

A Simplified Further Education and Skills Funding System and Methodology

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As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

1 **General comments**

- 1.1 CIPFA welcomes the aim of the BIS consultation in simplifying the skills funding system and methodology for further education. In CIPFA's view, the system has become overly complicated and bureaucratic. CIPFA supports the criteria set out in paragraph 5 that are intended to underpin the new system. In our view, transparency, fairness, accountability, simplicity and value for money are key. We recommend, however, that taxpayers should be added to the list of stakeholder to whom colleges are accountable.
- 1.2 We are pleased to offer the following comments on the content of the consultation. CIPFA has responded to the questions in which it has a particular interest in its role as a professional accountancy body.

2 **Answers to specific questions**

Q1 We welcome views on whether these are the right principles for a streamlined FE and skills system – are there others ?

- 2.1 CIPFA broadly welcomes the core principles outlined for the new system but suggests that the following additional principles are taken into account:
- Quality – students and employers should have confidence that the education and training available is of high quality
 - Timeliness of information – in our view, it is important to determine the funding methodology well in advance of each year so that institutions are not destabilised. We recommend that there should not be 'in year' changes to methodology
 - Coherency – the further education and skills system for those over 19 should work coherently with the system for those over aged under 19 and with the system for higher education.

Q3 We welcome the views on the benefit of extending the current approach to a single post-19 funding stream and whether there are alternative models to consider

- 2.2 In CIPFA's view using a single funding stream approach will simplify the funding process whilst having a number of other benefits. It will allow colleges greater flexibility at a local level to determine their course provision and should thereby assist them in responding more quickly to changes in demand resulting from fluctuations in the economic climate.
- 2.3 There are risks to merging budgets and we are pleased to see that certain funding streams such as ESF will be excluded. In some circumstances, a merged budget approach could make it more difficult for colleges to demonstrate that they have used funds for the purposes for which they were intended.
- 2.4 It should also be noted that whilst merging SFA funding programmes may introduce greater simplicity, major areas of college activity are funded through other agencies – 16-19 education and higher education.

Q4 Would a funding envelope covering the Spending Review period support improved delivery and performance – if so, to what extent ?

- 2.5 It remains essential that the system provides colleges and other providers with sufficient certainty to use their resources to develop and maintain their capacity to deliver. In our view, a funding envelope covering the Spending Review period would enable institutions to plan and for the longer term and make investment decisions more effectively, thereby benefitting learners.
- 2.6 Where changes in the funding methodology impact on an institution's funding allocation, we would recommend that protection measures are used in the first instance to smooth transition.

Q5 We welcome views on how the sector should take the lead in determining the funding allocated to LSIS and the broad parameters of how this is spent

- 2.7 CIPFA believes that there would be benefits in including funding for improvement support for colleges and training organisations as part of mainstream funding. This would enable greater influence by the sector with regard to any top slice of this funding. This is important given the context of the overall reduction in funding for the sector and individual institutions.

Q6 We welcome views on how we can ensure the funding system supports the sector in responding to the needs of the most disadvantaged

- 2.8 CIPFA supports the incentives listed but in accommodating them requests that the funding formula is kept as simple as possible.

Q7 We would welcome views on whether the approach to public subsidy should be differentiated

Q8 We welcome views on whether employers should be accommodated through different measures within the funding system based on their size

- 2.9 We would again stress that the system should be as simple as possible in taking differentiation and different measures for employers into account.

Q9 We welcome view on the practical implications of taking into account the need for optimising co-investment and the need for simplification

- 2.10 In CIPFA's view, there could be significant difficulties in tracking income sources. This is a highly complex area and could lead to a major increase in bureaucracy, for example through a need to audit individual institution's income details. We therefore do not support claw back on income targets.

Q12 We would welcome views on the benefits of moving to a more price driven system; including how we would mitigate against the risk of focusing too much on a single outcome at the expense of the quality and relevance of the learner experience

- 2.11 Institutions' costs of delivery are based mainly on tuition hours so this, in our view, should be the main factor in determining funding rates. However, the principle that some element of funding should be outcome related is to be supported. Outcomes are currently included in the provider factor, so the current system could be substantially retained.
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Q15 We welcome views on how this might be achieved, and whether its benefits would justify the change

- 2.13 In our view, modelling should be used to test any proposed changes to programme weightings and to ensure that they are fair and do not result in perverse incentives.

Q16 Should there be a different approach to setting rates for post 19 Apprenticeships ?

- 2.14 In our view, there is a need to ensure consistency with the approach to 16-18 apprenticeships.

Q20 We would welcome views on what the 'right' minimum level might be

- 2.15 Minimum contract values would need to be set carefully in order to minimise overheads. There would also need to be effective controls operating regarding sub contracting and franchising.

Q22 Do you think it would be reasonable to expect this information to be publicly available on a monthly or quarterly basis ?

- 2.16 In CIPFA's view a core set of comparable data which captures success rates, student and employer views and student destinations should be published on an annual basis. This should minimise bureaucracy and cost.

Q23 We would welcome views on the extent to which the proposals in this document help to reduce the burden of data collection ? Are there other areas that need attention ?

- 2.17 In our view the Individual Learner Record is too complicated. We recommend that the SFA works with the YPLA, the Information Authority and the sector in order to simplify the Individual Learner Record for 2012/13 which takes into account the streamlining of the Government's programmes and potential for collecting data from other sources such as the Learner Records Service.

Q25 We welcome views on the existing aspects of the audit approach that would need to be included in a framework for use by external auditors?Are there alternative approaches to build on existing practice ?

- 2.18 CIPFA believes that there is scope to reduce the audit burden on colleges - the simplification of the funding system should allow for a more streamlined audit approach. However, further education institutions are in receipt of significant sums of public money and stakeholders must have confidence that they operate using the highest standards of stewardship and probity. In addition, the audit approach applied to commercial and voluntary organisations which are in receipt of public money must be rigorous and robust. It is essential that the same high standards for stewardship of funds also operate in these organisations.

- 2.19 We also believe there is a need to balance the autonomy of institutions with proper accountability for public funds. In our view, the SFA should not end its

funding audit entirely but employ a risk based approach to targeting future audits.

Q 28 We would welcome your views on the key considerations that we need to take into account when implementing any changes

- 2.20 A main consideration when implementing changes is the turbulence between institutions that may result. Phasing in changes and using transitional protection should assist here and we recommend that such factors are considered.
- 2.21 We also believe that it would be helpful for the skills system to be underpinned by genuinely independent advice and guidance.



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