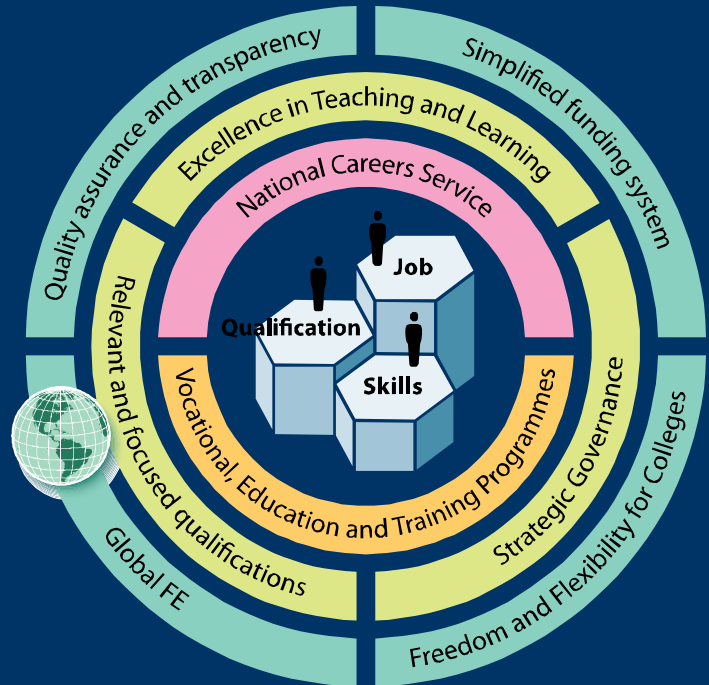


BIS | Department for Business
Innovation & Skills

NEW CHALLENGES, NEW CHANCES

Skills Investment Statement
2011 – 2014: Investing in a
World Class Skills System

1 DECEMBER 2011



Contents

Introduction	1
Programmes and students.....	2
Investment	3
Piloting New Approaches.....	5
Illustrative Forecast Learner Numbers	6
Vocational and educational training programmes	7
The Further Education funding system	8

Introduction

1. Last year's 'Investing in Skills for Sustainable Growth' set out the principles of fairness and shared responsibility which underpin our investment strategy, to create a Further Education (FE) system which will deliver a lifelong approach to learning, nurturing, sustainable economic growth and social renewal. We have fulfilled that pledge, and this year's investment statement confirms our commitment to engage with communities, rebalance the economy and support the building of a Bigger Society.
2. Despite the continuing difficult fiscal climate, we have maintained the levels of investment secured at the time of the Spending Review settlement. We will continue to focus that investment on high quality provision that delivers good value for money and our focus will remain on young adults, the low skilled and those who are unemployed. It will be for colleges and training organisations to decide how best to continue to grow the level of co-investment and rebalance the contribution made by employers, individuals and the Government.
3. The overall investment in adult FE and Skills will be £3.8bn in the 2012-13 Financial Year (FY). Of this, £3.6bn will be routed through the Skills Funding Agency to support the capacity for nearly 3 million learners. As we know, this will reduce to £3.4bn in the 2013-14 FY and £3.3bn by the 2014-15 FY. The teaching and learning budget in 2012-13 FY will be £3bn of which there will be a minimum expectation that £698m will be available to support Apprenticeships for adults aged 19 or over. Funding for workplace training will be focused on small and medium sized enterprises (SMEs) with fewer than 250 employees.
4. The European Social Fund (ESF) is a European Union (EU) Structural Fund that adds value to Member States' employment and skills policies, in line with the EU's strategy for growth and jobs. The ESF programme currently runs from 2007 to 2013 and provides the Skills Funding Agency with investment of £1.2bn. To date, the Skills Funding Agency has used ESF to fund around 600,000 learners in adult learning provision, and has spent £575m.
5. The Skills Funding Agency will work with the sector to deliver this investment statement.

Value for Money

6. The overall value for money case for investment in skills is a compelling one. This does not mean that we are complacent, however. Much work has been done, and is ongoing, to improve value for money in the system – from removing bureaucratic restrictions on FE and Skills providers, through to the re-prioritisation of the Apprenticeships programme to safeguard quality, raise standards and focus where returns are highest. This investment statement includes a number of new initiatives which will be launched in 2012. We will monitor, review and evaluate the implementation of these initiatives to ensure that they are delivering value for money to the sector.

Programmes and students

7. The table below sets out the level of government funding for the 2012/13 and 2013/14 Academic Years (AY) reflecting the statutory entitlement changes taken through Parliament as part of the Education Act 2011. Where Government is fully funding a programme, colleges and training organisations should not charge student fees.

Programme	Student	2012/13 AY	2013/14 AY
Adults in receipt of JSA/ESA ¹ (in the Work Related Activity Group) where skills training will help them into work	Adults aged 19+	Full Funding	Full Funding ²
Adults on wider benefits where skills training will help them into work	Adults aged 19+	Full Funding	Full funding ²
English and Maths basic skills (including GCSE English and Maths qualifications and forthcoming stand-alone units)	Adults aged 19+	Full Funding	Full Funding
Students undertaking a first full Level 2 Students undertaking Foundation Learning (pre-Level 2) to progress to Level 2 or above	Adults aged 19 up to 24	Full Funding	Full Funding
Students who are not fully funded undertaking Level 2 qualifications delivered in the classroom, or in the workplace if delivered for an SME	Adults aged 19+	Co-Funding	Co-Funding
Students undertaking a first full Level 3 qualification	Adults aged 19 up to 25	Full Funding	Full Funding up to age 24
Students who are not fully funded undertaking Level 3 or higher qualifications delivered in the classroom	Adults aged 19+	Co-Funding	Co-Funding up to age 24 Access to FE Loans for 24+ including unemployed and Apprentices
Level 2 Intermediate Apprenticeship	Apprentices aged 19+	Co-Funding	Co-Funding
Level 3 Advanced Apprenticeship	Apprentices aged 19+	Co-Funding	Co-Funding up to age 24

8. Learners up to the age of 25 with a learning difficulty assessment remain the legal responsibility of Local Authorities. Funding for these learners is allocated by the Young People's Learning Agency (YPLA) and in due course the Education Funding Agency in consultation with Local Authorities. Learners aged 25 and over, and those learners aged 19 up to 25 who may have a learning difficulty and/or disability but have not had a learning assessment, remain the responsibility of the Skills Funding Agency.

¹ Job Seeker's Allowance (JSA); Employment and Support Allowance (ESA)

² This will need to be reviewed due to the introduction of the Universal Credit

Investment

The investment table shows the decrease in the funding available through to 2013-14 FY.

Notes		Baseline 2011-12 £000s	Budget 2012-13 £000s	Indicative Budget 2013-14 £000s
1	Adult Skills Budget	2,834,542	2,699,009	2,497,346
2	of which minimum expectation for apprenticeships	644,000	698,000	726,000
3	Offender Learning and Skills Service	133,600	131,800	130,400
4	Adult Safeguarded Learning	210,747	210,747	210,747
	TOTAL: Teaching and Learning	3,178,889	3,041,556	2,838,494
5	Learner Support	151,398	163,768	176,800
6	Information Advice and Guidance	81,016	84,438	86,468
	TOTAL: Student /Learner Support	232,414	248,206	263,269
7	Skills Infrastructure	61,922	71,446	55,161
	TOTAL: Skills Funding Agency Programme Budget	3,473,225	3,361,209	3,156,923
8	Capital Grants	304,724	278,658	224,871
	TOTAL: Skills Funding Agency	3,777,949	3,639,867	3,381,794
9	Funding Available to Support the FE and Skills Sector	145,975	155,937	154,382
10	Government funding available for Further Education Loans	-	-	129,000
	GRAND TOTAL	3,923,925	3,795,804	3,665,176

Notes to Investment Table on page 3

Set out below is an explanation of the funding invested in each of the budget lines on the adjacent table.

1	This supports nearly 2.5 million students. The funding delivers our entitlements: Formal First Step, the Growth and Innovation Fund, and an amount to be transferred to the YPLA for 19-25 learners with learning difficulties and/or disabilities. The sector should focus at least £100m on SMEs.
2	The 2013-14 FY expectation includes £42m of funding which is available for FE loans. The Government is committed to raising investment in Apprenticeships, whilst continually working to improve quality. Priorities for the Apprenticeship programme were announced in November 2011 as part of the Growth Review and the Youth Contract.
3	This provides vocational and employability skills programmes for offenders in custody.
4	More than 680,000 adults currently access a national programme of occupational courses enabled through local FE colleges, Local Authorities, the voluntary sector and a range of other training organisations.
5	In support of our simplification agenda, there will be no ring-fencing for the individual elements of this budget, giving providers the discretion to distribute the available funding to best meet the needs of their learners. We will continue to invest in Professional and Career Development Loans, enabling adults to re-train or up-skill to improve their employability and career prospects. For the 2012/13 AY we will continue to provide Dance and Drama Awards.
6	This funding includes the National Careers Service and UK Online.
7	This funding includes the Learning and Skills Improvement Service which drives up quality. It also supports the Apprenticeship vacancy system, Ambassador Network and the promotion and development of the Apprenticeship Programme. National Skills Academies will also receive £6m in the 2012-13 FY and £9m in the 2013-14 FY.
8	This investment will provide funding to improve the college estate, including satisfying urgent legal requirements and achieving running cost efficiencies.
9	This includes funding for a range of programmes not routed through the Skills Funding Agency including the UK Commission for Employment and Skills. Funding available to support the sector was reduced by 46% as part of the 2010 Spending Review. For the 2012-13 FY there will continue to be £21.5m of investment available to Unionlearn enabling it to continue to support Government, business and trade unions working collegiately.
10	£42m of the £129m available will be utilised in the 2013-14 FY on Apprenticeships for adults aged 19 and over.

Piloting New Approaches

Incentive Payments

9. Sufficient funding was already available in the 2012-13 FY to support at least 20,000 incentive payments in respect of 16-24³ Apprenticeships. As part of the Youth Contract, additional funding will be made available by BIS and the Department for Education (DfE) to support a further 20,000, meaning at least 40,000 additional incentive payments of £1,500 will be available to raise demand for 16-24 apprenticeships in the 2012-13 FY⁴.

Large Employer Programme

10. We have implemented a package of new measures to make it easier for large employers who directly contract with the Skills Funding Agency to take on apprentices. The Skills Funding Agency has responded to calls for streamlined contracts and simplified payments, data collection and audit. We are piloting an outcome-based payments system for large employers who would prefer this approach, while still ensuring robust mechanisms for assuring quality.

Employer Ownership Programme

11. In 2012 we will introduce the Employer Ownership Programme which will be jointly funded by DfE and BIS. This programme will enable employers to take direct ownership of the Skills and Apprenticeship agenda in their sector or supply chain in return for directly routing up to £250m of public investment over a two year period.

Job Outcome Payments

12. In the 2012/13 AY the Skills Funding Agency will trial making payments on the basis of job outcomes for unemployed learners, whose training is being fully funded. This trial will enable the payments to be integrated into the new simplified funding system from the 2013/14 AY. The amount will be relative to the size of the learning aim in line with the approach taken to funding qualification achievements. This will ensure the amount paid for an outcome is proportionate to the funding paid for the student's training.

Adult and Community Learning

13. We will test a new Community Learning Trust model to enable funding to be available to selected local areas. If this proves successful, we will look to extend it across England from summer 2013.

³ 16-18 year old Apprentices are the policy responsibility of the Department for Education

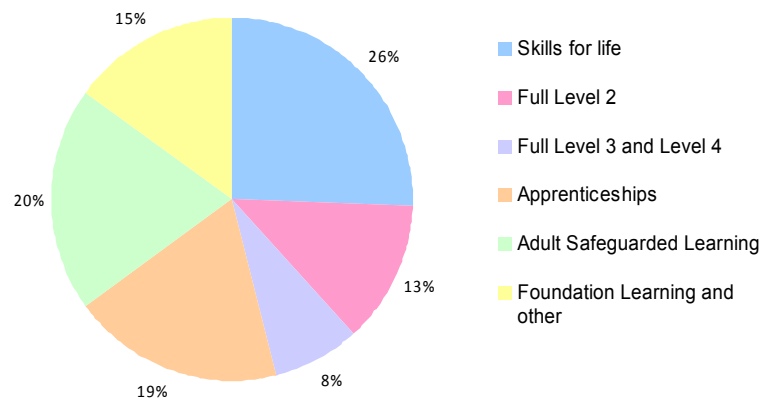
⁴ Funding for Apprentices aged 16-18 will be covered by the DfE 16-19 Funding Statement for 2012/13, which will be available from the YPLA website later this year.

Illustrative Forecast Learner Numbers

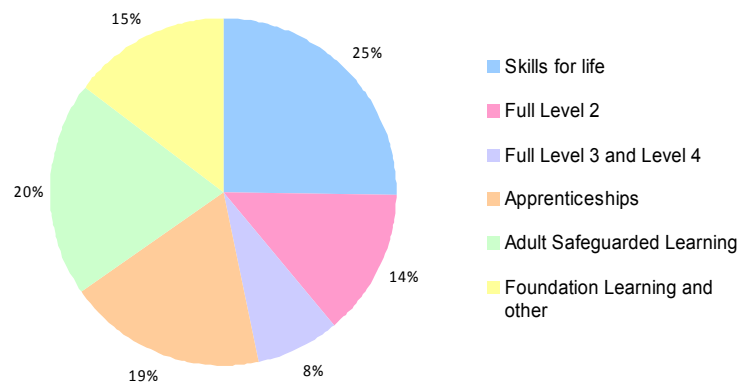
14. Colleges and providers are now able to determine the pattern of provision that will meet the needs of their community. Provided below is an illustrative forecast of learners aged 19 and over who could be supported through the Skills Funding Agency in the 2010/11 to 2013/14 AYs. Also provided is the latest forecast of the learner provision mix for the 2012/13 and 2013/14 AYs.

Indicative learner numbers				
Year	2010/11	2011/12 ⁵	2012/13 ⁵	2013/14 ⁵
Total Learners	3,129,000	3,280,000	2,927,000	2,818,000
Of which 19+ Apprenticeships	460,000	645,000	650,000	655,000

Learners provision mix 2012/13



Learners provision mix 2013/14 (includes loans)

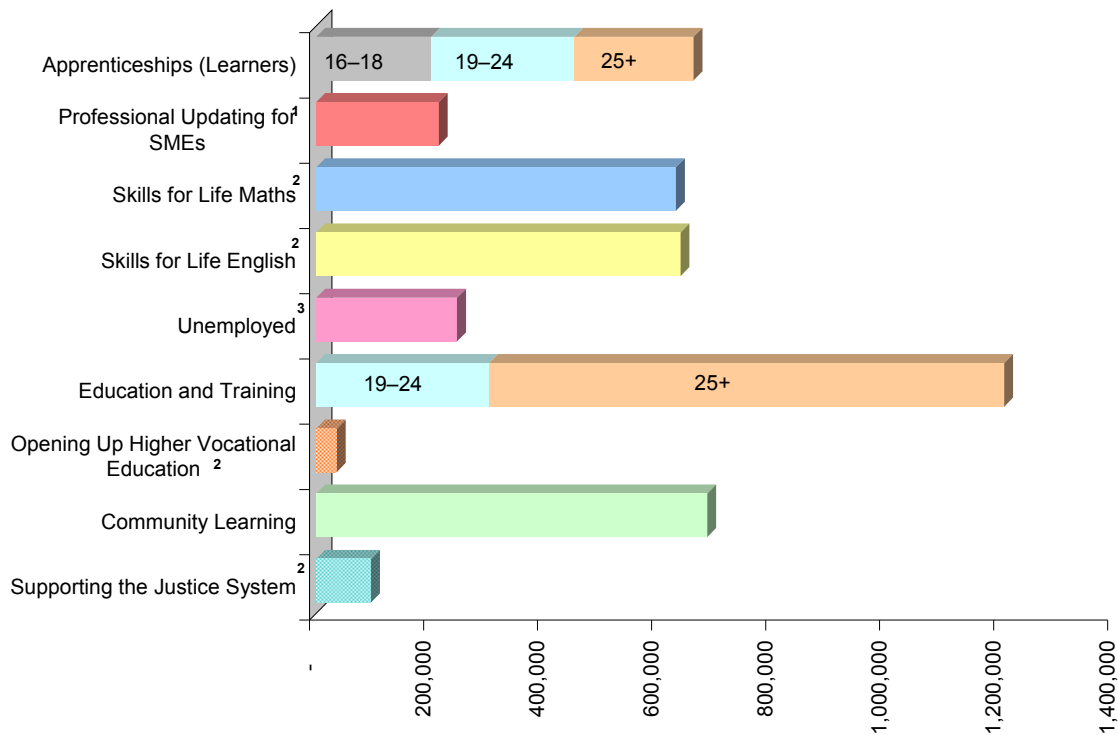


⁵ Projected learner numbers

Vocational and educational training programmes

15. As set out in *New Challenges New Chances*, learners are at the heart of the FE and Skills system. We will continue to focus our investment on high quality provision to meet the wide ranging needs of learners and employers, focusing in particular on young adults, the low skilled and those who are unemployed.

16. The graph below sets out the indicative future learner provision based on 2010/11 data.



Source: Individualised Learner Record and modelled by Skills Funding Agency.

Notes:

1. An estimate of future provision for other Work Place Learning.
2. Categories overlap with other categories i.e. one learner can appear more than once.
3. Focusing on learners closest to the workforce.

The Further Education funding system

17. Working with the Skills Funding Agency, we want to reduce the costs of operating the current funding system to maximise the amount of funding available for learners including those entering and remaining in work. In continuing close collaboration with the sector, we will carry on developing a single funding system for adult skills for full implementation from the 2013/14 AY. The guiding principles of this new system will be: fairness, transparency, recognition of the diverse needs of adults, and safeguarding the use of public funds in a proportionate way.
18. In order to ensure a co-ordinated approach, the Skills Funding Agency has set out how it will implement the changes in 2012/13 AY in the form of a dual system. This will enable changes to be fully tested and for the wider changes to the funding formula to be considered alongside the review of the 16-18 funding formula being undertaken by DfE.
19. The Minimum Contract Level threshold of £500,000 was introduced in the 2011/12 AY. The current threshold and the current exemption categories will be maintained for the 2012/13 AY.
20. The Skills Funding Agency has also reviewed the funding of Specialist Designated Institutions and we can confirm that the 2011/12 AY arrangements will continue for the 2012/13 AY.
21. The current Apprenticeship rates will continue to be used in the 2012/13 AY and are being reviewed as part of the development of the simplified rates matrix for implementation from the 2013/14 AY. At that point, we will also move Formal First Step provision into the Single Adult Skills Budget.
22. Growth in innovative and high technology sectors demands highly skilled workers. In line with Baroness Sharp's recommendations⁶, for the 2012/13 AY the Skills Funding Agency will introduce an "Innovation Code". This will enable colleges and training organisations to draw down funding while simultaneously developing the programme and qualifications. This will be on the understanding that the qualification has been designed in partnership with a business, with a commitment to time limited funding, and that the qualification will migrate onto the Qualifications and Credit Framework (QCF).
23. Now that the funding transition to the QCF is complete, and in order to minimise the differentiation in the qualifications offer pre and post 19, more of the QCF will be opened up for public funding.
24. The Skills Funding Agency will operate a simple and streamlined process through learner eligibility, entitlements and the funding system, rather than a complex set of rules and parameters relating to qualifications. We expect the new arrangement to take effect from 31 January 2012, subject to further discussion between the Agency and stakeholders.

⁶ Included in Baroness Sharp's report a Dynamic Nucleus; Colleges at the Heart of Local Communities

25. The Skills Funding Agency is undertaking a programme of work to review the burdens its Funding, Financial Performance Reporting and Assurance places on colleges and training organisations. The outcome of this work will be reported in early 2012, with the expectation that a further reduction in burdens will be implemented.
26. We will maintain minimum standards, as this is a planned and carefully balanced increase in freedoms and flexibilities for the FE sector. Where student and employer needs are not being met and performance is poor, Government will intervene quickly and effectively to restore proper, high quality choice.
27. Freeing the FE system from central control is crucial to the Government's wider reform agenda which recognises the maturity of the sector to run its own business and places the emphasis on learners, employers and communities. This is about whole system reform; it is not about tinkering at the edges. The future relationship between the sector and Government will be built on freedom not control.
28. In October 2010, the Office for National Statistics (ONS) decided to classify FE colleges as central government bodies for the purposes of National Accounts. The ONS classification focused on control over the instruments and articles of Government and the control over the closure of colleges. We have reviewed these areas and have made legislative changes through the Education Act 2011. Our intention is to present a new case to the ONS in December and ask it to review the classification of FE colleges again.

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