House of Commons

Committee of Public Accounts

Train to Gain: Developing the skills of the workforce

Sixth Report of Session 2009–10

Report, together with formal minutes, oral and written evidence

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The Committee of Public Accounts

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Summary

Train to Gain has delivered a substantial expansion of training that is flexible and meets employers' needs. By July 2009, 1.4 million learners had been supported, and around 200,000 employers had staff involved in training through the programme. Most learners have benefited and some employers have seen business benefits.

There have, however, been serious weaknesses in the way the programme has been managed by the Learning and Skills Council (LSC), an executive non-departmental public body of the Department for Business, Innovation and Skills (the Department). It started badly with over-ambitious targets, and under-spending in the first two years as the programme failed to sufficiently expand demand for, and supply of, training. In year three, eligibility for training was widened which, together with the recession, increased the attractiveness of the programme for employers. At the same time training providers were still being pressed to increase training activity. These factors led to a swing from under-spend to overspend, resulting in the current unacceptable position where too much training is in the pipeline and employers with new requirements are being turned away.

Three common failings in public sector programmes are responsible for this situation:

- initially high targets that do not reflect reality as they are not based on evidence of what is achievable;
- action to address under-performance that takes insufficient account of trends in demand and capacity and economic factors, such as recession, and
- poor, untimely management information, making it difficult to identify and respond to problems quickly.

For Train to Gain, the priority is to bring expenditure under control while minimising damage to training providers and the demand for training. The Department and the LSC should focus expenditure on training with the most benefits, in sectors with the highest needs, and with providers who provide good quality training. The Skills Funding Agency, which is to take over the LSC's responsibility for Train to Gain in April 2010, should address these issues in the future running of Train to Gain and in their management of other demand-led training programmes, such as Skills Accounts.

On the basis of a Report by the Comptroller and Auditor General,[1] we examined how Train to Gain could be better managed by focusing on the areas where is has been most effective. We looked at how the Department and the LSC can get a firmer grip on demand and spending, how they can increase the effectiveness of training, and how the programme's efficiency can be improved.

1 C&AG's Report, *Train to Gain: Developing the skills of the workforce*, HC (2008–09) 879

Conclusions and recommendations

1. **Train to Gain has supported more than 1.4 million learners, but mistakes in its management have compromised the value for money of the programme.** Train to Gain has given impetus to training providers to substantially improve access to workplace training that meets employers' and employees' needs. Its innovative character cannot, however, excuse weaknesses in the management of the programme. Rather it demands strong and effective management from the outset. The Committee does not expect perfection, but concluded that the Department and the Learning and Skills Council had not managed the programme to a standard that could reasonably have been expected.

2. **Extensive pilots showed that rapid growth would be challenging, but the Department set unrealistically high targets for the first two years.** Even though the pilots indicated it would be difficult to expand the programme quickly, the Department's targets for the first two years overestimated demand from employers and the capacity of training providers to meet demand. Before it implements future programmes, the Department should require evidence that targets are based on a proper analysis of pilot work, especially where the intention is to create new demand.

3. **By year three the programme was starting to take off and extensions to eligibility, combined with the effects of the recession, created more demand for Train to Gain than could be afforded.** Having encouraged providers to expand rapidly, it was too late to avoid overspending in 2008–09, and the LSC was forced to slam on the brakes for the current year. Many providers are having to run down the capacity they built up, thereby jeopardising their capability to participate in Train to Gain. The Department should require the LSC and the new Skills Funding Agency to develop effective systems and practices for managing demand, and to avoid entering into open-ended commitments with providers.

4. **Sub-contracted providers have had the least attention from the LSC, though there is greater risk of fraud.** The LSC relies on training providers it contracts with directly to manage the risk of fraud in their sub-contractors and it is unacceptable that until recently the LSC had no information on the identity of the sub-contractors. The LSC should strengthen its oversight of sub-contracting by improving its information on sub-contractors and monitoring how prime contractors are managing the risks of fraud.

5. **Too many providers have been achieving low success rates for their learners.** In 2006–07, 26 of the largest 100 providers achieved less than 65% success. Now that capacity is well established, the LSC should begin removing providers with low success rates from the programme except where they can demonstrate clear capacity to improve and have an action plan in place.

6. **There is scope to increase further the benefits that Train to Gain has delivered for employers and learners.** Most learners have benefited from training and some employers have seen business benefits. The LSC has considerable, valuable information on success rates and the employer and learner-evaluated benefits of

specific courses and qualifications. It should use this information to focus Train to Gain on training that adds the most value.

7. **Around half of employers whose employees received training say they would have arranged similar training without public subsidy.** As a priority, the Department and the LSC should identify how they will maximise the extent to which the programme creates additional training, including by reinforcing the focus on employers who provide little or no training of their staff.

8. **Skills brokers have provided useful business advice to employers but recruited fewer learners than expected.** Though brokers have helped the focus on employers who do not generally train their staff, they are not recruiting enough learners to justify their cost of £112 million by March 2009. Now that demand for training is high and the LSC has had to scale back activity, the Department should reduce the size and scope of the brokerage service or refocus its activities.

9. **At precisely the same time as the Committee's hearing on Train to Gain, the Government was announcing a new national Skills Strategy[2] in the House of Commons.** This unfortunate timing was a discourtesy to the Committee, giving members no time to consider possible questions to the witnesses about changes in the strategy that would have an impact on Train to Gain. The Government should make strenuous efforts to avoid making announcements of such direct relevance at the time of a select committee hearing. It should seek to make such announcements at least several days, and normally no less than a week, before the relevant hearing.

2 Department for Business, Innovation and Skills, *Skills for Growth: The National Skills Strategy,* (November 2009), (http://www.bis.gov.uk/wp-content/uploads/publications/Skills-Strategy.pdf)

1 Getting a firm grip on demand and spending

1. By July 2009, Train to Gain had supported more than 1.4 million learners working for around 200,000 employers and representing around 5% of the workforce.[3] It was intended to transform adult skills provision, in response to the Leitch Review, including by delivering training in the workplace so as to make it more responsive to employers' needs.[4] While there have been important achievements, there have also been serious weaknesses in the management of Train to Gain.[5] The Department and the LSC acknowledge some shortcomings, but consider that Train to Gain was innovative and its management was a learning process, and that in those circumstances it was acceptable overall.[6]

2. The Department set unrealistically ambitious targets for the numbers of learners in the first two years, over-estimating the demand from employers and the capacity of training providers to respond. It took insufficient account of lessons from the performance of the Employer Training Pilots, the precursor to Train to Gain.[7] The pilots had involved 23,000 employers and 200,000 learners over a three year period at a cost of £271 million, and had clearly indicated that rapid growth would be challenging.[8]

3. Train to Gain activity fell short of the targets in the first two years, resulting in under-spending of £151 million against a budget of £747 million in total over the financial years 2006–07 and 2007–08 (**Figure 1**).[9] During that time, under pressure to meet targets, the LSC encouraged providers to expand their training activity rapidly.[10]

Figure 1: Train to Gain budget and expenditure

	2006–07	2007–08	2008–09
Budget (£ million)	291	456	826
Expenditure (£ million)	240	356	876
(Under)/overspend (£ million)	(51)	(100)	50
Percentage difference	(18%)	(22%)	6%

Source: C&AG's Report, Figure 7

4. In an effort to increase demand for training and respond to feedback from employers, the Department and the LSC extended eligibility for funding in 2008 to include learners

3 Q 80; C&AG's Report, para 2.1

4 Qq 4 and 7

5 Q 5

6 Qq 6 and 8

7 Qq 7–8

8 C&AG's Report, paras 2.3 and 3.1–3.2

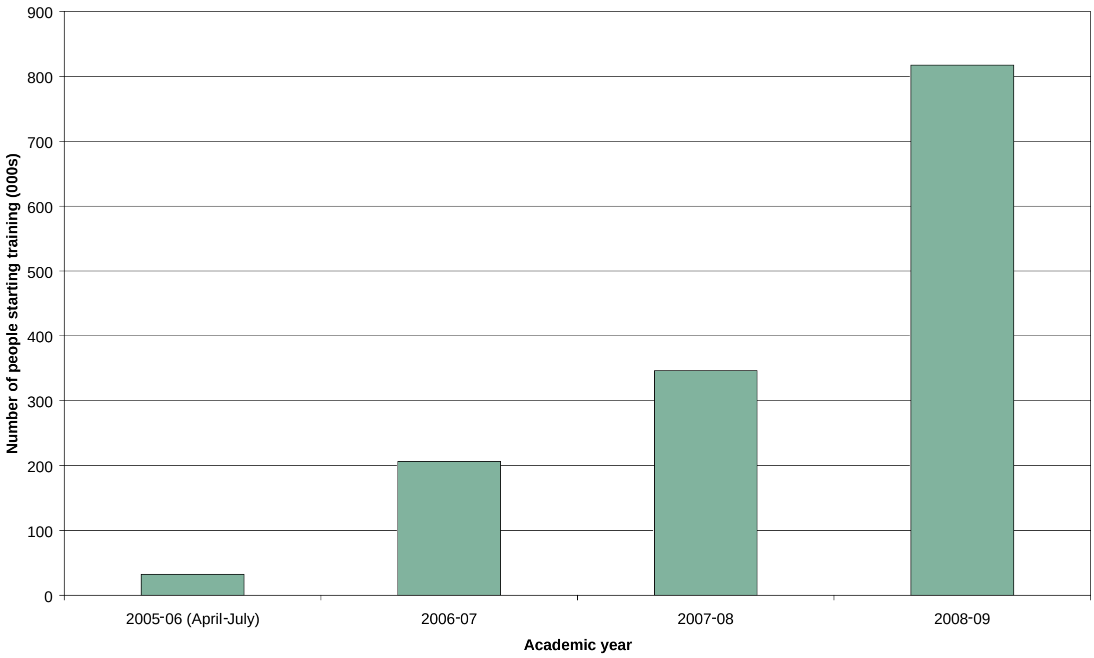
9 Q 7; C&AG's Report, para 2.7

10 Q 5; C&AG's Report, para 2.9

who already had a qualification at level two (equivalent to five GCSEs at grades A*–C). Later in 2008, Train to Gain was extended again to provide additional support to small businesses and employees particularly affected by the recession.[11]

5. The extensions to Train to Gain, combined with the steep recession which changed the economic environment, resulted in much higher demand for training that was not affordable within the existing budget (**Figure 2**). The LSC and the Department failed to anticipate the surge and as a result, in 2008–09, Train to Gain overshot its budget by £50 million.[12] The Department and the LSC considered that it was not easy to predict the impact of the extensions on demand and that no-one had foreseen the impact of the recession.[13]

Figure 2: Learners starting a Train to Gain course 2005–06 to 2008–09



Source: Statistical First Release October 2009

6. The LSC's contracts with providers are based on the academic year (August to July), while LSC is funded for the financial year (April to March). Providers have many learners who start training in one financial year but complete the following year. Much of the budget can therefore be committed before the relevant financial year has started. For example, the LSC estimated that 37% of its budget for 2009–10 was already committed to learners who had started training in 2008–09. As a consequence of this factor and the very rapid growth in demand, the LSC has had to take a 'stop-start' approach to funding which has been operationally difficult and inefficient for providers. For example, one provider had been told in September 2008 to double its learner numbers in a year and then to double them again, before being told in March 2009 to stop recruitment.[14] In another case, a provider had been required by the LSC to undergo a period of belt tightening from

11 C&AG's Report, paras 2.4–2.5

12 Q 8; C&AG's Report, para 2.8

13 Qq 10 and 18

14 Qq 16–20; C&AG's Report, para 2.8

August 2009 to March 2010, recruiting only 7 new learners each month, when it had been expected to recruit 53 per month over the same period in the previous year. The LSC then expects a step increase in recruitment to 266 learners per month in the last four months of the academic year (**Figure 3**).[15]

Figure 3: An example of how the stop-start approach to funding has affected one provider

	New learner starts (average per month)
August 2008–March 2009	40 (actual)
April 2009–July 2009	53 (actual)
August 2009–March 2010	7 (profile)
April 2010–July 2010	266 (profile)

Note: The 'profile' figures are the upper limit on the numbers of learner starts that the LSC will fund.

Source: Association of Learner Providers' memorandum

7. The LSC acknowledges that this is not a good way to run a programme. The Department could not guarantee that there would not be funding restrictions in 2010, but stated its intention to at least maintain the programme in the next financial year.[16] However, to achieve efficiency savings, the Train to Gain funding rates paid to providers will be reduced by 6% in the 2010–11 academic year compared with the previous year.[17] The LSC could not estimate how many providers will drop out of Train to Gain as a consequence of restrictions imposed on them, but noted that there had already been significant reduction since the 2008–09 academic year.[18]

8. Other commitments made by the LSC during the demand stimulation phase have also suffered. For example, agreements between the LSC and Sector Skills Councils to raise demand in specific sectors such as manufacturing have been constrained. The LSC believes over the three year period of the agreements, it will still be able to help these sectors.[19]

9. A previous skills programme, Individual Learning Accounts, had major problems with fraud relating to public money being given to providers who had not been approved through a robust contractual process.[20] In contrast Train to Gain involves a competitive tendering process where providers bid for contracts with the LSC. The contract then funds them for the number of learners engaged and the LSC carries out assurance visits to providers to check that eligible learner numbers in training correspond with the amounts claimed. In early 2009, the LSC's internal auditors found a lack of coordination of anti-fraud activity within Train to Gain with unclear responsibility for fraud risks. The LSC reports that it has subsequently taken steps to improve coordination. The LSC agreed, however, that there were particular risks associated with sub-contractors whose contractual

15 Ev 17

16 Qq 22–23

17 Department for Business, Innovation and Skills (November 2009), *Skills Investment Strategy 2010-11*

18 Q 66

19 Q 37; Ev 20 and 21

20 Committee of Public Accounts, Tenth Report of Session 2002–03, *Individual Learning Accounts*, HC 544

relationship is with the main contractor, and the LSC did not have full details of sub-contractors at the time of the NAO report. During their visits to main providers, the LSC's teams examine samples of learner files from sub-contractors, and the LSC expects main providers to hold sub-contractors to account where funding is found to have been paid inappropriately.[21]

10. In its checks on providers, the LSC found that 42% of main providers had problems with their systems for administering Train to Gain in 2008–09. The LSC has so far found £11 million paid to providers in error, of which £8.2 million had been recovered by January 2009.[22] The overall rate of error in Train to Gain payments was 5%, compared with 2% for work-based learning. The LSC considers that complexity in the funding rules had contributed to the high error rate. In response to representations from providers, the LSC has now simplified the funding arrangements for Train to Gain. The proportion of providers with problems with their systems has now gone down to 24%, and the LSC regards the incidence of fraud and error as comparatively low.[23]

21 Qq 50–53; C&AG's Report, paras 4.14, 4.17 and 4.20

22 Q 42; C&AG's Report, para 4.14

23 Qq 42 and 50

2 Increasing the effectiveness of training

11. Success for a learner in Train to Gain is the achievement of a qualification or other learning objective. The LSC monitors the success rates of providers. In 2006–07, the overall success rate was 71%, and the success rates of the largest 100 training providers ranged from 8% to 99%. 26 of these providers achieved less than the proposed 'minimum level of performance' of 65%.[24]

12. The Department considers that the LSC has focused first on the numbers of learners and employers reached by Train to Gain, and secondly on the quality of provision. Because Train to Gain was a new programme, in its first three years the LSC did not apply the framework for quality control that was in place on colleges and other programmes. From next year, Train to Gain providers will be subject to the same quality framework as other programmes.[25]

13. The LSC acknowledges that a relatively small number of providers have delivered poor success rates, which it considers is a typical pattern across its programmes. It considers that it takes action quite quickly where providers are identified as under-performing, issuing a 'notice to improve' and holding back on agreeing further contracts until progress has been made. For the 2009–10 academic year, the LSC has reduced 239 provider contracts and taken away 29 contracts, although it has not provided information on how many of these changes related directly to poor quality provision.[26]

14. Effective training should provide benefits to employers. There have been limited benefits to employers in terms of improved profit margins and increased sales and turnover (**Figure 4**). The LSC considers that longer term financial benefits such as profitability might be regarded as a by-product of Train to Gain, and that there are social benefits such as increased literacy and numeracy of people in the workforce.[27] The Department highlighted research from the Institute of Fiscal Studies that found that a 1% increase in the proportion of employees trained is associated with an increase in productivity of 0.6%.[28] It notes that 66% of employers considered that Train to Gain had improved their long term competitiveness.[29]

15. The Department told us that its new Skills Strategy, which was announced in the House during our hearing, would aim to focus training provision more on areas that are economically critical, with £100 million—about 10% of the programme—earmarked for training focused on growth areas and new industry job-related areas. Another £50 million would be used to work with the Sector Skills Councils to secure co-funding from businesses particularly for higher level training at levels 3 and 4. The Skills Strategy also presented an opportunity to focus more on increasing skills rather than just accrediting

24 Q 55; C&AG's Report, paras 2.10–2.12

25 Qq 60–62

26 Ev 13

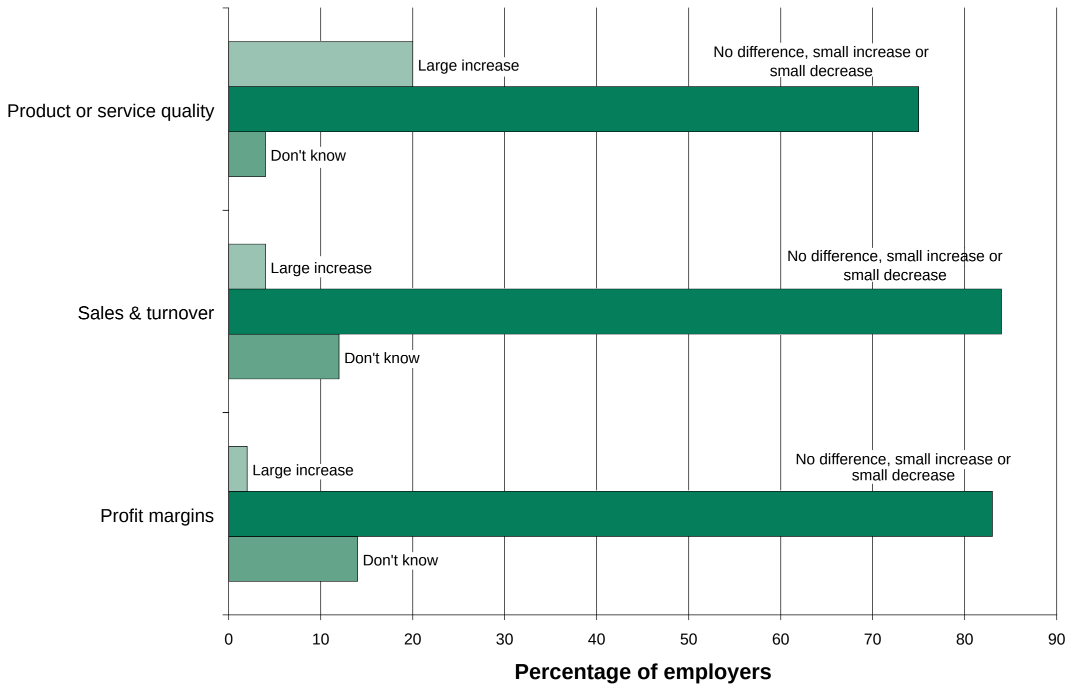
27 Qq 67–69; C&AG's Report, Figure 13

28 Q 80

29 Ev 13

existing skills, though the LSC considers that accrediting skills has value because qualifications are portable and improve employment opportunities.[30]

Figure 4: Employers' financial and operational benefits from training



Source: Train to Gain employer evaluation: Sweep 4 research report

30 Qq 3, 34–37, 44 and 48

3 Tackling areas of inefficiency

16. The LSC adopted a decentralised approach to implementing Train to Gain, with its nine regional offices managing relationships with providers. There have been differences between the regions in how they contract with providers, manage performance and carry out their audits of providers. The LSC has taken steps to centralise some parts of the management of Train to Gain and to reduce the differences between regional approaches. However, the differences have contributed to substantial variations in performance, for example in the independent 'skills brokerage' service that is intended to help employers identify their training needs and appropriate training.[31] Employer satisfaction with brokerage in 2008 ranged from 85% in the South West to 69% in London and 72% in the West Midlands. The LSC accepts that the variation, which reflects the organisational structure of the LSC, is not ideal. It is taking control of Train to Gain nationally so as to eliminate these and other differences.[32]

17. Between April 2006 and March 2009, brokerage cost £112 million and resulted in around 143,400 engagements between skills brokers and employers. Three-quarters of these employers were 'hard to reach' employers who are generally employers who train their staff less.[33] Although valued by employers for their impartial advice, skills brokers have recruited fewer learners than expected, delivering around 20% of learners compared to a target of 30%. The unit cost of a broker's engagement with an employer is £810, compared with the unit cost of £970 for funding the training of a learner. The LSC considers that skills brokers are worthwhile because they focus on 'hard to reach' employers and because more than a quarter of engagements result in a referral to non-LSC funded training.[34]

18. There have also been weaknesses in communicating policy and process changes to providers, brokers and employers, leaving them confused and frustrated. In part this was a consequence of the speed of the changes. The LSC considers that it is now in much closer contact with providers and their representative bodies.[35]

19. Government programmes should achieve a high level of 'additionality': what the programme achieves (in this case, training) over and above what would have happened anyway. The evaluation of the pilots reported that only 10–15 % of the publicly funded training was additional. The LSC's recent evaluation of Train to Gain found that around half of employers whose employees received training would have arranged similar training without public subsidy, and two-thirds had used Train to Gain to help meet legal requirements to train staff.[36] The eligibility criteria are now so broad that there is an

31 C&AG's Report, paras 2.13, 4.13, and 4.15

32 Qq 40–41

33 C&AG's Report, paras 3.6 and 3.10–3.12

34 Q 29; C&AG's Report, para 6

35 Q 43

36 C&AG's Report, paras 3.6–3.7

increased risk that employers who are already providing training will use Train to Gain to pay for it.[37]

20. The Department and the LSC consider that Train to Gain has achieved a reasonable level of additionality. The Government created an entitlement for people to have level two vocational training where they were not already qualified at that level, so it has an obligation to support these learners in any event. The Department also considers that Train to Gain is resulting in employers training more people, with 70% of employers saying that they do so, and more training resulting in a qualification.[38] The Treasury considers that deciding an acceptable level of additionality is a matter of judgement, but that it is important to strive for the highest level achievable.[39]

37 Qq 12–14

38 Qq 12 and 64; C&AG's Report, para 18

39 Q 65

Formal Minutes

Monday 11 January 2010

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Rt Hon Keith Hill
Mr Ian Davidson	Mr Austin Mitchell
Nigel Griffiths	Rt Hon Alan Williams

Draft Report (*Train to Gain: Developing the skills of the workforce*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 20 read and agreed to.

Conclusions and recommendations 1 to 9 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 13 January at 3.30 pm

Witnesses

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Third Report	Financial Management in the Foreign and Commonwealth Office	HC 164
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Sixth Report	Train to Gain: Developing the skills of the workforce	HC 248

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 11 November 2009

Members present

Mr Edward Leigh, Chairman

Angela Browning
Nigel Griffiths
Keith Hill
Mr Austin Mitchell
Mr Alan Williams

Mr Aymas Morse, Comptroller and Auditor General, **Mr Rob Prideaux**, Director, Parliamentary Relations and **Ms Angela Hands**, Director, National Audit Office, gave evidence.

Ms Paula Diggle, Treasury Officer of Accounts, HM Treasury, gave evidence

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

TRAIN TO GAIN: DEVELOPING THE SKILLS OF THE WORKFORCE [HC 879]

Witnesses: **Mr Simon Fraser**, Permanent Secretary, and **Ms Kirsty Pearce**, Deputy Director (Delivery of Workplace Training), Department for Business, Innovation and Skills, and **Mr Geoff Russell**, Chief Executive, Learning and Skills Council, gave evidence.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report on *Train to Gain: Developing the Skills of the Workforce*. I would like to welcome Simon Fraser, who is the Permanent Secretary at the Department, and Kirsty Pearce from the Department for Business, Innovation and Skills, together with Geoff Russell, who is the Chief Executive of the Learning and Skills Council. You are all very welcome to our Committee. I am sorry about the slightly delayed start due to the fact that we are starting straight after Prime Minister's Question Time. I would also like to welcome a visiting delegation who are doing a conference on trust in government. They are from Kenya, Malaysia and Tanzania and are all very welcome. Thank you for coming to our Committee. Mr Fraser, I can see on the television up there that at the precise moment that we are meeting your Minister is giving a statement on skills. This meeting has been planned for weeks. Is it not rather discourteous to this Committee that your Minister rises on the floor of the House at the precise moment that we are meeting?
Mr Fraser: Chairman, thank you for your welcome. I do not think it is discourteous. I agree that it is not ideal timing. It was not my choice of timing.

Q2 Chairman: For all we know he might be setting out a completely new policy and we might have wanted to ask questions about it. Unlike the leading opposition spokesman I am given no advance warning of it—why should I be—and we have no idea what he is saying. I know you can tell us at length now, which will take up more time. I just cannot believe you are doing this.
Mr Fraser: The Minister is announcing a new skills strategy, which is called Skills for Growth, Chairman. The announcement of this strategy has been trailed in advance for some time. The precise timing was not within my own control, nor indeed entirely within the control of the Department, obviously that has to be co-ordinated with Government business. I am very happy to share with the Committee the main details.

Q3 Chairman: Briefly you had better do it, but we cannot take up too much time.
Mr Fraser: The main elements of the strategy that is being announced is essentially about how we should take forward our Adult Skills Strategy to equip us best for coming out of the recession and the period of growth that we anticipate ahead. That is why it is called Skills for Growth. There are three main elements to it, Chairman. The first is to, in a sense, shift the focus a bit towards the higher level of skills, and in particular the creation of 35,000 new advanced apprenticeships, technical apprenticeships in those areas of the economy where we feel there is a particular gap for highly qualified technical apprentices in growth areas. That is one of the main elements. The second is proposals to increase choice and information for learners so that they have more choice in selecting providers of training and more information on the benefits from courses. Part of that will be the introduction of skills accounts that will enable individuals to know what their entitlements are and use that in their engagement with providers. The third element is simplification. The Government intends to take up the proposals made by the UK Commission for Employment and Skills advocating a reduction in the number of publicly funded bodies in the skills sector. The strategy will be announcing the intention to significantly reduce those bodies.

Q4 Chairman: That is all very interesting. Perhaps the Comptroller and Auditor General, when he next sees the Permanent Secretary at the Cabinet Office, can mention we hope this sort of thing will not happen again. Thank you very much. Can you look at paragraph 18, please? Apparently there is a disagreement, which is rare in this Committee, between you and the National Audit Office. You disagree with them on the fact that they say this has not been good value for money and you say it has been. Why are they wrong and you are right?

Mr Fraser: If I may say, Chairman, overall we value this Report and find it is a useful Report. It raises a number of important issues about the programme and makes six recommendations, five and a half of which the Department agrees with, and I think the Learning and Skills Council also, and we are prepared to take them up and work on them. I just wanted to say by way of starting that the vast majority of this Report we find helpful and useful and we are grateful for. On the particular issue about value for money, the view of the Department is that while paragraphs 16 and 17 of the Report make a number of observations and comments about the management and design of the programme, it is not our view that those comments add up to a substantiated or sustained case that the programme has not been good value for money in the time that it has been in existence, and it is still a relatively new programme. It was a programme introduced to transform and reform the provision of adult skills training, as indeed the Report makes clear, and was a highly ambitious programme, and in those circumstances it is perhaps not reasonable to expect it to have been fully successful in every respect in its very early period. Nevertheless, there are clear indicators of success in the programme both in terms of the take-up of training, the outreach to employers, the benefits that employers are recognising and the benefits to employees.

Q5 Chairman: May I just interrupt. We are not at all political in this Committee, we are not arguing with the programme, we commend the fact that it has supported 1.4 million learners, all that is taken as read, we are simply looking at value for money. In this hearing we want to grip demand, grip spending, increase effectiveness and tackle inefficiency. That is all we are worried about. I want to now turn to the National Audit Office. Can you summarise why you concluded that Train to Gain has not been good value for money?

Ms Hands: Mr Fraser has outlined the achievements of Train to Gain and we would not disagree with those. We have set those out in our Report and recognise them. We agree that the programme has had success in those important respects, but we also found a number of problems, a lot of them around the management of the programme. We talk about the over-ambitious targets at the beginning of the programme and the fact that budgets remained unspent in the first two years and that led the Learning and Skills Council's staff to press providers to make big increases in activity which actually hit the programme in the third year when it was starting to take off. Together with the extensions to the programme, which happened in the same year, this did lead to an overspend in 2008–09 and also the current position where there are providers having to drastically rein back their activity. It was really in the context of these kinds of issues that we concluded that it had not provided good value for money. There are also issues around poor success rates with some of the providers, the LSC not always dealing with those consistently, and some of those providers still being in the programme and delivering, so with the examples of poor financial management come some examples of difficulties managing providers.

Q6 Chairman: On that narrow statement, Mr Fraser, do you agree or disagree? I am not asking you about the fact that it is great, we have got 1.4 million learners, I just want you to comment on that narrow statement by Ms Hands.

Mr Fraser: I agree that the programme has not been perfect, there have been some shortcomings in management. It was a new programme. I do not agree with the judgment that that constitutes not good value for money. I also believe that in a programme of this sort, which is about essentially investing in the long-term development of the economy and skills, it is not really possible to make a judgment on the value for money of that programme in such a short period of time.

Q7 Chairman: Can we look at this in more detail now. Let us look at paragraph 2.3, which is the initial targets. You fell far short of your initial targets, did you not, although you had three years of piloting? Why did learner numbers fall so far short at the beginning?

Mr Fraser: If you will permit me, I will ask Mr Russell to comment on the management issues relating to the programme. Just by way of introduction, I would say it was important for this programme to have impact. As I said, it was a transformational programme; it was not an incremental programme. It was a response to the request of the Leitch report for a very significant focus on adult skills training,[1] enhancing that and taking it to employers. It was ambitious, there is no doubt about that, and that is the context in which it fell short of the targets in the first years. Perhaps I could ask Mr Russell to supplement that.

Mr Russell: I would agree with Mr Fraser that it is a new programme, it was a reforming programme in that it required colleges who had not really dealt with employers before and private sector providers, very few of whom had dealt with employers before in this way, to rise to a very new challenge. I do not think it is unreasonable that it would take time to create that

[1] *Note by Witness:* Mr Fraser stated that Train to Gain was "a transformational programme, not an incremental programme. It was a response to the request of the Leitch report for a very significant focus on skills training……" Train to Gain was launched in April 2006 following the Employer Training Pilots, which had been rolled out since September 2002. Train to Gain was designed to transform the skills system in order to deliver the learning required to deliver skills improvements and meet PSA targets. Train to Gain therefore pre-dated Lord Leitch's Review of Skills which was published in December 2006. However, it is correct to say that the purpose of the programme is consistent with commitments in *World Class Skills*, the Government's response to the Leitch Review.

scale of change. Undoubtedly the targets were missed. I am not sure, however, that anything less than—

Q8 Chairman: What I put to you, Mr Fraser, is that you did set targets which you did not meet, you then panicked and over-egged the scheme and as a result you are now having to apply the brakes. It has been run on a stop-go-stop basis. This is not a good way of running a programme.
Mr Fraser: Targets were set which were not reached, therefore flexibilities were introduced in consultation with employers to increase uptake. Of course, the other thing that happened in that period, Chairman, was that the economy went into a very steep recession which changed the economic environment and increased demand, so external circumstances changed. I do not think it is true that we panicked. We adjusted the programme, demand increased, and indeed in the end, as the Report says, it slightly overshot, which suggests the original targets were not over-ambitious once we had worked out how to meet them, and then we had to adjust and cut back provision. I would not claim that was the ideal trajectory of a programme by any means but I do not think it constitutes not good value for money. It was a learning process and the management of the programme in those circumstances was acceptable.

Q9 Chairman: When you extended the programme in 2008, Mr Fraser, could you not have foreseen this would open the floodgates to uncontrolled demand?
Mr Russell: There are two key points here.

Q10 Chairman: I appreciate that you have just joined but you have to answer for what went before, I am sorry.
Mr Russell: Absolutely, I quite agree. I was going to make two points. One was that it is a new programme. It was not easy to predict the impact of any of these changes that were made on volumes. It was an experiment in one sense. The second exacerbating factor which Mr Fraser has referred to is what no-one could have foreseen which was the impact of the recession. Both of those things led to volume increases which, frankly, I do not think anyone could have predicted, but when they did occur we responded very quickly.

Q11 Chairman: If we look at paragraphs 3.7 and 2.8 and 2.9, would it be fair to say that you made the criteria so broad people who were already training just put the training on your tab?
Mr Fraser: This is the question of additionality.

Q12 Chairman: Yes, this is the question of additionality. It says at 3.7 roughly half the employers said they would have provided this training anyway.
Mr Fraser: There is a question of additionality. Given that an entitlement has been created for people to have Level 2 vocational training, the Government in a sense has an obligation to support that. Of course, the majority of training is provided by businesses and private sector trainers, but there is no doubt in my mind that Train to Gain has created additionality. 70% of employers say that they train more people.

Q13 Chairman: I think you will have to explain additionality bearing in mind this is broadcast and members of the public do not really know what a Civil Service term like additionality means.
Mr Fraser: The question is, "Has this programme actually added to training which would have taken place anyway?"

Q14 Chairman: Exactly.
Mr Fraser: Your question was about whether we were picking up the tab for things others were doing. My answer is there is clear evidence, I believe, that indeed additionality has been achieved. The responses from employers bear that out. The fact that 50% of employers say they would have provided the training anyway is a point of view that they gave us but it is not substantiated in hard fact. There is another piece of evidence that suggests while employers were providing training they were not in all cases providing a qualification at the end of that training, which is quite important for learners. In fact, only 15% of those who said they were providing Level 2 training actually said they were making arrangements for the Level 2 qualification to be achieved. There are important elements of additionality there.

Q15 Chairman: My last question is to Mr Russell. You have presumably seen the memorandum we have received from the Association of Colleges and the main point we have been getting from all these memoranda is you now have to put the brakes on. If we look at this memorandum, the various periods of the funding, what you see is towards the end of the financial year they are being heavily constrained in what they can do and then suddenly at the beginning of the next financial year, April 2010, the brakes come right off and they have to start everything up again. Is this a good way of running a programme?
Mr Russell: Chairman, it is not a good way to run a programme. Unfortunately, we are constrained in two respects. One is that as a result of the significant demand created, providers did a huge amount of training in the first three months of this year, so they benefited from that and learners benefited from that. The other constraint we have is, unlike if this were a private sector programme where if your sales went up you would go to the bank to borrow some more money to deliver the product, here we have to live within the constraints of a 12 month budgetary period; we are not allowed to go over budget.

Q16 Mr Mitchell: I think this is a good programme—that is my deference to party loyalty—but I think the Report does show that it has been incredibly badly managed. I would like to bring in the experience of the Grimsby Institute of Higher and Further Education here which has been very badly messed about by the LSC anyway, although there is no vindictiveness in my further comments and you have to bear that in mind in the background. I asked them to tell me how it has worked for them and they said the main problem has been mixed messages. "In September 2008, we were asked by LSC officials whether we would be prepared to double the amount of NVQs that we could deliver through Train to Gain in a year and then double it again in the following year. By March 2009 we were told to stop recruiting as there would be no funds available to support any over-performance", so they had to go round and apologise to the employers. "We were left in the awful position of going back to employers to tell them that we simply did not have sufficient funds to continue to work with them. In August of this year, when we received our 2009–10 allocation, we had such a massive reduction on the previous year's funding that we had to let down even more employers at a time when we should have been supporting businesses to weather the economic climate". This is barmy. It is monstrous to handle it in this fashion. The shower in my newly installed bathroom when you switch it on is so hot you cannot get in because it boils your flesh off of you and then, if you try and adjust it, it freezes you to death. This is no way to run a programme like this. Pass the shower cap where you may!

Mr Russell: I am very familiar with Grimsby; it is a good college with a good Principal. They did suffer roughly a 10% cut in their funding for this current year from last year, which is relatively a good position they are in because they are a good college.

Q17 Mr Mitchell: Not if they have got contracts with employers and intimated they are going to take people on.

Mr Russell: Indeed. The point has been made, and it is true and we do not dispute it, that it is not an ideal way to manage a programme.

Q18 Mr Mitchell: Why were these grandiose expectations held out and then cancelled?

Mr Russell: As Mr Fraser said earlier, in the autumn of last year we were still in a position where we were under-spent. I think no-one could have predicted the impact of the flexibilities that we brought in, and we did bring on the flexibilities quite quickly in recognition of the recession. The recession then exacerbated the position and within a relatively short period of time, by February of this year, we recognised that we were in danger of going over budget and, as I said before, we had to take steps to prevent that from happening.

Q19 Mr Mitchell: That was not the only cut made in 2009–10 because they say: "We are only allowed to access 53% of our funding for the first eight months of the year with the remaining 47% withheld until April for the final four months of the year". There is no switching around between the two pots and they have been told that over-performance in either period will not be funded but under-performance will result in funding being removed. This seems a crazy way to handle it.

Mr Russell: From their point of view I can understand that. From my point of view, as I said before, the situation you have just described is what we have to do to make sure that we stay within our fiscal year budgets. We grant academic year contracts to providers and, unfortunately, we get funded on a fiscal year basis so we have to constrain the amount of money that we spend between now and next March. After next March, in anticipation of further funding, we will then be able to provide more money to providers. It is partly a recognition that after the huge volumes that went through at the beginning of this year, which at the height of the recession is actually a good thing—

Q20 Mr Mitchell: The recession is just the time when we need to be boosting this programme.

Mr Russell: Absolutely.

Q21 Mr Mitchell: Particularly in Grimsby where our unemployment rate is higher than the average and has gone up and particularly hits young people, yet they say they have had to reduce the numbers in the first eight months as the 53% has to cover learners who have been carried over from the previous year as well. That is a drastic reduction.

Mr Russell: That is precisely the reason that has limited our ability to fund smoothly over the balance of this fiscal year, because we had to use money from this fiscal year to pay for the carryover from the end of the last fiscal year to ensure that those learners completed their training. That, I am afraid, is just a result of the very significant volumes that Grimsby and others did up to the beginning of March which was at the height of the recession, so in hindsight that is a good story, but ultimately that has to be paid for within our budget. People have to tighten their belts, I am afraid, until the end of next March.

Q22 Mr Mitchell: In that connection, they also add, the sting in the tail: "We might get to April and find out the 47% is no longer available if the Government has used that pot to fund other projects". Can you guarantee that the 47% will be available?

Mr Russell: I think it is probably for Mr Fraser to deal with the policy aspects. As I understand it, there is a planned increase in the Train to Gain budget for next year.

Q23 Mr Mitchell: Can you guarantee it, Mr Fraser?

Mr Fraser: I think in the present circumstances it is difficult to guarantee anything, but the intention certainly is to maintain Train to Gain because it is a successful programme to which we attach a great deal of value.

Q24 Mr Mitchell: In that connection let me bring up the item in *The Observer* on Sunday: "Secret Labour plan to axe spending on training for young. Leak reveals cuts of £350 million. Business fury over jobs scheme. £350 million of cuts that will slash the number of training places on offer by hundreds of thousands. The cuts are in a memo marked "Protected—Funding Policy" sent on 12 October by the Department of Business, Innovation and Skills to Business Secretary, Lord Mandelson." The cuts are mainly going to affect the 19-plus age group doing joint courses at FE colleges and Train to Grain". They estimate with a cut of £1 million we are reducing a total of 133,000 learners from the baseline and if we are going to have to lose £350 million this is going to be monstrous, is it not?

Mr Fraser: Mr Mitchell, *The Observer* may have felt that they had a scoop story there but, in fact, these figures result from an agreement in this year's Budget which was that we would be seeking £340 million worth of efficiencies from the £4.4 billion further education and skills budget. Those figures were made public at the time of the Budget. It is normal on all programmes such as this that departments are asked to find efficiencies, and particularly in the current fiscal situation that is only to be expected. The document which, I think it was Mr Helm of *The Observer* got hold of, was an internal memo considering some early possible options for how those efficiencies might be met. It did not constitute agreed policy. It does constitute a normal and prudential way for the Department to be seeking to meet its efficiency obligations as imposed on it by the Treasury.

Q25 Mr Mitchell: It is being considered, you cannot tell us that it will not take place?

Mr Fraser: We are obliged to find efficiencies across all our programmes.

Q26 Mr Mitchell: Disguised as efficiency savings.

Mr Fraser: Finding efficiencies always involves making difficult decisions and prioritising choices. These are some of the initial options that have been under review within the Department.

Q27 Mr Mitchell: It is distressing to hear that. Let me turn to the Association of Colleges who says that the LSC has taken drastic action, and that includes a requirement that colleges ration access to the scheme on a monthly basis and defer most enrolments until April 2010. That is at a time when further cuts may well be coming in.

Mr Russell: As Mr Fraser has said, these are possible ideas that were considered but to my knowledge there are no plans to defer enrolments until next April.

Q28 Mr Mitchell: Somebody is speaking with a forked tongue somewhere, are they not?

Mr Russell: There are a number of options that have been considered. On Train to Gain, if that is what you are referring to, it will be necessary, as you talked about earlier, between the fiscal and academic year split for a reduced level of learners from now until the end of next March to stay within our budgets. Post the end of next March more money should be available at some level.

Q29 Mr Mitchell: I do not think I would want to be 19 at a time like this. Let me bring out one further point which is in the Association of Colleges' letter and is also echoed by the Grimsby Institute, and that is the use of brokers. You are paying brokers to recruit people to these schemes at a time when you are trying to damp demand, which seems incredible. The Association of Colleges says that what has been spent on the brokers in the first two years amounts to a total cost of £67 million, a cost per learner of £536 for each learner recruited by the brokers but the unit cost of training them was only £672. So you are paying some organisations £536 to recruit people for a course that only costs £672 in the first place. Why is that not being stopped? Why are you still using brokers to recruit people when you are trying to damp demand and exclude people?

Mr Russell: I think, Mr Mitchell, you will find that the £534 is the cost of an engagement with a company, not the cost of recruiting a learner.[2] If that were the case, given that we have 1.4 million learners, we would be considerably over budget. Over the last couple of years brokers have been paid because they have specifically been targeted at hard to reach employers and have been very successful in doing that. We certainly take your point on why would we pay money when we are trying to dampen demand, and we have reallocated all of the money that was being spent on marketing back into learner delivery.[3] The Brokerage Service has been integrated now into the Business Link Service and they provide advice not just on Train to Gain; more than a quarter of the engagements with employers have been to refer them to non-LSC funded training. It is a much more independent process now.

Q30 Nigel Griffiths: I am very pleased that the Chairman started off by indicating that 1.4 million young people have been engaged in the programme and many of them have been very successful, but I am concerned to probe what actions were taken and what assessments were made at the beginning of the year when funding was cut for providers. Was this an across the board cut?

Mr Russell: Mr Griffiths, overall the budget was constrained.

Q31 Nigel Griffiths: I am really wanting a "Yes, it was across the board" or "No" you differentiated.

Mr Russell: It was differentiated by region, and in some cases within cities, based on assessment of provider performance.

[2] *Note by Witness:* Mr Russell stated that £536 was the unit cost of an engagement with a company rather than with a learner. In fact, the unit cost of engagement with a company (based on costs to March 2009) is £810 as stated in the NAO report. £536 is indeed the estimated cost of an engagement with a learner, based on the estimated number of learners who began programmes by March 2009 after their employers were referred by the brokerage service. We estimate the number of those learners to be 280,000. However, this is a likely over-estimate of the unit cost as it only takes account of those who began on Train to Gain programmes, whereas skills brokers make referrals to a range of solutions, including non-LSC funded provision.

[3] *Note by Witness:* Mr Russell said that "… we have reallocated all of the money that was being spent on marketing back into learner delivery." In fact, the LSC's marketing and communications budget for Train to Gain was cut to a minimum level—from £9.2m to £1.9m over the course of 2009–10. Money was reallocated to support delivery.

Q32 Nigel Griffiths: That was the answer I wanted to hear. Basically, where it says in paragraph 7 that around half the work-based learning providers achieved a 'good' rating, ie half did not receive a good rating, were they disproportionately cut?
Mr Russell: Definitely.

Q33 Nigel Griffiths: Was differentiation made by the LSC between providers that were up-skilling, to use the jargon, and those that merely accredit the existing skills?
Mr Russell: It was made based on assessments of how well the provider was actually going to deliver their budget. If, in our view, they were not going to deliver their budget we took budget away from them. If they had problems in terms of the quality we took money away from them. It was not based on did we make a judgment about the value of the learning they were providing in terms of sector or other factors.

Q34 Nigel Griffiths: Do you think it would have been worthwhile looking at whether to invest more in those that increase the skills rather than accredit the existing skills?
Mr Russell: Now that the programme is up and running, has been quite successful and we have managed to do a significant number of Level 2s and other vocational qualifications, it is probably the right time, especially with the fiscal environment we are in, to think about placing our bets a little bit more carefully and I dare say the policy that is being announced now might move in that direction.

Q35 Nigel Griffiths: You sound as though you are accepting the criticism that has been made of Train to Gain that too much funding is directed at courses that do no more than accredit existing skills.
Mr Russell: I would not accept that historically because it is important to recognise that accrediting skills has value. It gives people a portable emblem that says, "I have these skills". People who have qualifications have a 50% higher chance of being in employment than people who do not, so there is value to it, but what I said was given where we are in the programme now it is a good time to be thinking along those lines.

Q36 Nigel Griffiths: Okay. So we do not actually have measures in place that future funding might look at differentiating between those who increase the skills as against those who accredit existing ones?
Mr Russell: The UK Commission is exploring that, has been and will continue to do, and I believe we will be working with them more closely to do just that.

Q37 Nigel Griffiths: What protections are now in place to ensure that key industries do not suffer as a result of what has been—I know it was before your time—clear financial mismanagement of programmes as well? There is a ring-fenced budget of £40 million for the Sector Skills Council for Manufacturing, is that going to be released so that those in the automotive and manufacturing industries can access training?
Mr Russell: Mr Griffiths, I do not think it is a ring-fenced budget. That was part of the sector compacts which are not budgetary obligations; they are a discussion between ourselves and a Sector Skills Council that says "If you raise demand we will attempt to fund it". Those agreements were made through last year when we were in demand stimulation mode. Those compacts will have suffered along with every other compact and provider in terms of having to be constrained, but they are three year compacts and we believe over the length of that time we will be able to help them.
Mr Fraser: If I could just add one note on the policy there. The new Skills Strategy that is coming out today makes very clear that we want to focus the provision of adult training very clearly in areas that we believe are economically critical to the future of the country, aligning that to the Government's new industry and jobs approach.

Q38 Nigel Griffiths: What monitoring mechanisms have you decided on, Mr Fraser, to ensure that the LSC achieves this?
Mr Fraser: We have a very close working relationship with the LSC and, of course, we are in the process of moving towards the establishment of the Skills Funding Agency which will be the successor to the LSC which will have a very close relationship with the Department, it will be an agency of the Department. We already have joint teams in place looking at all these areas of policy.

Q39 Nigel Griffiths: Is this something fairly new?
Mr Fraser: There have been measures that have been taken since, in particular, the Foster Report on FE Capital from which lessons were learned, so we are making sure that we are strengthening our co-operation in management of these schemes. Of course, it is the LSC's responsibility to manage these schemes, they are the managers, and the Department has a sponsor role which we take very seriously.

Q40 Nigel Griffiths: That message does not actually play very well with the Committee because we see you as the funders. We see too many agencies which seem to be allowed to get away with their own incompetence and the departments step in too late, often after the National Audit Office. Let me move on to page 21 where there is a table of regional performance. Are variations like the South West having an 85% employer satisfaction figure as against 69% in London acceptable variations?
Mr Russell: I do not think the variation is ideal but it does occur because the LSC has been designed historically to take account of regional requirements. There is a particular situation in London in that we have an Employment and Skills Board, which complicates matters.

Q41 Nigel Griffiths: I do not want to complicate matters. Let us make it simple; let us look at the West Midlands where it is 72% as against 85%, a 13%

variation. Would you like to see it at 5%? You come from a background where this is meat and drink to you, I imagine.
Mr Russell: I do not think it is ideal to have that level of inconsistency and that is one of the reasons why we have taken control of Train to Gain on a national basis, to eliminate that and some of the other inconsistencies in regions.

Q42 Nigel Griffiths: There are pretty strong criticisms in the Report. 42% of providers did not have internal robust internal controls. What is being done about that?
Mr Russell: It is probably worth mentioning that any provider who is found to have a higher than 5% funding error automatically gets an internal controls qualification. Roughly 32% of providers had funding qualifications. When you take that into account, only about 10% of them had internal control qualifications. That will probably lead you to ask me why is there such a high rate of funding qualifications and the issue there has been that historically there were two rates of funding, lower and higher, depending on the amount of time and other factors that went into the learner. The sector prevailed upon us to try to reduce that level of complication and as of last year we went to one level of funding and the error rate has gone down significantly since then. It is currently at 24%.

Q43 Nigel Griffiths: Paragraph 14 looks at the problems of communication requirements being set, “Communication has lacked clarity and has been inconsistent . . . paperwork and audit requirements have been subject to frequent changes . . . increased confusion among providers.” A lot was going wrong, what have you done to sort it out?
Mr Russell: Certainly a lot was going on and there is no doubt that the communications were not as clear as they could have been. I think that was partly a result of the speed with which the programme was launched and some of the flexibilities that were introduced. We now have a website and weekly communication newsletters to all providers. We are in much closer contact with the industry representatives, both private and the Association of Colleges. I am satisfied that we are much closer to providers than we used to be.

Q44 Angela Browning: Mr Fraser, the statement on the floor of the House at the moment to provide, I think you said, 35,000 technical apprenticeships to higher level skills, is any of the budget for what is being announced on the floor of the House going to come out of the budget for Train to Gain?
Mr Fraser: There will be some impact on Train to Gain. Of course, Train to Gain is part of the overall Skills Strategy so it is normal that Train to Gain would adapt as the overall programmes change. In the short-term, and I will invite Ms Pearce to correct me if I err on this, in the next financial year there will be a 2% shift of money out of Train to Gain to help fund the initial establishment of those apprenticeships. The future funding of those apprenticeships is yet to be decided, so there is a short-term issue, but it is a rather small issue, about £17 million. Apart from that, other aspects of the strategy which will affect Train to Gain are more in terms of focus within the programme. For example, there will be a £100 million—about 10% of the programme—earmarking of training to make sure that it is focused on growth areas and new industry jobs-related areas rather in the sense that Mr Griffiths suggested. There is another proposal, which is that we should form a joint investment framework in which we will put forward £50 million and seek to work with the Sector Skills Council to get co-funding from businesses to match that in order to share the responsibility for funding training in that area particularly to Levels 3 and 4.

Q45 Angela Browning: I wish you had told us that when you told us what was being said on the floor of the House because clearly it is quite important. I have been reading some of the papers that we received in preparation for this Committee hearing today and there are people out there under the Train to Gain programme who are involved in apprenticeship training, are there not?
Mr Fraser: Yes.

Q46 Angela Browning: Let me just get this right. We have all understood that at the moment they are in this difficult position for the coming financial year in terms of the months in which they can be fully operational because of the ring-fencing of the budget, but how will people who currently provide apprenticeship training be affected by what is being announced on the floor of the House?
Mr Fraser: I will ask Mr Russell to comment on the management. There is no reason why those who are providing apprenticeship training now should not be providing apprenticeship training in the future.

Q47 Angela Browning: But quite a long way in the future as they see it in respect of this current financial year because they are on this stop-go pattern at the moment when stop is at the beginning and go is later in the year.
Mr Fraser: Stop is in terms of the provision of new training for the reasons that Mr Russell has explained, but go is the continuation and completion of existing training which has been prioritised. That is what we are seeking to protect because it is important, of course, if we are under pressure that we allow those who started training, be it training or apprenticeships, to complete and gain a qualification. I do not know if Mr Russell wants to add anything on the specific apprenticeships?
Mr Russell: Just to the extent that a provider who is in the position of offering both Train to Gain and apprenticeships will probably be held whole. If money is shifted from one to the other or if additional money is put into apprenticeships they will benefit from more funding.

Q48 Angela Browning: So is what you are doing top slicing this existing Train to Gain budget to part fund what is on the floor of the House? Is that right?
Mr Fraser: We are not top slicing the existing budget in the current year, we are looking in future years. As we move to the new focus in the new strategy there will be a short-term, as I understand it, one year 2% use of Train to Gain funding for these new Level 3 advanced apprenticeships. Could I ask Ms Pearce to confirm that because she is closer to the operational detail.
Ms Pearce: That is right on the apprenticeship point. On the other two aspects, the joint investment with particular sectors and looking at prioritising the economic growth areas, that is about the prioritisation of money within the Train to Gain budget with implementation coming from next autumn and that will be built up over time, so you would not expect to see that suddenly displace a lot of activity from next autumn, it will be working with those sectors over a period of time. It is not a big movement of money from next autumn within Train to Gain.

Q49 Angela Browning: Thank you. Mr Russell, I know you are new to post but you have been around the Treasury and Government for a long time, and before that you were with KPMG. Have you ever heard of something called the Individual Learner Account?
Mr Russell: I am afraid I have!

Q50 Angela Browning: I thought you might have heard of them. We have certainly heard of them and are fully aware of the scam and amount of public money wasted on that programme, which is why if you could turn to page 34 I am rather concerned that in setting up the Train to Gain programme there was not quite the emphasis one would have expected on mitigating the risk of fraud. If you look at the bottom of 4.16 it says: "The LSC considers that there is not a significant risk of fraud among subcontractors, especially since many Train to Gain consortia were disbanded after 2006–07 . . ." If I read across the page at 4.20, an internal audit by your own people, it says: "It found a lack of co-ordination of anti-fraud activity with unclear responsibility for fraud risks . . ." et cetera. I cannot square that. Given that experience of the Individual Learner Account, how can you be so laissez-faire about what is going on, particularly with subcontractors?
Mr Russell: Let me answer first by saying that in response to the point that was made by our internal audit people we have taken steps to put in a much more co-ordinated approach, but it is worth saying that in comparison to ILAs, where we were actually giving individuals money through these accounts, Train to Gain is a tendered process where providers go through a strict process. We pay them each month based on what they send us. We have 150 what we call provider financial assurance people who go around and see every provider a minimum of once every three years, new providers in the first year, and they take a risk-based approach. So we go and get money if it has been given incorrectly to people. The truth is, and one has to be very careful about this, particularly in the current fiscal environment, the incidence of fraud and error is comparatively low and we work quite hard to keep it as low as we can. Error and fraud are declining, which I am pleased with.

Q51 Angela Browning: Let us just move on from fraud to value for money in terms of quality. One of the things that struck me when I read some of the submissions from the training providers who would be looking to work for you was if they are in this stop-go situation they are clearly not going to sit there without any bread on the table for a few months waiting for the money to come in, they are going to go out and get contracts elsewhere, so when your funds then start to flow no doubt they will still be bidding to provide that training but may well be in a position where they will subcontract more than they have done in the past, and I do not see many quality controls in respect of subcontractors. Do you not think that is something rather important that you should have factored in?
Mr Russell: Personally I agree with you. My experience of subcontracting is that it carries risks. I was pleased to see partly as a result of the reduction in funding that one of the first groups of providers that went were subcontractors.

Q52 Angela Browning: Because they were not giving value for money?
Mr Russell: It was because the colleges, who are quite often the people we were giving money to who then subcontracted, looked after themselves and pulled back the subcontracts. That is really what happened. It is also important to know that the 150 auditors I just referred to, when they go and audit the college doing the subcontracting they invariably select a sample of learner files from any subcontractor so if there are things going on there we will find out about it, and we do find out about it.

Q53 Angela Browning: And what happens then?
Mr Russell: The college is held accountable because they are the people we give the contract to. For example, I know of one college that because we had gone in and started an audit and indicated that there might be issues, did not pay their subcontractor. They are holding the money back until our audit is finished because they know if we conclude that money was inappropriately paid then we will ask for it back.

Q54 Angela Browning: Did you ever see anything like this at KPMG?
Mr Russell: My personal view is that Train to Gain is a very useful programme that was launched in a relatively short period of time and has done remarkable things. It does have its problems, partly as a result of being launched so quickly. It puts in a huge amount of effort to get feedback from learners and employers, unbelievable in my experience, and

responds to that. You can accuse us of changing the policy rapidly but we have been very responsive to what the market wants and what employers want. It certainly has its problems, but on balance it is one of the better programmes that I have seen in government.

Q55 Keith Hill: I think many of us, perhaps most of us around the table, would say that the Train to Gain programme is right in principle against the comparatively poor performance in training provision of British industry left to its own devices. Clearly very large numbers of workers have benefited from the programme, but there are also some questions about the effectiveness of the training provided. I would like to ask some questions about the quality of providers. I would like to begin by asking you, Mr Russell, why the success rates of large providers varied so widely from 8% to 99% in 2006–07.
Mr Russell: Mr Hill, the information in the Report demonstrates that the vast majority of providers have met or exceeded the required success rates. There is a relatively small number that have done pretty miserably, there is no doubt about that, but I think that is typical of any programme. We have a small number of colleges that perform miserably and a small number of apprenticeship providers that perform miserably. One of the things about this programme is that we do not let those things sit for very long, we are very active. Every single provider has a person assigned to it from the LSC who is very close to what is going on. To the extent that anyone is identified as under-performing, action is taken quite quickly, they are given notices to improve and we hold back giving them further contracts. Ultimately, we reduced or took away 268 provider contracts.

Q56 Keith Hill: 268 provider contracts have been terminated?
Mr Russell: Or reduced.

Q57 Keith Hill: Out of how many providers?
Mr Russell: At the time that was done it would have been something in the order of 900 providers.

Q58 Keith Hill: So about a third have in some way lost or had their contracts reduced?
Mr Russell: Mostly reduced rather than lost, yes. I have to say that some of that, not all of it but some of it, was to do with our budgeting issue, but the majority of it had to do with quality issues.

Q59 Keith Hill: The majority had to do with the quality of the work that they did rather than budgetary considerations. Offhand, can you recall what the number was of those who had their contracts terminated and those who had their contracts reduced?
Mr Russell: I am afraid I do not, but I would be happy to provide that information.[4]

Q60 Keith Hill: That would be helpful. Let me ask Mr Fraser, do you think that the LSC gives sufficient emphasis to the quality of training rather than the number of learners recruited by providers?
Mr Fraser: I think that the LSC is focusing, first of all, on the numbers, the outreach, reaching the employers, but also the quality. The focus of this programme so far has been at the lower end of the training spectrum, if you like, particularly around Level 2, providing good quality but basic training. I think what we are talking about in this new strategy is whether in the next phase we should be focusing more at the intermediate and higher ends of the spectrum and making sure that we are providing very high quality training there. I am sure the LSC will focus on the quality in that phase.

Q61 Keith Hill: In fact, one of the effects of the new approach that is announced today, and I thought you suggested this in your initial description, is that you intend to concentrate contracts on fewer but higher quality providers?
Mr Fraser: It is not the Department's job to deal with the providers; I will leave that to Mr Russell. What I was saying was, having had a focus at Level 2 principally in the early part of Train to Gain, whilst maintaining that focus we are going also to be thinking in the next phase about how we can fill the gap, particularly at the Level 3 apprenticeships. Our internal analysis of our performance against the 2020 Leitch report targets[5] is that we are on course to meet those targets at Level 2 and at the very top, Level 4, but if there is a gap emerging it is at the intermediate Level 3 and that is why we want to focus a bit more there. That is the policy in relation to the shaping of the programme and the relationship to the providers in delivering that is for Mr Russell to talk about.

Q62 Keith Hill: Mr Russell, perhaps you could very briefly clarify this issue of a greater concentration on Level 3. I have no expertise in this area. It sounds as though it is quite an important area. Can you do that briefly bearing in mind that we have a very limited amount of time to ask these questions?
Mr Russell: I do not think the quality issue bears on whether we are paying for Level 2s or Level 3s. That is point number one. That choice is a policy decision. What I would say in terms of quality is because it is a new programme we have not imposed the same quality process that we have imposed on colleges and other programmes. We have given them a breathing space to start up, but as of next year they will be subject to exactly the same formal framework for quality control that all our programmes are subject to. I would not want you to think that does not mean we have not been paying attention to it, it has just been less at the forefront.

[4] Ev 13

[5] *Note by Witness:* Mr Fraser referred to performance against the 2020 Leitch targets. The correct reference is the 2011 PSA target indicators which were agreed with HMT and were set out in *World Class Skills*, the Government's response to the Leitch Review. Progress against these "indicators", is reported in the Departmental Annual Report.

The Committee suspended from 4.35pm until 4.41 for a division in the House.

Q63 Keith Hill: Let me come back, albeit briefly at the end of my period of questioning, to this question of the extra training resulting from the scheme—additionality. Mr Fraser, the Department's own evaluation of the pilots found that only 10–15% of the training was additional. Are you really convinced that there is not a problem with lack of additionality in Train to Gain?
Mr Fraser: That was with the pilots prior to the establishment of Train to Gain?

Q64 Keith Hill: Yes.
Mr Fraser: Those were the early days and the lessons of that have certainly been learnt. We are satisfied that there is significant additionality. That is not to say that there may not be some deadweight in the programme or some duplication of training that might have been provided by employers, but the evidence that we are now gaining makes quite clear, and it is evidence coming from employers, that they are training more people, different people, that there is more provision of qualification and more outreach through this programme, so I think we are satisfied.

Q65 Keith Hill: Let me finally turn to our Treasury representative and put this question to her. The Treasury publishes guidance on programme evaluation, what level of additionality would you consider to be satisfactory for a programme like Train to Gain?
Ms Diggle: It is a matter of judgment, Mr Hill. It really depends how difficult it is to get traction on the issue in question. Sometimes you have got to settle for rather less than you would choose, but obviously the higher the better. One should always strive to get the very best that one can. I very much support what Mr Fraser said about improving on what the pilots showed. That is what pilots are there for, to show you what you can do and how you can do better. I am sure that the programme is trying to improve each time it changes and, in fact, it has changed several times.

Q66 Chairman: How many providers do you think might drop out when you turn the taps on again in the spring?
Mr Russell: We have already had a reduction in providers from the last academic year to the current one of quite a significant number. I am not sure I can estimate how many will fall out as a result of not surviving the reduction that we have imposed on them, but I do think it is worth pointing out, and I have pointed it out to a number of providers and their associations, one of the reasons that their contracts were reduced was because of the incredible volumes they managed to put through to the beginning of March. It is not surprising, and I do not blame them for complaining about the belt tightening we have forced them to go through, but some of those belts were around some rather large bellies.

Q67 Mr Williams: I gather you disagree with the value judgment of the C&AG that this was not particularly good value for money and challenge that. Can I ask you to turn to page 24, figure 13. This shows the financial and operational benefits from Train to Gain. It says employers were asked about the extent to which they benefited under four headings as a result of Train to Gain. If we look at the first one, profit margins, we find that 67% found no difference and another 15% found very little difference, a small difference. That makes a total of 82% with no difference or a small difference. That is not a particularly good percentage, is it? Would you not agree? It is a simple yes or no, is it not?
Mr Russell: I think it is a small percentage.

Q68 Mr Williams: Then if we look at the next one, sales and turnover, 68% no difference, 15% a small difference, giving a total of 83% who got little or no benefit from it. That is not very good either, is it?
Mr Russell: It is somewhat better but still not very good, I agree.

Q69 Mr Williams: You really are talking minimal differences, are you not? Then you come to the next one, product or service quality, and this was your peak, you did your best here, 38% no difference, 36% a small difference, so 74% still found no or little benefit from your service. Again, not all that encouraging, is it? You have given up declaiming or answering or even acknowledging that you have been asked the question. On the final one, staff productivity, 42% no difference, 37% a small difference, giving a total of 79% between the two who found little or no benefit. Yet again not very good, is it? When we look at the four of them we find with profit margins four in five were in that group, sales and turnover four in five were in that group, staff productivity four in five were in that group, and if we look at your best, sales and turnover, three in four were in that group. Are you seriously sitting there and saying you still disagree with the National Audit Office's assessment that you were not particularly good value for money?
Mr Russell: Mr Williams, I think there are a couple of crucial points to make. One is the programme is not designed specifically to increase the profitability of employers, that is a by-product. There is some evidence that suggests more than 30% of employees have either had a promotion or pay increase as a result of Train to Gain. There are also social aspects to this programme in terms of improving literacy and numeracy of people in the workforce. I have some familiarity with finance and I find it difficult to understand why a 52% increase in productivity does not lead eventually to higher profits for companies. I could fill this room with employers who would stand up and say, "Train to Gain is . . . ."

Q70 Mr Williams: Sorry, where do you get your 52% increase in productivity from?
Mr Russell: Staff productivity increased 15%.

Q71 Mr Williams: I thought you said 52%.
Mr Russell: The sum of those two is 52. In 52% there has been an increase to the employer of staff productivity.

Q72 Mr Williams: 15% with a large increase and 37%, more than twice as much, with a small increase, so you are still looking pretty poor.
Mr Russell: I agree a small increase is only a small increase.

Q73 Mr Williams: So we are reaching some common ground on the figures now.
Mr Russell: I do not disagree on the figures.

Q74 Mr Williams: If you do not disagree on the figures you might as well give up the case.
Mr Russell: I tend to look at it from the opposite perspective, which is that as a by-product of this programme companies can say that in more than 50% of cases staff productivity has increased to some greater or lesser degree. That contributes to the value for money argument. Employee increased wages and productivity ultimately increases profits for companies and more taxes for the Government. Perhaps I can ask my colleague, Mr Fraser, to add his views.
Mr Fraser: If we look at another table in the Report, which is the table on page 22, that talks about business benefits of Train to Gain in the short-term: "Employers were asked about the extent to which their organisation had experienced broader business benefits" and here we have improved self-confidence at 80%. Lower down we have helped long-term competitiveness at 66%, improved business and strategic thinking at 64%, et cetera. Employees have gained job-related skills at 74%. I suggest that there appears to be some potential internal contradiction in the material in the Report.

Q75 Mr Williams: You did agree this Report, did you not? As a Department you agreed this Report.
Mr Fraser: We did not agree with the value for money judgment, which is what I think we are discussing.

Q76 Mr Williams: Then why did you not challenge this table?
Mr Fraser: I am not sure I can answer that.

Q77 Mr Williams: If anyone can I would welcome an answer.
Mr Russell: I do not think we disagree with the facts in the table. What we are challenging is perhaps the interpretation of those facts. I am also trying to make the point that that table represents only one aspect of making the judgment about the overall value for money of this programme.

Q78 Keith Hill: This question arises from my colleague's questioning about figure 13. This is to serve perhaps as an aid to what we say in our final report. I notice that this figure is based on what is called a Sweep 4 research report carried out by the LSC in 2009, which would be in the middle of the economic downturn, the recession. Would I be right in surmising that, in fact, the relatively low impact on profit margins and sales and turnover might relate to the general economic conditions in which these companies find themselves?
Mr Russell: I would hesitate to challenge your statement. I think the surveys we do are every six months. This Wave 4 one would have been finished by June of this year, I am not sure. It was only published within the last few months so you may well be correct on that point.
Mr Fraser: It would be interesting to clarify this point because our own internal evaluation and the most recent figures that I have been provided with suggest that 60% of employers are now reporting increased productivity as a result of the programme, 66% are reporting long-term competitiveness increased and 90% are saying they are satisfied with the quality.

Q79 Keith Hill: I think you had better send that to us.[6]
Mr Fraser: We had better follow that up and make sure we have got it right. Mr Russell was also correct in saying that 35% of employees have received a promotion and 35% say they have received a pay rise,[7] which they attribute to their participation in this training.

Q80 Chairman: That concludes our hearing, gentleman and lady. Obviously we note that 500,000 have successfully completed a training course and it is not for us to question government policy, but we have to question the value for money of what has cost the taxpayers £1.5 billion. We will have to look again at this fact revealed by the National Audit Office that half of the employers who have taken advantage of the scheme said they would probably have provided training for their staff anyway. What worries me, and it arises directly from my questioning, Mr Mitchell's and others, is that there was very little interest at the beginning, then you turned on the taps which resulted in a short-lived boom and now you are turning them off again. I am not sure that it has been a very well run programme. You can make a final comment if you wish before we end.
Mr Fraser: If I may make one final comment, and I do not want to come back to the management of the programme because Mr Russell has spoken about that and explained the circumstances in which one has to manage these programmes. One is criticised if one undershoots, one is criticised if one overshoots and one has to operate within financial years. Just on the question of value for money, taking a broader perspective on this the fact is that 5% of the workforce of this country has now been associated with this programme. The calculation that we make on the basis of external advice from the Institute of Fiscal Studies is that a 1 percentage point increase in

6 Ev 13
7 *Note by Witness:* Mr Fraser states that Mr Russell was correct in saying that 35% of employees reported being promoted and 35% getting a pay rise. In fact the evaluation data says 34% on both counts.

the proportion of employees trained is associated with an increase in productivity of 0.6 percentage points. That is an external figure and one may challenge it, but that means 1% of employees going into a training programme is worth about £6 billion a year to the UK economy. We do have to think about this in terms of management in the short-term, of course, but also in terms of investment in the UK economy in the long-term, looking at the higher incomes which will lead to higher tax revenues in the future, the social implications and the capacity of the economy to compete. To my mind, those are value for money considerations but not easily quantifiable. I would appeal to you, Chairman, in making your judgment to bear in mind those broader considerations.

Chairman: That is why I gave you the last word. We are eminently fair. Thank you.

Memorandum from Department for Business, Innovation and Skills

I wanted to provide a short update to data and information contained in the NAO's report on Train to Gain with figures made public since the report was published in July.

According to the Statistical First Release (SFR) published in October 2009, since its launch in 2006, Train to Gain has supported:

— over 1.4 million starts by learners on programmes; and

— around 780,000 achievements by learners.

And

— around 560,000 full level 2 qualifications have been achieved;

— over 72,000 full level 3 qualifications have been achieved; and

— over 121,000 Skills for Life qualifications have been achieved.

The latest figures from August 2009 show that over 20,000 employers have committed to the Skills Pledge covering over 7 million people.

The Committee may also wish to be aware that following their earlier survey in 2007–08, on 6 November OFSTED published a review of progress with a further 40 providers. The review report identifies where strengths in Train to Gain provision have been sustained and recommendations for further improvement.

Assistant Director,
Workplace Training Unit, Business and Skills Group
9 November 2009

Letter from the Chair to Department for Business, Innovation and Skills

Further to the oral evidence session on Wednesday 11 November, the Committee would like some further information on the following points:

— What proportion of "Train to Gain" funded activity has required substantial off-the-job training rather than assessment of prior learning and achievement?

— What would be the proportion of "Train to Gain" funded learners from micro businesses (ie those with less than six employees) in comparison to more substantial businesses?

— Of the total learners recruited to "Train to Gain" what proportion have been recruited directly via the brokers rather than by training providers direct?

23 November 2009

Supplementary memorandum from Department for Business, Innovation and Skills

Many thanks for your letter of 23 November in which you asked for some additional information on Train to Gain.

When I gave evidence to the hearing on 11 November, I argued that any fair conclusion about value for money in the Train to Gain programme would need to take account of the long term benefits of training to the UK economy, based on the evidence that a 1% increase in the proportion of employees trained is associated with an increase in productivity of 0.6%, worth around £6 billion to the UK economy. This is a significant contribution at any time, but in the current economic climate demonstrates just how important it is to have the right training provision in place, to support growth after the recession.

However, these benefits are difficult to capture both within the short lifetime of the programme so far and through the evaluation data captured to date. During the evidence session, I agreed to confirm details of some of the evaluation evidence which demonstrates some of the benefits of the programme. I can confirm that:

— 66% of employers reported that the programme had helped long-term competitiveness; and

— 91% of employers were satisfied with the training.

These statistics are from the "Train to Gain Employer Evaluation: Wave 4 Research Report", which evaluated the experiences of new users of the service between May and October 2008. Fieldwork for the Employer report involved telephone interviews and was undertaken between January and March 2009.

In addition, I can confirm that 61% of employers in the Employer Longitudinal Survey 2 reported increased productivity. This study looked at the longer term impact of training by re-interviewing employers between 13 and 20 months after initial contact. Fieldwork was undertaken between January and March 2009, with employers who used the brokerage service between May and October 2007.

Both the new employer (Wave 4) data and the second longitudinal survey data are reported in the Train to Gain Employer Evaluation: Sweep 4 Research Report, published in June 2009.

The Train to Gain programme has brought about significant reform in the way in which learning is delivered in the workplace. If we are to realise the potential benefits of the programme, it is critical that we deliver learning of the kind that employers need and that we continue to improve the quality of delivery. The Learning and Skills Council (the Skills Funding Agency from April 2010) is committed to addressing poor performance and to reducing or withdrawing contracts where appropriate. Mr Russell agreed to provide further details, which are as follows.

For 2009–10, the LSC either terminated or reduced a total of 268 contracts due to poor provider performance during the 2008–09 academic year. Of these, 29 were terminated and 239 were reduced from an overall total of 897 providers.

Satisfaction ratings for Train to Gain are very strong, with over 90% of employers saying they are satisfied with provision. Train to Gain was developed as a different model for delivery of workplace learning, removing barriers to participation and enabling more employers to engage in learning. This includes learning providers working directly with employers on their own premises rather than in the classroom and delivering relevant and appropriate learning through on-the-job activities. These are inherent elements of the Train to Gain model.

All learning programmes include an assessment of an employee's existing skills and the additional learning required to complete a qualification. This includes identifying any prior learning and achievement that could form appropriate evidence for completion of the qualification. From August 2009, providers have been required to identify those learners who achieve more than 50% of their qualification through recognition of prior learning. It is too early for this data to be available.

Up to and including 2008–09, the Learning and Skills Council paid a lower rate for very short courses of 15 hours or less, where accreditation is likely to be a higher proportion of the total course. Based on LSC data for learning delivered either entirely or mainly in the workplace, 24% of all Level 2 provision and 23% of Level 3 provision was paid the lower rate.

Train to Gain has been successful in reaching employers who do not normally engage in training and the skills brokerage service has exceeded expectations with 75% of engagements being with employers defined as hard to reach compared to a target of 51%.

The breakdown by corporate size of organisation for all learner starts on the programme was as follows:

Employer Size	%
A 1–49	44
B 50–249	27
C 250–4,999	20
D 5,000+	9
Grand Total	100

Based on analysis of the latest available data for 2008–09, the proportion of learner starts by employees from micro-businesses with six or fewer employees was 12% of the total.

Brokers do not recruit learners directly to programmes and we have not previously tracked this performance measure. We estimate that around 20% of learners starting Train to Gain have done so as a result of a brokerage engagement with an employer. Based on the total number of learner starts, that equates to around 280,000 starts coming through skills brokerage to April 2009. However, the service offered by skills brokers includes advice and support on a range of solutions and is not confined to referrals to the Train to Gain programme. For example, 27% of brokerage engagements resulted in a referral to a skills solution other than learning funded through the Learning and Skills Council.

I hope this additional information is useful in clarifying the evidence we provided in the session.

Simon Fraser, Permanent Secretary
17 December 2009

Memorandum from the Association of Colleges (AoC)

INTRODUCTION

1. The Train to Gain programme was introduced in 2006 to support employers in improving their skills of the employees and to focus public investment on improving the qualifications of the workforce.

2. The National Audit Office report concludes that "over its full lifetime, the programme has not provided good value for money"[1] and makes the following specific criticisms of the programme:

— unrealistically ambitious targets;

— ineffective implementation;

— confusion created by rapid changes to the rules;

— low success rates from some training providers; and

— the estimate that half of the training carried out by employers would have taken place if there had been no subsidy.

3. The Association of Colleges represents the 356 Colleges in England, who between them account for more than 3 million students and trainees a year, including more than half of the participants in the Train to Gain programme. We believe that the NAO's verdict on Train to Gain is harsh but fair but that the problems lie in its design and implementation rather than in its aims. However, the Train to Gain programme has some valuable features which have resulted in some successful partnerships (see below). These need to be developed if UK businesses and the UK workforce are to meet the challenge of the next decade.

City College Norwich

A Level 2 NVQ training course in Business Improvement Techniques (B-IT) for Lotus Cars employees was launched in 2007 by City College Norwich, Lotus, the National Skills Academy Manufacturing (NSAM) and the East of England LSC. City College Norwich assisted Lotus in the design of the training rollout programme and monitors the quality assurance processes and procedures and obtained Awarding Body NVQ "A1 Assessor" accreditation for the Lotus trainers. It has resulted in huge improvements in efficiencies, quality and processes have been made following the graduation of the first 80 Lotus staff who finished the course, resulting in across the whole business cost savings of £108,000—an average of £1350 per person. This, of course, is an immediate cost saving and does not take into account the long term benefits in improved quality and processes within the whole of Group Lotus plc from having a much higher skilled and more capable workforce.

Bishop Auckland College

Norchem based in Ferryhill, County Durham supply the pharmaceutical industry with drugs. They employ 25 staff. Through Train to Gain the College is assisting 17 of their staff with a diverse range of ongoing training including NVQs in business management, administration, warehousing, team-leading and sales.

THE PURPOSES OF TRAIN TO GAIN

4. Numerous official[2] studies show that the United Kingdom economy is held back by the inadequate skills of its workforce and that the productivity of its companies would improve with more effective investment in training. The review of long-term skills needs commissioned by the Government from Lord Leitch[3] concluded, in addition, that the large number of people in the workforce with low skills had social consequences, for example in higher unemployment.

5. Train to Gain was invented as a response to these problems as a way to stimulate employer commitment to training and to focus efforts on those with the lowest skills. Train to Gain has the right aims and has been successfully used in many Colleges, as the NAO report shows, there were problems with the design and with the implementation. AoC analysis of the NAO report suggests that are four specific decisions where mistakes were made:

— the decision to provide 100% funding for all learning in the Train to Gain[4] programme;

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[1] National Audit Office Report "Train to Gain: Developing the skills of the workforce" summary paragraph 15.
[2] UK Commission for Employment and Skills "Towards 2020, World Class Skills and Jobs for the UK".
[3] HM Treasury "Leitch review of Skills", December 2006.
[4] NAO Report, paragraph 3.4.

— the decision to require the use of brokers;[5]

— the decision to use Train to Gain as a vehicle to increase the number of publicly-funded training providers;[6] and

— the decision to extend the eligibility of the programme on the basis of past budget underspends[7] at a time when action to stimulate capacity[8] had not yet borne fruit.

6. Several of these mistakes are easier to see with hindsight but a better understanding of the issues involved in each of them will allow Government to design a programme which better meets national needs.

Funding Levels

7. Funding for Train to Gain was set in 2006 on the basis that the Government would cover 100% of the estimated course costs so that Colleges and training providers did not need to charge any fees to employers. The costs for employers are indirect ones only for example in releasing staff for training. The offer of free training has its attractions and was heavily promoted in the advertising[9] funded by the LSC but there have been drawbacks. Free training sponsored by Government has undermined the existing market for employer-funded training and resulted in the LSC paying for courses which employers previously paid for themselves. There were several cases in 2006 where Colleges had to cease charging for courses leading to level 2 qualifications because the Train to Gain covered the costs instead. For larger employers in particular, the offer of free training increases the problems of deadweight. Finally, it is arguable that business value activities where they have to pay for them. By providing 100% subsidies, the LSC has spent more per participant than might have been necessary. The Government and LSC also did not appear to consider alternative methods for rationing public funding, for example providing money on a time-limited basis to employers.

Use of Brokers

8. Following the evaluation of the employer training pilots[10] which involved a fair amount of substitution of employer funding, the Government decided to require the involvement of brokers in the Train to Gain programme. This was an experiment in education and training area because employers do not generally use brokers to commission privately-sourced training. The experiment has proved unsuccessful in Train to Gain because the expenditure provides questionable value for money. The NAO report that the cost per employer engagement was around £810[11] and report an LSC estimate that 20% of learners recruited in the first two years came via a broker. About 630,000 learners were recruited in the first two years, which means that brokers were involved in about 125,000 starts in the first two years at a total cost of £67 million, a cost per learner of £536. In the same period, the unit cost per training was £677. The majority of employers have made direct contact with training providers while most Colleges have had to employ their own marketing staff to carry out the work that brokers have not done. Some employers clearly value the advice they get from brokers but as a mechanism for stimulating employer commitment in training, this has been a costly failure.

Number of Publicly Funded Training Providers

9. The Learning and Skills Council and its sponsoring department (DFES, then DIUS, now BIS) have used Train to Gain as a vehicle to open the market for publicly funded training provision to more organisations. The NAO report that the number of organisations with contracts rose from over 500 in 2006–07 to 900 by March 2009.[12] The aim of this expansion was to increase choice for employers and to use competition to drive up performance of all training providers but the reality has been something different. The LSC as a purchaser of Train to Gain activity has found it difficult to manage a larger number of contracts. Its management difficulties have made it harder to control its budget or improve quality. The NAO report identifies a number of issues in the programme relating to low success rates,[13] difficulties in financial control[14] and fraud.[15] Meanwhile the expansion in the number of training providers has generated more confusion for employers. The aim to increase competition is the right one but, in other public services, Government secures this aim by concentrating the supply side on a smaller number of better resourced providers who are able to compete more effectively.

5 NAO Report, paragraph 3.7.
6 NAO Report, paragraph 1.17.
7 NAO Report, paragraph 2.6.
8 NAO Report, paragraph 4.7.
9 House of Commons Written Answer, 16 September 2009, c2204W.
10 DfES research Report 774, 2006. http://www.dcsf.gov.uk/research/data/uploadfiles/RR774.pdf
11 NAO Report, paragraph 3.11.
12 NAO Report summary, paragraph 13.
13 NAO Report, paragraph 4.12.
14 NAO Report, paragraph 4.14.
15 NAO Report, paragraph 4.16.

Expansion of Programme Eligibility

10. The LSC and its sponsoring Departments set unrealistically ambitious targets for Train to Gain in the first two years which were not met with the result that the budget was underspent in two successive years. At the same time, action was taken to develop capacity and to encourage Colleges to become more focused on meeting employer training needs. In the third year of Train to Gain, Ministers took the decision to make significant rule changes to extend the number of people eligible to participate and the amount of funding that could be claimed for each trainee. Ministers made these decisions in summer and autumn 2008 at a time when the economic situation was deteriorating rapidly and when there were public expectations of a fast Government response. Given the circumstances, the decisions were perfectly reasonable but they have resulted in a situation where the LSC has effectively overspent its 2008–09 Train to Gain budget and may overspend its budget in 2009–10. The fact that LSC did not end its national Train to Gain marketing campaign until spring 2009 has not helped.

11. The LSC has taken drastic action in issuing 2009–10 contracts (covering the period from August 2009 to July 2010) to bring the budget into line, including a requirement that Colleges ration access to the scheme on a monthly basis and defer most enrolments until April 2010. This means that the programme is no longer driven by employer demand but is instead controlled entirely by the availability of Government cashflow. Given the need to control public spending, this is understandable but it means that Government has raised expectations from employers and the public which it was never going to be able to meet. At a time when the recession and rising unemployment has created pressure from employers and employees for training, the impact of the LSC's changes has been to cut monthly public support by 40% since April 2009.[16]

Recommendations

12. The Public Accounts Committee will be examining the development of Train to Gain to this date to establish whether, indeed, it has delivered poor value for money as the National Audit Office states. The concern of Colleges is that criticisms of the programme are properly focused and that the Committee's recommendations about the future lead to the correct action. The NAO recommends improvement in financial management, commissioning and setting of funding rates but does not, in our view, go far enough in suggesting fundamental changes to the design of the programme, in particular moving back to a system of direct employer-College relationships, reducing the number of providers to ensure higher quality and introducing a different approach to funding, for example by introducing time or size limits on access to public support. We would be interested to know what consideration BIS and LSC have given to a future system of improving the skills of those in work.

November 2009

Memorandum from Association of Learning Providers (ALP)

In advance of Wednesday afternoon's session of the Public Accounts Committee on Train to Gain, you may find of interest the attached note from the Association of Learning Providers (ALP).

It is estimated that the majority of training undertaken under Train to Gain is delivered by ALP's membership which comprises approximately 470 independent, public and voluntary sector training providers, including 60 FE colleges.

The note illustrates with provider case-studies why the approach to funding Train to Gain this year (2009–10) is likely to result in a significant underspend in the programme even though our members report strong employer demand for it and Ofsted is now reporting that Train to Gain is delivering clear business benefits to the employers that access it.

The underspend will be essentially due to employers and providers not being able to obtain funding from the LSC for new starts on the programme until next April, ie in many organisations, there will only be new learners starting their training in the final four months of the academic year. With many training providers laying off staff in the meantime, there will not be enough capacity in the system to respond to the built-up demand.

ALP recently publicised the acute frustration among public and private sector employers about this situation and reports were carried in the *Financial Times*, *Guardian*, *TES* and others (the ALP press release with employer quotes can be read at: http://www.learningproviders.org.uk/news/pressReleases/details/employers-recovery-hopes-hit-by-government-trainin/. Our own frustration is magnified by the fact that we were warning BIS and the LSC as early as September 2008 that these problems were going to occur and manifest unless proper action was taken.

Despite regular representations to ministers and officials since then, no discernable action has been taken. The key point is that ALP is not asking for more money to be added to the £925 million allocated to Train to Gain for 2009–10. We are simply requesting that some of the monies reserved for April to July 2010 should be released now to meet employer demand.

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[16] AoC calculations from unpublished LSC account data for 2009–10.

In summary, a government skills programme, which could be delivering very good value for the taxpayer by having a positive impact on Britain's economic competitiveness, is in danger of being branded a failure because of financial mismanagement.

Graham Hoyle OBE, Chief Executive
10 November 2009

Memorandum from the Association of Learning Providers

Following are examples of the problems that providers are currently encountering with regard to the funding of the Government's Train to Gain skills programme. Many of these can be traced back to the non-resolution of issues surrounding the overspend on last year's adult skills budgets, whilst others are merely indicative of the current and ongoing state of LSC financial management.

All the examples given have been anonymised but the details quoted are correct:

Provider A

Due to last year's overspend on Train to Gain, the LSC this year have ringfenced two tranches of contract values within the current 2009–10 contracts—one amount which cannot be exceeded within Periods 1–8 (August 2009 to March 2010) and the balance for Periods 9–12 (April to July 2010). Taken together, they represent the full contract value for the 2009–10 contract year.

Provider A has supplied us with copies of their profiles for Train to Gain starts for this year and last year, as follows:

Period	*Actual Starts 2008–09*	*Profile 2009–10*	*Variance from 2008–09*
1	9	7	−2
2	58	7	−51
3	53	7	−46
4	24	7	−17
5	1	7	6
6	67	7	−60
7	27	7	−20
8	83	7	−76
Sub Total Periods 1–8	322	56	−266
9	78	266	188
10	33	266	233
11	38	266	228
12	62	266	204
Sub Total Periods 9–12	211	1,064	853
Total	533	1,120	587

The result is that due to the ringfencing of contract values within Periods 1–8 and 9–12, the provider is being expected to increase their start rate between March and April 2010 from seven individuals to 266, a rise of 3,800% in one month.

In order to make this happen, the provider will have to resource their sales force at least two to three months in advance. However, because starts have dropped from 62 per month at the end of the previous contract year to seven per month at the beginning of this contract year, their sales force has been depleted due to an inability to maintain a cost for which no income was being generated. Operationally, this profile is therefore almost undeliverable. However, as it is sadly very typical of almost all contracts for Train to Gain (and indeed other strands of adult skills funding) being issued by the LSC this year, it goes a long way to illustrate why ALP believes that the Train to Gain will in all likelihood be underspent this year despite having nominally gone up from last year when it was overspent. The way that contract values have been allocated against profiles is simply unsustainable and makes no operational sense.

Provider B

Provider B has been a highly successful deliverer of training to a specialised industry, operating Train to Gain with a success rate of over 95% under sub-contract through several Colleges of Further Education. However due to the imbalanced ringfencing of contract values between periods 1–8 and 9–12 imposed by the LSC, most of these Colleges have now decided to completely cut any funding to their subcontracted provision in order to protect their own direct delivery. Provider B has applied to become a direct deliverer of Train to Gain in its own right but was unsuccessful in winning contracts despite its high success rates. Despite having companies with learners ready to start, the funding is therefore not being made available and they are beginning proceedings to wind the company up.

Provider C

Provider C, in common with all other Train to Gain providers, has been given a contract with a maximum contract value for Periods 1–8 and another for Periods 9–12. However, their starts profile shows no payments being made beyond March (Period 8), which effectively means that they have been given a contract which only guarantees them about half of the contract value for two-thirds of the calendar year. Furthermore, of the allocation that is guaranteed, only 18% of it is profiled to cover Periods 1–7 with no less than 82% being profiled for delivery in Period 8. This is clearly operationally undeliverable, particularly in view of the fact that start profiles for the following Periods have not been confirmed, making it almost impossible to judge whether increasing the sales resource to meet the high Period 8 starts target is in any way a sustainable proposition.

Provider D

Provider D was offered a contract worth £318k at the beginning of the 2008–09 contract year. Due to excellent performance this was during the course of the year extended to a total value of £527k.

At the end of 2008–09, the total contract value delivered was £522k, less than 1% below the contracted value for the year, and well within the 3% annual tolerance allowable. The difficulty involved in steering contract delivery in at the end of the year so close to an (extended) contract value should not be underestimated. The provider was therefore rightly pleased with performance that had not only come in on target and budget, but had maintained excellent quality standards throughout.

The provider has now been told that £8.2k of this money is to be clawed back by the LSC, on the basis that in the last quarter only of the contract year they delivered 94% of profile, ie outside of the 97% tolerance.

In Quarter 3 they had however delivered over 98% of their profile, within the 97% tolerance. Had they withheld the "extra" 1% and instead claimed it in Quarter 4, the LSC would not now be clawing any money back at all.

Therefore, despite delivering 99.02% of their entire contract value, the provider is now being punished for providing accurate and timely data in the period in which it was delivered, instead of artificially manipulating claims to meet profiles—something the LSC has only recently written to all providers about to discourage. Furthermore, the provider is now in the situation whereby it is to have money taken back from them, for work it has already satisfactorily delivered in excess of all required quality standards and in a timely fashion.

Provider E

This London provider has been told that their contract at Period 3 is being re-adjusted as they have underperformed by £50k, and this amount will be taken out of their permitted maximum contract value for the year. The provider's LSC Contract Manager has told them that this is because 16–18 Apprenticeships have overperformed in London, and contract monies therefore need to be reallocated to overperforming providers who require funding.

The National Apprenticeship Service however is telling them that there is "a significant amount" of underperformance on 16–18 apprenticeships across London, so the provider is now very unclear as to what the actual state of performance is in London, and whether or not it is appropriate for them to be having their maximum contract value reduced.

Furthermore, it has emerged that the profile the provider has been working to is not the one the LSC are using. It is believed that in part this has arisen as the provider was required to submit so many reprofiles before any agreement was reached that the LSC has lost track of which one was the "right" one. In the meantime the provider nevertheless stands to have £50k of contract value withdrawn.

Memorandum from Pera

I understand that the Committee of Public Accounts is holding a Hearing on 11 November into the Train to Gain Programme. Please find enclosed a memorandum which I submit as Written Evidence for the Committee.

As you are no doubt aware, there have been significant problems with the operation of Train to Gain this year as a result of the LSC's mishandling of its funds. There are also deeper issues surrounding the efficacy of some of the training that has been provided through the scheme. I hope that Pera's memorandum will prove informative, particularly in highlighting some of the success stories of the scheme, which have often been overlooked.

John Hill, Chief Executive
9 November 2009

MEMORANDUM

Executive Summary

1. Pera is a leading innovation and business support organisation. We deliver in-company vocational training and education through the Train to Gain Programme. Unlike some providers, our training delivers measurable improvements to the companies we work with. Moreover, our programmes up-skill workers, we do not simply accredit existing skills. We believe that Train to Gain, when it delivers up-skilling, rather than simply verifying existing skills, is an essential mechanism for achieving the Leitch targets.

Introduction

2. Pera is one of Europe's leading innovation and business support organisations. A not-for-profit organisation, we were established in the UK just after WWII as an industry association owned by the companies it serves. We now work to improve the growth and competitiveness of industry and business in Europe. In particular, we deliver business support services and training to improve the performance of the manufacturing industry. One of the ways in which we achieve this is by providing in-company vocational training and education through the LSC's Train to Gain programme, specifically in the area of productivity improvement.

3. Pera specialises in the up-skilling of workers in the manufacturing sector. Recently, we have used Train to Gain funding to help workers with little or no formal qualifications to gain accredited workplace skills. Our programmes deliver measurable improvements in business efficiency as well as giving workers meaningful skills.

4. Under the auspices of Train to Gain, Pera delivers a unique Business Improvement Techniques (BIT) programme. For the programme, we will typically take 10 employees who work together in a company and train them to do so more effectively and efficiently.

5. The Business Improvement Techniques (BIT) qualification is a nationally recognised qualification that looks to improve productivity, efficiency and quality delivered at both level 2 and level 3. The BIT qualification takes a group of learners through the course and teaches them the lean tools and techniques required for continuous improvement. The activities look at reducing all forms of waste and finding improvements that can be quantified through either a cost, quality or delivery benefit. This is all underpinned and sustained through standardisation and continuous improvement. The company benefit through the improvements made as a direct result of the training including: higher levels of quality, reduced manufacturing costs and faster delivery times all resulting in improved company profitability and competitiveness. The individual benefits through achieving a level 2 qualification, which equates to 5 GCSE's at grades A-C, through increased motivation and through team building.

6. The BIT programme has been praised by both the participant employees and their employers. Our clients, including companies such as CNH, Ford, BMW, SPX, Keymed, Denby Pottery, Walkers and Fox's Biscuits have reported major, financially measurable improvements to their processes after this training. Their employees subsequently find themselves more likely to be promoted, less likely to lose their jobs in the event of downsizing, and more likely to find another job if they are unfortunate enough to lose their position. In this way, our training is a "recession-proofing" tool for both employers and employees and by supporting companies and workers, benefits the economy as a whole.

7. As the case studies below demonstrate, training delivered through the Train to Gain programme delivers returns. The programme is essential as there is a market failure in training as businesses are reluctant to fund it themselves in the first instance. The provision of funded training addresses this as it clearly demonstrates to businesses that there is a measurable return on investment from such courses, thus leading to self-funding in the future and opens the possibility of part-funding. For example, RGE Group estimates that the operating improvements that flowed from training will allow them to generate an additional £490,000 in revenue each year. Further, Pera's training provision consistently delivers results at the individual level. Feedback from those that have taken part includes reports that up-skilling has increased their confidence, productivity, team-work, job security and made them more employable in the event of redundancy.

8. Train to Gain as a resource is ever more important in the current economic climate. In times of recession and recovery, the reluctance of business to invest in training is exacerbated. Few have the funds available to pay for training and investment in their workforce yet, paradoxically, the training is a key component in business recovery from the downturn. This is why we believe that Train to Gain, targeted correctly, offers an essential form of business support.

Case Study 1: RGE Group

9. Training in Business Improvement Techniques delivered by Pera enabled plastic component manufacturer RGE Group to achieve NVQ level 2 accreditation for 49 employees. By tailoring the training to their precise needs, RGE were able to realise efficiencies that will be worth almost half a million pounds annually. While it has a strong position in the white goods market, with clients including Indesit and PHS, constant price pressures mean that RGE is continually seeking ways to become more productive.

10. Overall the five projects undertaken resulted in a raft of efficiencies, with reduced scrap levels and significantly shorter changeover times between jobs having a particularly significant impact on company performance. It is estimated that these operating improvements will allow RGE to generate £490,000 in additional revenue each year.

11. RGE expects the training's effect to bring long term benefits. Production Manager Jim Clayton says, "This was quality training: delegates saw its value, they saw how critical change is to the business and how to spot opportunities for ongoing improvements". He also saw the breaking down of barriers through cross-functional training teams, and the way delegates have been empowered to see their role in the future of the business, as key outcomes.

Case Study 2: Fox's Biscuits

12. Yorkshire based Fox's Biscuits won the Train to Gain Consortium Award for "Best Large Employer" in the county. This was for their enthusiastic approach to Train to Gain, which included the Business Improvement Techniques (BIT) Programme which was delivered by Pera.

13. As part of the overall BIT Programme, the company committed to training nearly half of its1100 permanent staff in Business Improvement Techniques NVQ Level 2. They will also take a number of these learners through to Level 3 and eventually they will have the internal capability to train all members of staff.

14. Immediate improvements were made by employee initiatives following the training, including: waste reduction, machine changeover reductions, operator utilisation, recycling, workplace organisation and packing methods. One project reviewing the biscuit changeovers on a packing line showed a 76% improvement from the logistics viewpoint with significant cost savings.

15. The feedback passed on to Pera by the Fox's management team has not just been about the cost savings but the team and personal development of the candidates which had been significant over a short space of time. Alison Carruthers, Fox's Biscuits Training Manager adds that, "Pera's outstanding ability to become a key partner with Fox's and show empathy with the learners, some of whom have long been out of a environment to study, has proven priceless; particularly when dates for courses have to change due to business pressures."

Case Study 3: SPX Process Equipment

16. SPX Process Equipment, which has offices throughout the UK, Europe and the USA, serves sanitary, biopharma, industrial and municipal markets worldwide with products as diverse as pumps, valves, mixers, blenders, heat exchangers and dispersion equipment.

17. Brian Goodall, Operations Manager, SPX, had recognised that the company needed to invest in up-skilling existing employees in order to become more competitive. The situation was compounded by a severe shortage of appropriate skills in the local labour market.

18. Pera's Business Improvement and Skills team (BIS) worked with the SPX team to identify groups of staff and areas of the business to take part in a training development programme that combined classroom theory with practical application over just nine days. The outcome of this short but powerful programme has been a 15% improvement in cycle times, which represents a financial saving in excess of £750,000 and a 55% reduction of the hazards in the workplace.

19. SPX was so impressed with the immediate impact that those staff involved are now working towards a formal qualification in BIT and the company is rolling out a further 10 programmes to 100 staff. "BIT has provided a common approach to lean implementation for both the manufacturing and office processes," says Peter Walker, UK Lean Specialist, SPX Process Equipment. "Its blend of personal experience, interaction at all levels, manageable objectives and encouragement has enthused everyone at SPX Process Equipment."

Operation of Train to Gain

20. There have been serious problems with the operation of the Train to Gain programme in 2009 as a result of the Learning and Skills Council's mishandling of its budget. Funding of Train to Gain courses is arranged through the regional LSCs. In the past, the LSC has come under pressure for failing to distribute funds fully. This year they operated differently in order to ensure the full programme was delivered. First, they invested in a large PR programme to stimulate demand. Second, they called upon training providers to deliver more training than they were contracted to deliver. Like many providers, Pera invested in support to take up this increase in order to match the LSC demands. However, the now much publicised problems in LSC financial management were not anticipated. When the LSC realised that it had over-committed the

Train to Gain budget, they responded by holding training providers to their original contracts. This left providers, including Pera, over-invested mid-year. This had a devastating impact upon training providers, particularly given the wider economic climate. Pera had recruited and trained additional staff to deliver the extra training that the LSC had urged them to provide. The sudden cut backs were compounded by the intimation from the LSC that additional funding would be released subsequently. Pera absorbed significant overhead costs as it attempted to retain its capacity to deliver training. When it finally became clear that the freeze would remain in place for the financial year, regrettably, Pera was forced and continues to make redundancies.

21. The LSC's decision to impose a blanket freeze which covered all providers is highly regrettable. At no stage did the LSC factor in the quality or impact of the training courses when it limited providers. All providers were treated alike, regardless of their effectiveness. As a result, less effective courses were allowed to continue at the expense of more effective ones. Pera, which has over 90% achievement rates and therefore delivers real value for money, suffered the same cuts as far less effective organisations. Moreover, key industries, that were hit hardest by the recession and were most in need of training, were not prioritised.

22. The Automotive and Manufacturing Industry are key sectors urgently requiring productivity training for their workforce in a time of recession. All the major automotive sector firms in the UK have enthusiastically embraced the Train to Gain programme. Thousands of their employees have enrolled as firms have sought to better train their shop floor workers to be more productive and to engage with the employer in seeking ways to minimise waste and costs. Train to Gain has helped firms like GM, Ford and BMW to continue to manage their costs down without shedding as many jobs as might otherwise have been the case. Further, it has helped them build increased capacity through productivity so that they may meet the upturn, when it comes, with less need for immediate capital injections.

23. As a result of the LSC's freeze on all contract values, Pera is no longer able to service the level of demand for worker training from the automotive and manufacturing sector. Many thousands of workers are now unable to access the training they need to contribute to securing their jobs or help them secure new employment should they lose their job. This is the direct result of the previously ring-fenced budget of £40 million for the Sector Skills Council for Manufacturing (SEMTA) being withdrawn as part of the LSC's blanket freeze. Whilst BIS policy is to support the manufacturing and automotive sectors, in practice, the LSC does not seem to be operating the same policy when it comes to funding skills training.

24. We support the Leitch Report recommendation that Britain become a work leader in skills by 2020. The Train to Gain programme is, currently, the key mechanism for the delivery of that the recommendation as it funds skills training for 1 million low-skilled employees. Pera is mindful of the criticism of the Train to Gain scheme that has been published in recent months. In particular, we note the July 2009 report of the National Audit Office which questioned the value for money provided by the scheme. There is no doubt that certain training programmes do not deliver value for money, however, it is our opinion that the NAO did not distinguish between the different types of providers or the qualifications they deliver.

25. Train to Gain providers fall into two camps: those who improve the skills of workers and those who merely accredit the skills they already have. Providers such as Pera actively improve the skills of workers. Our programmes target priority industries, up-skill the workforce, given them transferable skills and, through the improved performance of the workforce, deliver measurable benefits to the companies that they work for. As a result, Pera provides a valuable service to the economy. Our programmes are vastly different to those of providers whose programmes simply measure people's skills and giving them a relevant certificate. However, those latter providers allow the entire Train to Gain programme to be called into question.

Recommendations

26. In the short term, we recommend that the Committee should urge the LSC to utilise the Sector Skills Councils and ensure that funding is directed towards priority sectors. Further it should be focused where economic benefits can be demonstrated and where support to recovery from recession is tangible.

27. In the long term, it is Pera's view that there is a specific problem with Train to Gain which should be remedied. Future funding should be diverted away from courses which simply accredit existing skills and should instead be directed to providers and qualifications which up-skill and train the workforce, providing a real benefit to the economy. A simple mantra of training that increases an individual's ability to contribute to 'efficiency, improvement or value enhancement' should be adopted.

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