

A new FE funding and accountability system

Consultation response from Natspec

This response relates to the government's consultation which closes on 12 October 2022 on the funding and accountability system for FE, with proposals emerging from the Skills for Jobs White Paper and Skills and Post 16 Education Act.

<https://www.gov.uk/government/consultations/implementing-a-new-fe-funding-and-accountability-system>

Question 1: Do you agree with our proposal to create a national model for funding that devolved areas can use as a basis for shaping and funding local skills provision?

Yes / No / Not sure

Not sure - Merging different funding streams into a single national model will simplify arrangements but it will be important to ensure that the different employment priorities of local areas are reflected in a national model of incentivised funding.

Natspec members are funded under the 16-19 funding formula and high needs budgets rather than AEB, so are not directly affected by this change.

For learners with learning difficulties and/or disabilities, there is a risk that a lack of join up between a national model for adult funding and the 16-19 funding model will create confusion – since 19 to 25 year olds with EHCPs are funded through the 16-19 budget and high needs budgets. There will be providers with groups of learners in the same session funded by different routes and potentially not getting the support they need as a result. The national model needs to make it clear that there are flexibilities for learners with learning difficulties and/or disabilities, including those who have previously held an EHCP, as many of these learners will require further provision to help them become and stay job ready. At present devolved areas choose individual priority areas which in many cases do not address issues of employment of learners with SEND – these issues need to be included in the national model to ensure that it works for SEND learners.

Question 2: What are your views on the core elements of a national model set out in the consultation document? Are there other elements which should be included?

It is logical to base a national model on elements such as student data and it is useful for providers to have multi-year budgets. We urge a similar longer term planning approach for other ESFA funding streams and high needs funding, to avoid the uncertainty of annual allocations.

A national model to provide consistency for devolved areas is helpful, because providers work across boundaries with multiple local areas. A system must include flexibility for providers to work across boundaries and for employers to recruit and train across boundaries.

The national model should encourage a joined up approach with other national policy such as the disability strategy. It needs to include criteria directly relevant to improving the employment prospects of people with disabilities so that LSIPs can become a vehicle for improving the employment prospects of people with disabilities.

Question 3: What would the impact be, both positive and negative, of adopting the proposed objectives for non-qualification provision?

The proposed objectives for non-qualification provision include helping those with learning difficulties and/or disabilities – this is essential for specialist and mainstream /general FE providers to continue to provide a quality learning experience for these learners.

Although the three objectives are a useful starting point, there could be a significant negative impact if they are taken alone. They are too narrow in terms of the wider adult and community provision and do not take account of many other reasons why adults might enrol on courses. There are many reasons why non-qualification provision might be appropriate that do not involve formal learning, transition into employment or transition to further study. Rehabilitation programmes, mental health and wellbeing programmes, language courses, family learning, wellbeing opportunities, community development programmes and much more need to be included in the funding model to avoid further cuts to adult education. Many of the people who currently access these types of courses have additional needs that may not have been formally identified, and we risk excluding them from learning completely if the wide variety of introductory and ongoing courses are not available to them.

It will also work against the “levelling up” agenda to exclude this wider adult and community learning from the objectives of non-qualification provision.

Question 4: How should we monitor providers delivering against these objectives?

Providers could be monitored against the objectives (if sufficiently widened as discussed in question 3). Accountability measures could include a statement of how the provider has met the stated objectives. For learners with learning difficulties and / or disabilities, providers could be asked to demonstrate how the funding is achieving benefits in terms of personal development, gaining independence skills, progressing to further learning, achieving aims and aspirations in learning plans and/or EHCPs.

It would be difficult, if not impossible, to set benchmarks or data points for these learners and this type of learning. The different starting points of students with additional or complex needs means that data or benchmarking based on learning levels is unhelpful and produces misleading comparisons. It is also important to recognise that linear progression is not always appropriate for learners with learning difficulties and/or disabilities – moving closer to the labour market could be a complex journey for some and monitoring might be best undertaken using case studies, especially where a learner has eventually entered the jobs market having developed over time accessing a variety of learning inputs integrated with the challenges of their lives and their additional needs.

Providers could be asked to link progress with regard to non-qualification activity to some of the social measures for deprivation or social cohesion set by devolved authorities. This would avoid a focus on metrics that are solely based on learning levels or achievement of qualifications.

ESFA already undertake funding audits for 16-19 / 19+ with EHCP funding for non-qualification activity, and there are established and recognised processes for quality assuring provision using RARPA. This, combined with Ofsted inspections of providers, should provide enough information on whether or not a provider is delivering effectively for non-qualification activity.

Question 5: Do you agree with the approach for funding qualifications?

We have responded "not sure" because there are elements we agree with and elements that we do not agree with.

Although a single formula has the advantage of simplifying the system, the plans to boost only those SSAs that "support economic growth" rather than also focussing on wider social objectives, has a particularly negative impact for people with learning difficulties and/or disabilities. There does not appear to be any acknowledgement of the social benefits of the courses, and the result of the proposals is to widen the funding gap between provision that is more technical and provision for people with learning difficulties and/or disabilities.

In terms of employment, the proposals also completely fail to take account of the national priority in the Disability Strategy to close the disability employment gap.

The two SSAs most relevant for this area are Foundations for Learning and Life (excluding Functional Skills) and Preparation for Work. These two SSAs should have been rated higher on both social and economic measures – given the evidence provided in the disability strategy. The ESFA research linked to the consultation also indicated that, like the technical SSAs, these areas cost more to deliver, but the proposal is that they should stay at a rating of 1.0 rather than be increased in line with other more costly provision. This will result in more providers dropping these areas as they do not attract sustainable funding rates. This larger funding gap between courses for people with disabilities and other courses is compounded by the added disadvantage that the overall budget has stayed the same for ten years. Providers are having to run these courses at a loss and the current staffing crisis risks making these courses even less viable.

The costs of smaller class sizes required for Foundation for Learning and Life and Preparation for Employment courses is not covered elsewhere in the funding framework, nor are the programme costs associated with effective employer engagement and educating and training employers about the benefits of disability employment and strategies to make their workplaces more inclusive.

Foundation for Learning and Life students will often combine this with other vocational areas, and if a provider decides to cut its provision in one, based on reduced funding rates, it will have the negative effect of removing the provision of basic and soft skills from a learner's programme.

A further effect of lack or low levels of LDD provision for adults, which will be exacerbated if courses are under-funded, is that there will be more families desperately trying to hold onto EHCPs until their young person is 25. If more suitable and high quality, properly funded

education and training provision was available to young adults with LDD there would be less pressure on LAs to retain EHCPs beyond 21/22.

We also oppose the proposal in para 87 to fund non qualification provision as a percentage of all adult funding based on a historical factor. Demographic indicators show that the numbers of people with learning difficulties and disabilities is increasing, and the demand for more courses that will be necessary to close the disability employment gap is also increasing. A historical funding factor will disincentivise providers from growing their provision for these learners. This is further compounded by not including the learning support for non-qualification activity in the main adult learning support budget, as it will result in a course requiring lots of support not attracting more income than a course requiring little support.

Question 6: Are there further sources of evidence which could be incorporated into our proposed approach? Please provide details

No response – question skipped

Question 7: Are there any individual SSAs which you feel have been assigned to the wrong funding band in Annex A? Please give reasons for your response.

Yes

Foundation for Learning for Life and Preparation for Employment – for the reasons given in response to question 5.

Question 8: Do you agree with our approach to setting a single specialist rate for specialist courses undertaken by specialist institutions within these SSAs in Annex B?

Yes - However the overall rates are too low as they have been fixed for 10 years, reducing their value and making it more difficult for providers to continue with adult learning. This is particularly the case for non-qualification activity and other courses for people with learning difficulties and/or disabilities.

Question 9, 10, 11, and 12 – skipped

Question 13: Do you agree with our proposal that providers should be able to earn a given percentage of their Skills Fund allocation on innovative provision? We would also welcome comments on how this facility could best work.

Yes, but the scope for innovative provision should be widened to include personal development, wellbeing and independence goals and social outcomes as well as being focussed on employability.

It is also important that definitions of “innovative” need to be inclusive to incorporate some of the excellent work and practice by providers that add value to a range of courses – not just restricted to new or emerging industries.

Question 14. Do you agree that this facility should only be available to providers who meet the criteria set out? We would also be interested in any case studies of how you have successfully developed and implemented new and innovative provision.

No response – skipped

Question 15: Do you agree with our proposal to allocate a fixed sum to grant funded providers for learner and learning support based on their historical level of this funding or should we continue with the existing arrangements?

No – there is a significant risk that basing learner and learning support on historical levels means that providers will not be funded for the growth necessary to cover the increasing numbers of learners with learning difficulties and/or disabilities. We are aware that some colleges are dropping courses at Level 1 and below because of the high cost of the support that many learners require, so it would be preferable for support to be increased and proportionately funded according to actual delivery.

Question 16: To what extent do you think this reform will result in a reduction in data and administrative burdens? Large extent / Some extent / No difference / Please provide a reason for your response

Some extent – it may reduce the burden for some but only if DfE also reduces the audit requirements

Question 17: Do you agree with the approach to multi-year funding?

Skipped question

Question 18: What level of granularity do you think would be helpful when setting national skills priorities?

Whilst it is not proposed that SPIs should be subject to Accountability agreements, there are many FE providers in scope in the statutory sector that offer a range of provision for learners with learning difficulties and/or disabilities. It is therefore important that accountability agreements should have enough flexibility to reflect the particular specialisms of those providers, especially if they have a significant amount of provision for students with complex needs. A focus on skills needs is unlikely to take account of the issues relating to disability employment, especially as the trailblazer LSIPs suggest that very few ERBs will consider how they can use LSIPs to close the disability employment gap. There is an opportunity for

Accountability agreements to take account of other policy priorities such as the [National Disability Strategy](#), the [National Strategy for Autistic Children, Young People and Adults](#) or in the [Health and Disability Green Paper](#).

Question 19: Do you agree that the Performance Dashboard provides the right mix of measures to capture what 'excellent' FE delivery looks like, including for non-qualification provision? We would particularly welcome comments on the Learner Employability measure and the English and maths measure.

As with the previous question, whilst SPIs are not in scope for the performance dashboard, many FE providers that have significant provision for learners with SEND will be subject to the requirements of the dashboard. This particularly affects Hereward College, a Natspec member and specialist college which happens to be an incorporated GFE college. For Hereward, and other GFE colleges with significant SEND or specialist provision, it is essential that the dashboard reflects the wide range of outcomes, not just progress on qualifications. The metrics set out in paragraph 237 would not be suitable for SPIs or other providers with significant SEND provision, because they focus too heavily on progression into employment or higher levels of learning without taking into account the starting points of these learners. There are other more effective ways of encouraging providers to have high aspirations for learners with SEND.

Whilst the measures proposed for the dashboard will provide useful data overall about national and local skills systems, it makes no sense as a performance measure for individual providers.

We would therefore not support the inclusion of SPIs into the performance dashboard.

Question 20: Looking at the Dashboard measures, are there any unintended consequences or behaviours that you think the Dashboard will have?

Yes – the dashboard will unfortunately drive the behaviour of FE providers so that they will focus on recruitment, courses and partnerships that improve their score for the skills measures. Whilst a focus on raising aspirations for people with SEND, including high expectations in terms of employment are desirable, we believe this can be encouraged by other means, such as greater training, information, and through feedback from Ofsted inspections and/ or Ofsted thematic reports.

The dashboard requires much more sophisticated contextualisation to take account of all the social, demographic and other factors affecting learners – especially those with more complex needs. For example, a provider should not be judged on the success or failure of getting a young person with an EHCP into work if there are factors outside of its control relating to the employer's ability to meet the needs of that learner. There are many examples in the specialist college sector which show the significant amount of work necessary with employers to get individual learners into work. It is unfair for providers to be measured on this when each individual student has different needs and the employer engagement therefore also has to be individualised.

Question 21. How can we best streamline information requests from DfE and MCAs to keep burdens on colleges to a minimum?

The ILR has many issues relating to its age and functionality, and a review of how best this data gathering should be streamlined is required.

Question 22. Do you agree with our proposed approach to Single Improvement Plans?

The principle of providers working on a single improvement plan is sound, but it would also require financial support to implement the plan.

SPIs are not in scope for the work of the Further Education Commissioner at present and SPIs do not get any support if they experience difficulties in financial performance or quality of provision.

SPIs work with some of the most vulnerable students in the whole sector and there may be merit in widening the scope of some of the FEC's work to include support for SPIs who are at risk of poor performance.

Question 23: Do you agree with our approach to reviewing the assurance process for the ESFA and providers?

Assurance arrangements for many SPIs include those required by the Charities Commission, since many specialist colleges have charitable status. It is important that future assurance arrangements are as simple and as streamlined as possible, and do not have a disproportionate burden on organisations with less than 300 students. Many SPIs have less than 50 students. Colleges currently have assurance requirements with many complex layers, with much greater demands on them than schools, universities or academies. For specialist colleges, there is an added burden of multiple local authority assurance arrangements relating to the High Needs funding system. There should be one single process that assures ESFA, LAs, the NAO and other interested agencies of the performance of the college.

Question 24: Do you agree with our proposals for which providers should be in scope for our accountability reforms?

We do not believe it would be appropriate for SPIs to be in scope for the performance dashboard or enhanced Ofsted inspection. The legal status of SPIs is under review as part of the SEND review/ Green Paper – currently SPIs are part of the statutory SEND sector (through the Children and Families Act Section 41) but are not part of the statutory education sector. The debate about whether or not specialist colleges should be on the same statutory footing as general FE colleges, and therefore subject to the same accountability requirements, has not yet been explored in full. This is a significant legal change and should be part of a separate consultation. Meanwhile, it would be entirely wrong to subject SPIs to the same accountability requirements without also providing them with the benefits of FEC support and the range of other promotional campaigns, revenue and capital funding programmes that are currently denied to SPIs.

Question 25. Do you have any comments about the potential impact, both positive and negative, of our proposals on individuals on the basis of their protected characteristics?

Women and people with a learning difficulty and/or disability are more likely to be represented in FE than the general population. For learners requiring additional specialisms or learning support, there is a risk that these reforms will reduce their support and measures to mitigate that risk, incentivising providers to retain and develop courses for these learners, are required.

Question 26: Where any negative impacts have been identified, how might these be mitigated?

We support the AoC's call for ESFA to test the impact of its proposals against a no change proposal, using ILR data, to test the impact on these groups.