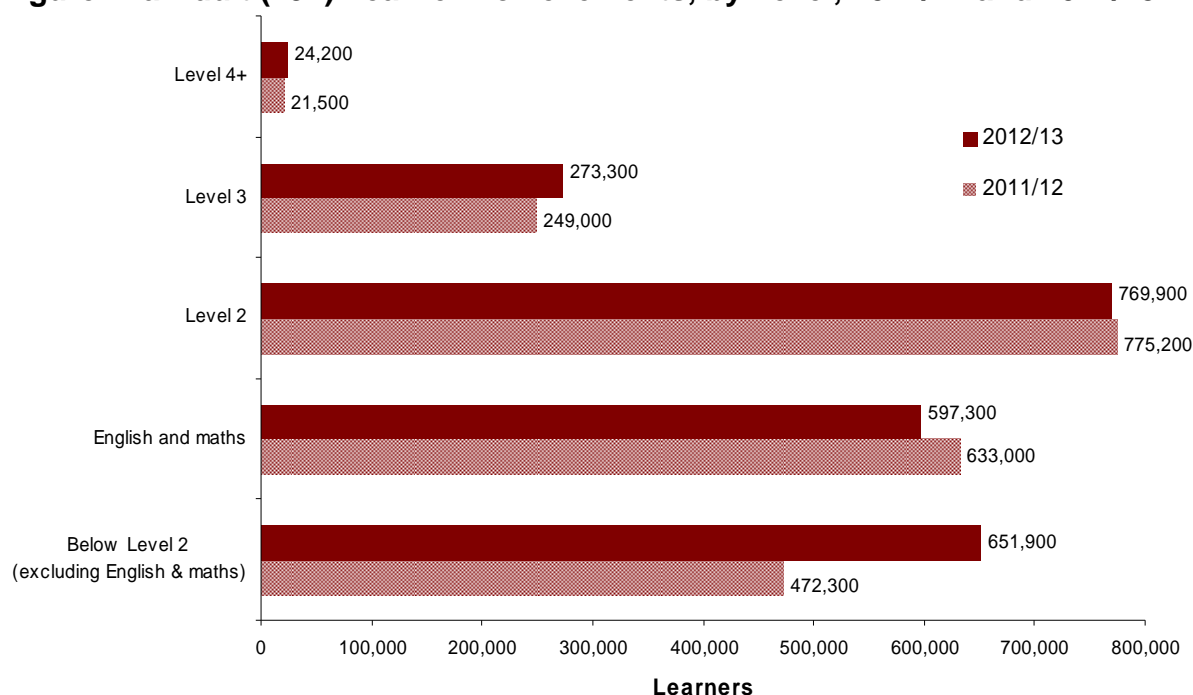
Table 1 Economic Activity³⁴ by Level of Highest Qualification Held by Adults of Working Age, 2011 to 2012 (Quarter 4)

Year	All people aged 19-59/64	Level 4 and above	Level 3	Level 2	Below Level 2 (incl no qualifications)
Employment Rate (%)					
2011	75.1	83.4	76.4	76.3	57.7
2012	76.5	84.4	76.2	77.6	59.6
2012 95% CI (+/-)	0.4	0.5	0.9	0.9	1.0
ILO Unemployment Rate (%)					
2011	7.6	4.5	6.7	8.5	14.6
2012	7.0	4.5	6.6	7.8	13.3
2012 95% CI (+/-)	0.3	0.3	0.6	0.6	0.8
Inactivity Rate (%)					
2011	18.7	12.6	18.1	16.7	32.3
2012	17.7	11.6	18.4	15.9	31.2
2012 95% CI (+/-)	0.3	0.5	0.8	0.8	0.9

Source: Labour Force survey (LFS)

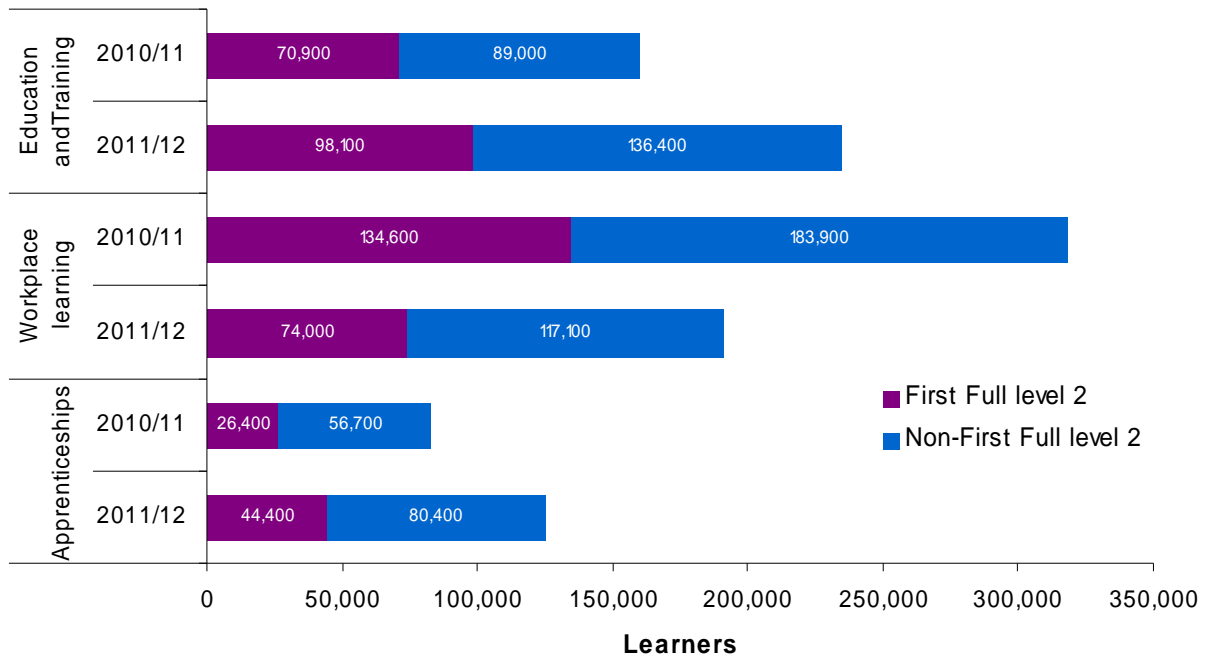
Achievements

In 2012/13 there were 2,454,000 achievements in the skills system to add to the country's skills base. This was an increase of 8.7 per cent from 2011/12. The largest increase was for those adults undertaking qualifications below Level 2 which rose by 38.0 per cent to 651,900 from 472,300. All achievement data is consistent with the definitions used in the SFR.

Figure 12a Adult (19+) Learner Achievements, by Level, 2011/12 and 2012/13

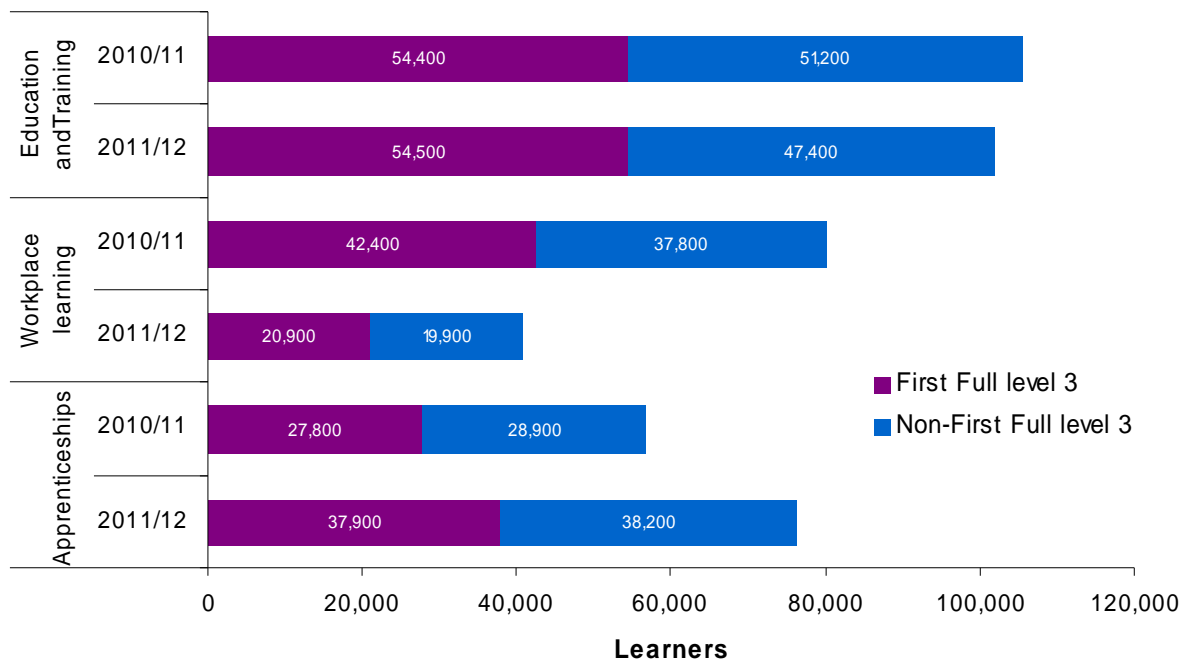
Source: Quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Figure 12b Adult (19+) Full Level 2 Learner Achievements, by Firstness, 2010/11 and 2011/12



Source: Based on quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Figure 12c Adult (19+) Full Level 3 Learner Achievements, by Firstness, 2010/11 and 2011/12



Source: Based on quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Earnings Benefits for Learners

Benefits to the Individual

Evidence³⁵ suggests that those who achieve a qualification earn substantially more in years 4 to 7 post-completion, than those who start but do not achieve a qualification. They are also more likely to be employed. This varies across qualifications and Levels.

- Those who achieve an Advanced Apprenticeship are 5 per cent more likely to be employed and earn 17 per cent more in employment than those who start but do not achieve. For an Intermediate Apprenticeship these figures are 5 per cent and 12 per cent.
- Those who achieve a Level 2 English qualification are 4 per cent more likely to be employed and earn 3 per cent more than those who start but did not achieve.
- Those who achieve a Level 2 maths qualification are 8 per cent more likely to be employed and earn 11 per cent more than those who start but did not achieve.
- Those who achieve a Level 3 NVQ are 7 per cent more likely to be employed and earn 11 per cent more than those who start but did not achieve. For a Level 2 NVQ, these figures are 7 per cent and 10 per cent.

Economic Benefits

Research³⁶ published by the Department for Business, Innovation and Skills last year suggests substantial economic benefits from a range of government-funded post-19 qualifications. For example, the report suggests net economic benefits of £28 for every pound the government invests in the Apprenticeship programme. The figure for English and maths was £23.

³⁵ Source: London Economics 'A disaggregated analysis of the long run impact of vocational qualifications' BIS Research Paper. <https://www.gov.uk/government/publications/disaggregated-analysis-of-the-long-run-impact-of-vocational-qualifications>

³⁶ Source: Cambridge Econometrics and Institute for Employment Research (2011), 'Measuring the Economic Impact of Further Education' BIS Research Paper No. 38. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32329/11-816-measuring-economic-impact-further-education.pdf

FE Choices

FE Choices was launched in January 2012 to provide clear, comparable information to learners and employers so they can make informed choices about which provider best meets their learning and training needs. It is aimed primarily at 19+ further education and at Apprenticeships of all ages. There is now a link between FE Choices and the Course Directory used by the National Careers Service. The statistics will be used by National Careers Service advisers in providing advice on FE learning opportunities.

The indicators are updated at different times during the year depending on when the data are collected. The Learner Destination indicator (Learner Destinations, Employment Rate and Learning Rate) updated in July 2013 cannot be as current as the other indicators. We need to allow reasonable time before we measure whether the learner has found sustained employment or moved into further learning. The Learner Satisfaction and Employer Satisfaction indicators were updated in December 2013. We aim to publish information as soon as it is ready.

Learner Destinations is the percentage of learners that completed a government-funded programme in one academic year who progressed to a positive destination in the following academic year.

- In 2010/11, the median provider score for the percentage of learners progressing to positive destinations was 73 per cent. Providers scored a range of 40 per cent to 100 per cent.

Employment Rate is the percentage of learners that completed a government-funded programme in one academic year who progressed to a positive employment destination in the following academic year.

- In 2010/11, the median provider score for the percentage of learners progressing to positive employment destinations was 50 per cent. Providers scored a range of 13 per cent to 83 per cent.

Learning Rate is the percentage of learners that completed a government-funded programme in one academic year who progressed to a positive learning destination in the following academic year

- In 2010/11, the median provider score for the percentage of learners progressing to positive learning destinations was 39 per cent. Providers scored a wide range of 3 per cent to 100 per cent.

Learner Satisfaction is a score out of 10 derived from a questionnaire on learners' views. The latest survey was undertaken between November 2012 and May 2013 and was based on views relating to training in the 2012/13 academic year.

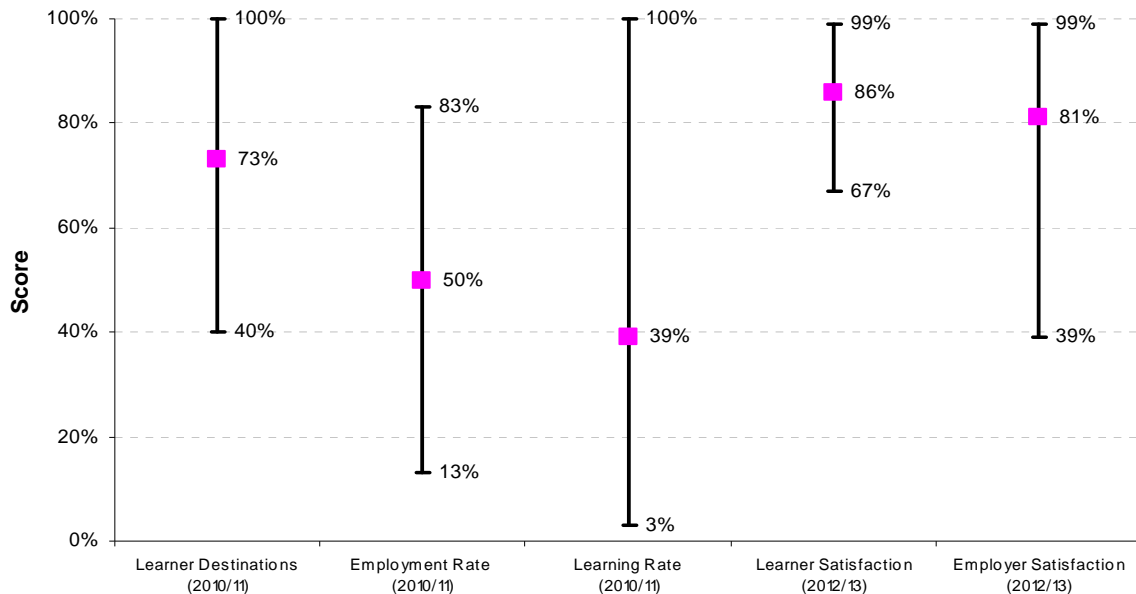
- In 2012/13, the median provider score for learner satisfaction was 86 per cent. Providers scored a range of 67 per cent to 99 per cent.

Employer Satisfaction is a score out of 10 derived from employers' responses to a survey of its providers' responsiveness and quality of training. The latest survey was undertaken between April 2013 and May 2013 and was based on views on training provided in the 2012/13 academic year.

- In 2012/13, the median provider score for employer satisfaction was 81 per cent. Providers scored a range of 39 per cent to 99 per cent.

Figure 13 shows the median, maximum and minimum scores for all indicators.

Figure 13 Learner Destinations, Employment Rate, Learning Rate, Learner Satisfaction and Employer Satisfaction Provider Scores



Source: FE Choices http://www.thedataservice.org.uk/statistics/statistics_fechoices/

Quality

Ofsted grades

The service that providers give their learners must be of the highest quality. The Office for Standards in Education, Children's Services and Skills (Ofsted) published its *Annual Report of Her Majesty's Chief Inspector (HMCI) of Education, Children's Service and Skills, 2012/13* on 11 December 2013. This shows that, as at 31/08/13, 21 per cent of all colleges were graded "Outstanding"; 51 per cent were graded "Good"; 26 per cent were graded "Satisfactory"; and 2 per cent were graded "Inadequate" following their most recent inspection³⁷.

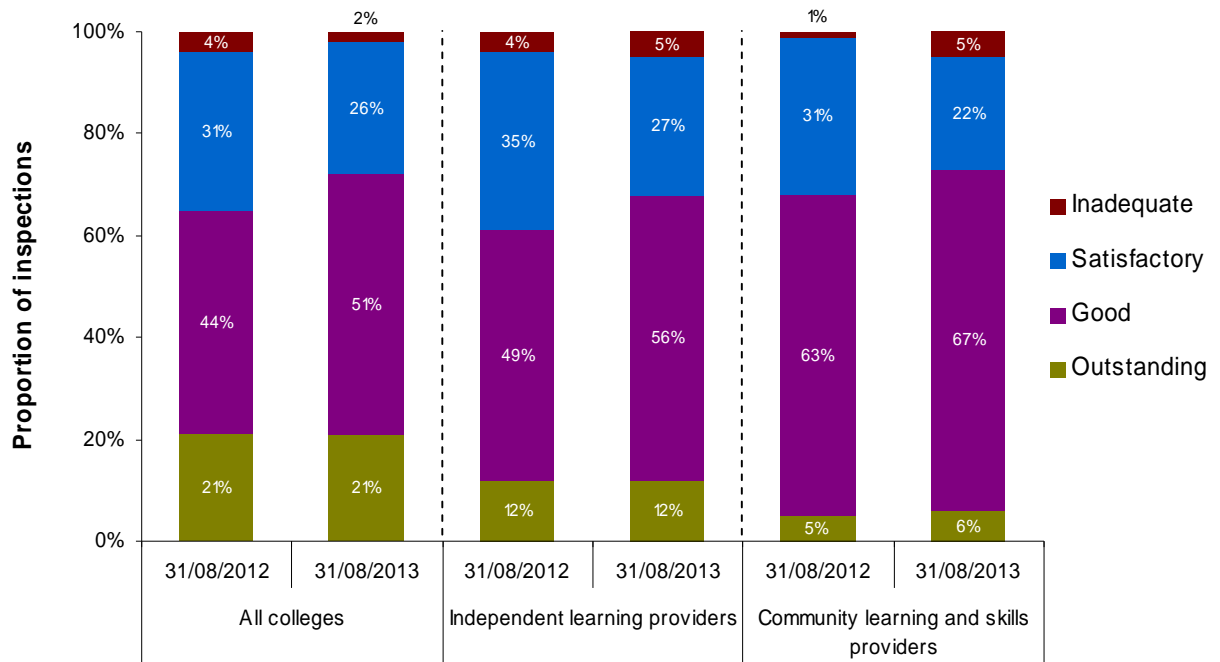
For independent learning providers 12 per cent of all providers were graded "Outstanding"; 56 per cent were graded "Good"; 27 per cent were graded "Satisfactory"; and 5 per cent were graded "Inadequate". For community learning and skills providers 6 per cent of all providers were graded "Outstanding"; 67 per cent were graded "Good"; 22 per cent were graded "Satisfactory"; and 5 per cent were graded "Inadequate".

The figures show an overall improvement in performance between 2012 and 2013 with a shift for some providers from satisfactory to good in their overall effectiveness. This

³⁷ As of 1st September 2012, FE and skills providers with the inspection outcome of grade 3 have been judged as "requires improvement". Prior to this, those with an inspection outcome of grade 3 were judged as "satisfactory".

year, all the main provider types within the sector now have more good or outstanding provision compared with 2011/12. This in part reflects the governance and leadership responding to the higher expectations of learners and the priority that providers are now giving to improving the quality of teaching and learning along with the new intervention regime aimed at quickly tackling failing provision.

Figure 14 Overall Effectiveness Grade by Provider Type at their Most Recent Inspection as at 31 August 2012 and 31 August 2013



Source: The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills: Further Education and Skills <http://www.ofsted.gov.uk/annualreport1213/fe-report>

Success Rates

Success rates are also a helpful indication of the quality of education being provided. In 2011/12, the most recent full year for which figures are available, 84 per cent of adult (19+) learners successfully completed their Education, Training and Re-training courses, up from 81 per cent in 2010/11. The Apprenticeship success rate was 74 per cent, down from 78 per cent in 2010/11.

Table 2 Adult (19+) Education and Training and Apprenticeship Success Rates by Level, 2008/09 to 2011/12

	2008/09	2009/10	2010/11	2011/12
Education and Training Provision	81%	80%	81%	84%
of which... English and maths	75%	80%	79%	80%
Full Level 2	72%	83%	78%	83%
Full Level 3	70%	78%	78%	78%
All Apprenticeships	72%	75%	78%	74%
of which... Intermediate Level	73%	73%	78%	73%
Advanced Level	71%	76%	78%	76%
Higher		73%	85%	73%

Source: Quarterly Statistical First Release: 'Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held' http://www.thedataservice.org.uk/statistics/statisticalfirstrelease/sfr_current/

Local Provision

Providers have a key role to play in responding to the changing needs of a dynamic economy and society. Through *New Challenges, New Chances* the Government has created the environment for colleges and providers to be better able to engage with their communities, and respond to the needs of local employers and learners.

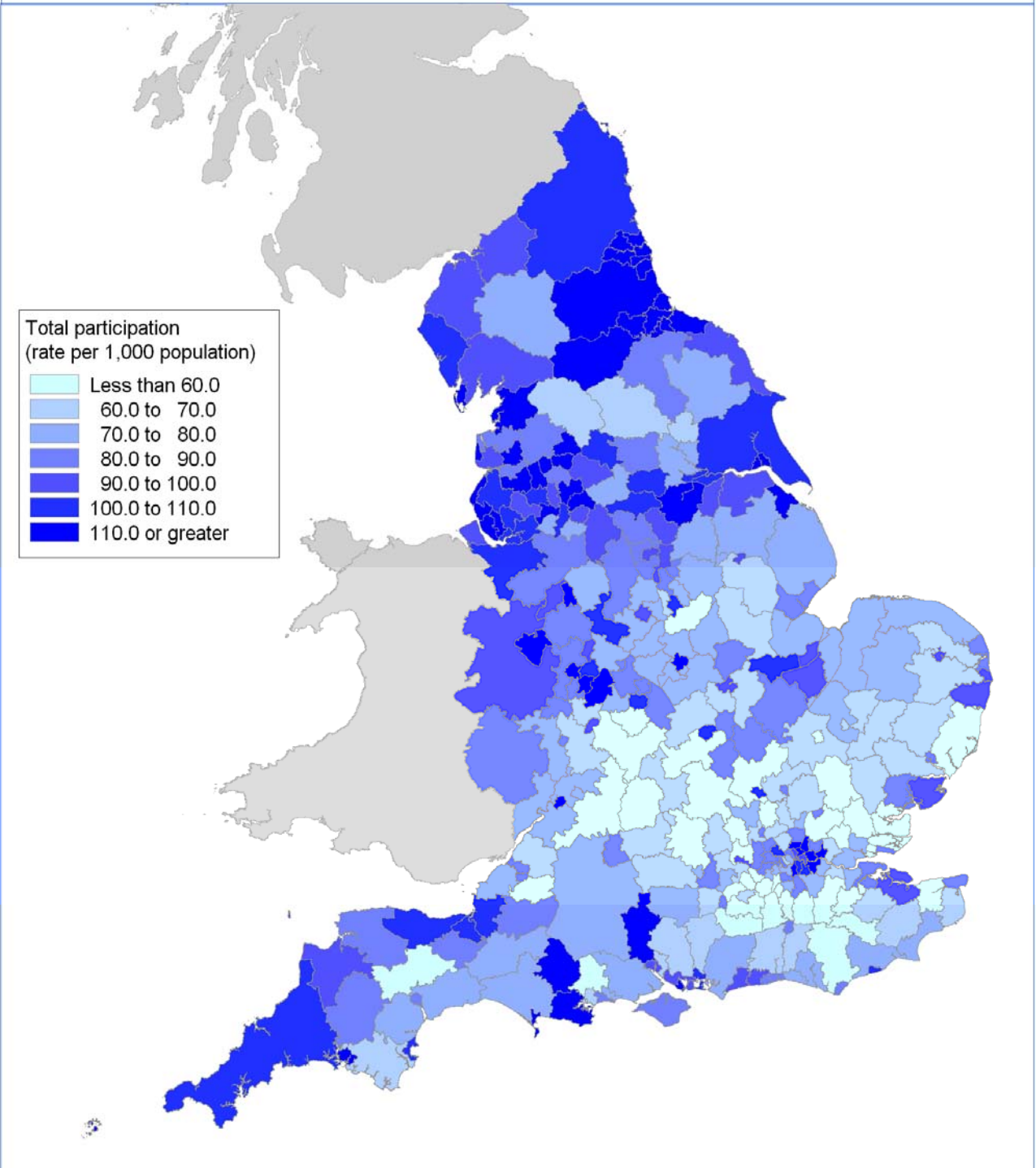
Government has given LEPs a new strategic role over skills policy, asking them to set skills strategies for their areas, and encouraging providers to work with them, including through initiatives such as the 2014-2020 round of European Social Fund (ESF), City Deals and Whole Place Community Budgets, to make skills provision more responsive to local employer demand.

This section includes two maps showing total Adult (19+) learner participation and Apprenticeship participation across England by Local Authority District. The total learner participation map shows the highest rates of participation are generally found across the North East, the North West, the South West, Yorkshire and the Humber, and parts of the East Midlands, West Midlands, London and the South East. Apprenticeship participation generally follows a similar pattern across the country with the exception of London Boroughs which have relatively lower Apprenticeship participation rates per population compared with their overall learner participation.



Department for Business, Innovation & Skills

Adult (19+) Total Learner Participation Rate, 2012/13

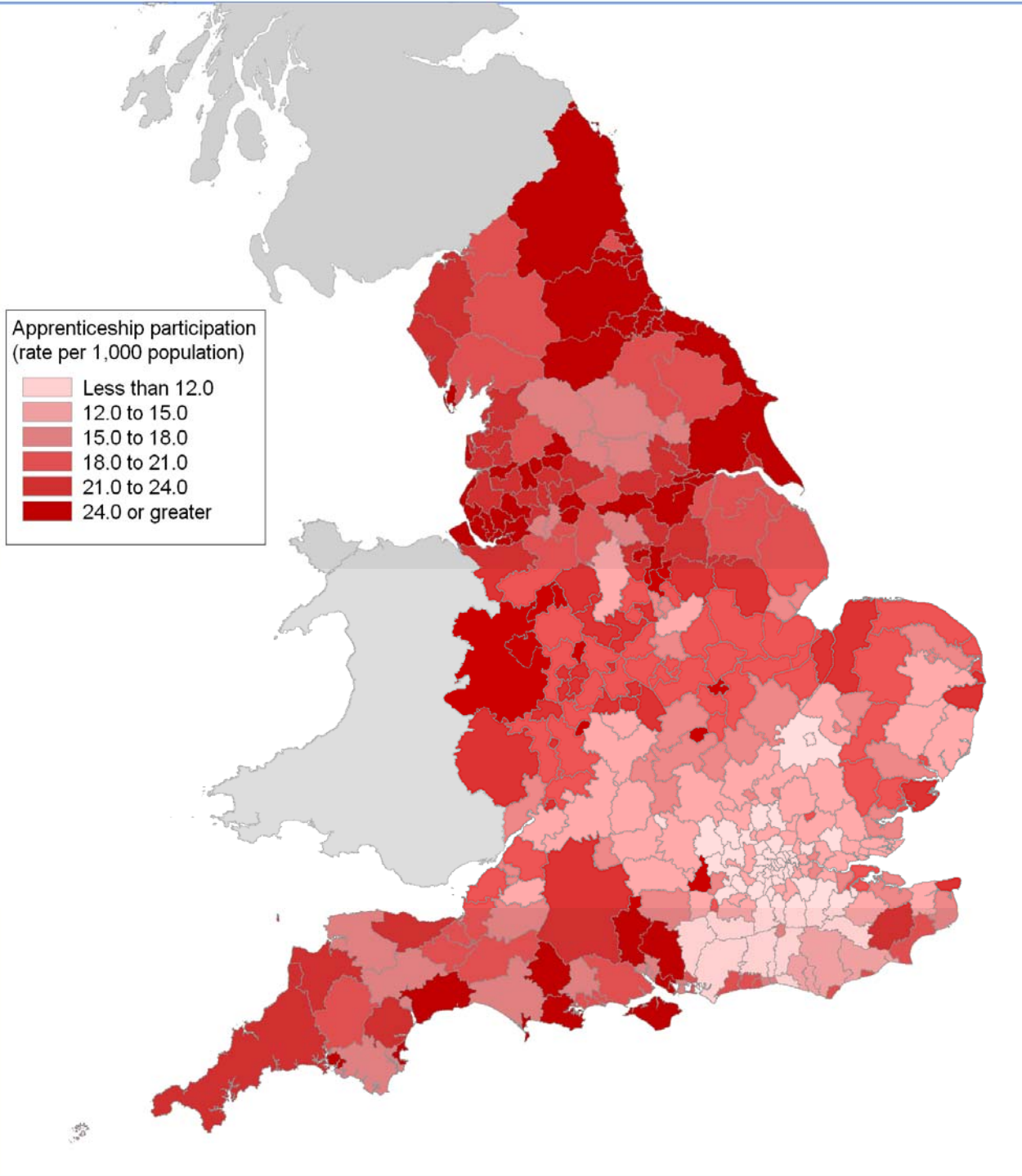


Produced by Statistical Analysis Directorate
Source: Individualised Learner Record (BIS) & Interim
2012-based sub-national Population Projections (ONS)

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 Department for Business, Innovation & Skills

Adult (19+) Apprenticeship Participation Rate, 2012/13



Produced by Statistical Analysis Directorate
 Source: Individualised Learner Record (BIS) & Interim
 2012-based sub-national Population Projections (ONS)

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Appendix A

Key features of the Apprenticeship Implementation Plan

Key elements of the Apprenticeship reform policy set out in the Implementation Plan published on 28 October 2013 include:

- defining an Apprenticeship as a job that requires substantial and sustained training, leading to the achievement of an Apprenticeship standard and the development of transferable skills;
- replacing the long and complex frameworks with standards of around one page, developed by employers and focusing on the level of skills, knowledge and competency required to undertake a specific occupation well and to operate confidently within a sector;
- stepping up the English and maths requirements in Apprenticeships by requiring all Apprentices working towards new Apprenticeship standards at Level 2 to study and take the test for Level 2 English and maths;
- requiring all Apprenticeships to last a minimum of 12 months with no exceptions regardless of age or prior experience;
- introducing rigorous independent assessment, the high level approach to which will be developed by the employers developing each standard. The expectation will be that, in most cases, at least two thirds of the assessment must take place at the end of the Apprenticeship; and
- encouraging Apprentices to strive to be the best by introducing a simple pass, merit or distinction grading system.

Trailblazers are leading the way in developing new Apprenticeship standards and the high level approaches to assessment. They will all be led by employers and professional bodies and will help to develop effective approaches as we move towards full implementation of the reforms. The first eight announced in the Implementation Plan are in Aerospace, Automotive, Digital Industries, Electro-technical, Energy and Utilities, Financial Services, Food and Drink Manufacturing, and Life Sciences & Industrial Sciences.

The Trailblazers will pave the way for full implementation of the reforms during 2015/16 and 2016/17 with the aim that all new Apprenticeship starts from 2017/18 will be on the new programme.

In addition, in the Autumn Statement, the Government announced that it will:

- develop a model which uses HMRC systems to route Apprenticeship funding direct to employers;
- consult on the technical details of the system in spring 2014 and also on the option of an alternative funding route for the smallest businesses;
- introduce a compulsory cash employer contribution for a significant proportion of the external Apprentice training costs (excluding maths and English costs);

- provide an additional contribution to the costs of training for 16-17 year olds to reflect the greater investment this cohort needs to reach full competence and separately consider the approach for 18 year olds;
- introduce a number of caps on the maximum Government contribution per Apprentice; and
- withhold a proportion of the funding for a payment by results approach.

Appendix B

Notes regarding 'benefits'

i) Adults on Job Seeker's Allowance (JSA) or Employment and Support Allowance (ESA) in the Work Related Activity Group, for skills training in order to help them into work or to remove a barrier to getting work;

ii) Adults in receipt of Universal Credit (UC), who are unemployed, subject to the Skills Funding Agency's Funding Rules (e.g. residency and age criteria) and who are mandated to skills training by their JCP adviser

- "Unemployed" includes claimants with earnings who would be eligible for JSA in the current system
- At the time of print, this is approximately £76 a week or £330 a month for a single person, and £121 a week or £525 per month for a couple
- Providers should check the DWP earnings threshold for individuals claiming UC classified as "unemployed"; Or

iii) at a provider's discretion unemployed adults on wider benefits, including those on UC who are unemployed (definition as above) but not mandated to skills training, who want to enter employment and need skills training to do so.

Universal Credit

UC replaces existing benefits, including income-based JSA and income-related ESA. It is being progressively rolled out, so that in 2014/2015 AY, claimants might be on UC or might be on "legacy" benefits when they approach providers. The funding entitlements will apply to both groups.

Adults claiming UC because they are unemployed will be mandated for skills training by their Jobcentre adviser, so they will continue to be eligible for fully subsidised training³⁸. This is equivalent to people who would have been mandated under JSA or ESA (WRAG). Adults who are mandated to start skills training must complete that training – failure to do so could result in a benefit sanction.

³⁸ Subject to the Skills Funding Agency's Funding Rules (e.g. residency and age criteria)

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