

CLF Response: Skills for Jobs: A new further education funding and accountability system

October 2021

Who we are

Central London Forward (CLF) is a partnership of the 12 central London local authorities. We cover Camden, City of London, Hackney, Haringey Islington, Kensington and Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

We work together with our member authorities and with other stakeholders to support inclusive and sustainable growth in central London; so that our economy thrives, and our residents benefit from the opportunities this creates. CLF supports coordination and collaboration across the sub-region, we conduct research and help shape policy development, and we manage large-scale employment and skills programmes in central London.

Chapter 1: A reformed adult funding system

Objectives in reforming the adult skills funding system

Q1. Do you agree with our objectives for reforming adult skills funding?

Central London Forward (CLF) broadly supports DfE's objectives for reforming adult skills funding. The move towards a more streamlined funding system and a focus on outcomes is welcome. However, this risks reducing the focus on area-specific need and potential learner barriers to entering and sustaining training and education. There is a risk of taking due attention away from key local priorities such as green skills and skills for health and care systems. We believe that the inclusion of 'localism' as an additional objective should therefore be considered in order to ensure a focus on delivering a system which meet the needs of local areas. Our argument for this is set out in our response to Q2.

Streamlining funding could help reduce administrative burdens for providers. However we remain cautious of changes which underestimate the level of need in the capital or the complex barriers which learners can face. Any new methodology to calculate funding should be developed in partnership with London and other regional governments to ensure local areas retain the ability to shape provision to meet local need.

Similarly, CLF supports the inclusion of a focus on outcomes and outcomes-based commissioning, but this must be developed in partnership with local stakeholders including FE, schools, independent training providers and employers, and with consideration of the wider impacts of skills provision. The outcomes used in commissioning should reflect the wide economic and social benefits of learning for individuals and communities, such as well-being, self-confidence and improved physical and mental health, and should not be limited to employment. This is particularly important for provision which is commonly used by people who are furthest from the labour market, such as community learning services. Adult Community Learning is often a prerequisite first step for individuals to gain core skills and confidence they need to eventually enter employment. ([LGA, 2020](#)).

There should be a clear distinction between an outcomes-based approach and payment by results. We would be concerned if payment by results reduced the upfront funding available for skills providers, which could impact on financial stability and resilience.

Q2. Do you agree with our reform objectives for an adult skills funding system, or are there other principles that should be included?

CLF broadly agrees with the reform objectives set out in the consultation, but believe that in order to ensure a focus on delivering a system which meet the needs of local areas the inclusion of 'localism' as an additional objective should be considered.

The inclusion of 'localism' as an additional outcome would recognise that local areas are best placed to design and deliver skills provision which reflects local labour markets and employer need. This outcome also recognises that substantial elements of Further Education funding are already commissioned locally, such as the Adult Education Budget.

- **Recommendation:** Include 'localism' as a stated objective within reform plan.

A new Skills Fund

Purpose of the Skills Fund

Q3. How can non-qualification-based provision most effectively be funded in the future?

Q4. How can we ensure this provision is of high-quality?

Q5. We would welcome your ideas – particularly from employers – on how we could fund providers for innovative provision currently not funded by the system.

Skills Fund Design

Q6. We would welcome your views on our proposal for a single Skills Fund: do you agree that we should formally merge the existing AEB including community learning, and National Skills Fund (NSF) investment into a single stream of funding?

CLF broadly supports simplifying the skills funding streams if it helps simplify the system, reduce administrative burdens including financial costs and ensures funding can be better tailored to the needs of the local area.

However, we remain concerned that this approach may risk underestimating the level of need in areas with a high total number of people requiring skills-based interventions, such as London. If implemented, we would seek an assurance from government that London does not see a real-terms reduction in total funding for Further Education.

A single funding stream would bring together a number of targeted funding pots (particularly hardship funding and support for implementing reasonable adjustments) which support learners who may otherwise struggle to enter and sustain Further Education. Provision and ringfencing should be made within the proposed fund to ensure support remains available for this group.

Removing ringfences within funding also presents a serious risk to community learning services. These play a vital role in delivering social and economic benefits for learners such as improved health and wellbeing, and also help learners to develop self-confidence and employability skills to enable them to enter the labour market – sometimes for the first time. ([WEA, 2017](#))

While achievement of qualifications and entry into employment should play an important role in the design of the Skills Fund, we also need to ensure that the wider social benefits of learning are included. Learning – particularly that provided by community learning – can help improve health and wellbeing, prevent isolation and support integration. Community learning promotes social and economic renewal by bringing people together- people from diverse and disadvantaged backgrounds who are less likely to take advantage of more formalised learning opportunities. This should be taken into consideration when developing funding allocation methodology and agreeing outcomes.

Q7. How can we implement this Skills Fund in a way which best supports individuals to access skills which meet the needs of local employers?

Funding for learners in devolved areas

Q8. We would welcome your views on our proposal to fund devolved authorities through a needs-based relative assessment. Do you agree with this approach?

Taking a needs-based approach to funding methodology is welcome but must be flexible enough to accurately assess need across the country. Different communities and local economies will face different challenges, and this must be reflected in the way in which skills need is identified and measured.

There is a significant level of need for effective and targeted skills provision to tackle the challenges London faces, which must be reflected in this methodology. London faces significant skills challenges – 42% of London firms are not confident they will be able to recruit people with higher level skills they need over the next 5 years ([APPG 2017](#)). The capital's labour market and economy has seen some of the hits from the pandemic, with the biggest decline in payrolled employment and the largest increase in the claimant count. London has seen some of the highest numbers of people on the furlough scheme ([NOMIS, 2021](#)). Although wealthy, London is highly unequal. London has the highest level of poverty of any region or nation of the UK ([JRF 2021](#)).

London has already seen a significant reduction in skills funding. This comes as demand continues to increase, with London's population projected to reach 9.8 million by 2025, and employment in the capital expected to grow by around 49,000 jobs per year until 2041. ([GLA, 2021](#))

We have set out changes to the proposed formula in our response to Q9 that we believe would ensure a fair distribution of funding across the capital and the UK.

Q9. What elements do you think are important to include in such an assessment?

CLF requires more detail from DfE on the mechanisms and weighting of this formula before commenting in detail. Any needs-based funding formula must take in to account:

- a) The higher cost of delivery of skills provision in London
- b) The total number of adults requiring skills provision who may experience barriers to access that skills provision

The new funding mechanism must recognise the additional costs faced by London skills providers created by higher premises costs, higher salary costs and higher business rates. Providers in London face high premises costs with the highest office space rental costs in Europe ([Statista, 2020](#)) and significantly higher business rates. Providers in London face higher staffing costs. Both the high cost of living and higher than average salaries mean that London-based providers have to pay significantly higher to attract and retain qualified staff

([ONS, 2019](#)) This means skills providers operating in London have a significantly higher financial burden than other parts of the country. Taking this into account, London weighting should be a component of any new funding allocation formula.

The funding allocation assessment for the skills fund must adequately weight population and total need. Area characteristics that are based on proportions of people with economic/educational/other needs must also take into account weighting for the number of people with these needs in the devolved area. Proportionately alone cannot take into account the high number of individuals with these needs in London. For example, while London has a relatively skilled proportion overall, there are still over 660,000 adults aged 25-64 without any qualifications – higher than any other part of the UK ([GLA Economics, 2020](#)). Low-skilled Londoners also face a particular challenge competing in the labour market. Compared to other parts of the country, London has a higher employment gap and pay gap between those with higher level qualifications, and those with no or low qualifications.

- **Recommendation:** CLF strongly recommends that cost of provision is a key component in the new formula and London weighting should be used within any new funding allocation formula for devolved authorities.
- **Recommendation:** The total number of adults with educational, economic, and at disadvantage should be used in the formula alongside the proportion of adults with these needs.

A simpler funding formula

For funding of learners who are funded directly by the Department, rather than devolved authorities:

Q10. Do you agree that an activity-based system of funding colleges based on the learners they provide for should be continued or are there other approaches which would be more effective or should be considered?

n/a – non devolved areas

Q11. What are your views on the potential elements (set out above) to include in a simpler funding formula? Are there other elements which should be included?

N/a – non devolved areas

Q12. Do you agree that we should use the same needs-based formula between all areas of the country? How should we balance responsiveness to activity delivered and equal opportunity to access training?

N/a – non devolved areas

Q13. How can we introduce these changes most effectively?

N/a – non devolved areas

Simplifying funding for disadvantage, learning and learner support through a single additional needs element as part of the formula

Q14. Do you agree with our proposal to bring together disadvantage funding, learning support and learner support into one element?

Please see our response to question 6.

Q15. Are there likely to be unintended consequences we would need to manage?

Q16. Is there a different approach we should explore?

Q17. What factors do you think should be incorporated in a measure of additional needs?

Q18. Will this help reduce requirements on colleges and enable them to support their learners better?

Funding on lagged learner numbers

Q19. Do you think we should move to a lagged system for the core funding or continue with the current “allocation and reconciliation” approach?

Q20. Is there another method, not outlined here, that you would prefer?

Upfront funding for growth areas

Q21. Do you agree with our proposal for a mechanism within the Skills Fund to provide up-front funding for specific growth areas?

We welcome up-front funding for growth areas in principle but would welcome clarity on how this will be delivered in devolved areas. Local areas are best placed to understand their local economies, and to identify local priorities. Local areas are also better able to engage with local businesses and industries, with providers, and with other local stakeholders.

In keeping with the suggested additional objective of ‘localism’, local areas should be empowered to designate potential growth areas that fit with their local priorities. Growth area funding allocations for devolved areas should not be ringfenced to specific government directed growth areas. We would welcome the opportunity to explore this further with national government.

It may be appropriate to explore the use of up-front funding to deliver targeted and sector-specific skills provision for locally agreed growth areas such as the green economy. For example, London has an urgent need for people with the skills to retrofit commercial properties – vital for the capital to meet the government’s net zero ambition but a market concentrated in urban centres.

- **Recommendation:** Enable devolved areas to spend funding for growth areas on sectors in line with local priorities

Q22. Are there other mechanisms which we could explore to achieve this aim of supporting growth in specific skills areas?

Multi-year funding

Q23. We welcome views on our proposed multi-year approach, including how this might affect colleges’ behaviour.

A multi-year funding approach is key to supporting a strategic and sustainable skills system.

We would welcome budgets that are allocated to devolved authorities over a multi-year period. This would ensure that the GLA and local authorities are better able to strategically plan skills spending, giving better lead in time to meeting changing demand.

Multi-year funding should help local areas manage significant anticipated changes – such as the transition to a net zero economy – whilst also providing the flexibility for local areas to adapt rapidly to changing circumstances.

Q24. How else could the funding system be improved to make strategic planning and year to year managing of funding and expenditure easier for providers?

Funding eligibility rules

Q25. Which entitlements and eligibility rules should be maintained in the new system, and why?

Q26. If entitlements and rules are significantly reduced in number, in the context of an activity-based and lagged system, how would you expect colleges to allocate funds when the available budget is limited? Are there specific additional rules that you think should be introduced to constrain their activity?

Funding for Independent Training Providers (ITPs) and other providers

Q27. In what circumstances should direct procurement of skills provision be used by government?

n/a – non devolved areas

Q28. How can government improve the way it procures provision to ensure it complements existing areas of provision delivered by colleges and local authority providers and improves value for money?

Q29. How can we support colleges to improve how they commission and oversee provision by providers they will commission from?

Q30. How can we best support this arrangement for providers that are commissioned by colleges?

Supporting changes in provision

Q31. How can we best support local areas to improve and expand their offer to better meet current and future skills needs?

Chapter 2: An accountability system focused on outcomes

A new performance dashboard

Q32. What measures are most suitable in showing how well colleges are delivering good outcomes? Which measure do you think best matches the purpose we have described in this section?

Q33. Of the outcome measures you have suggested above, how effective would they be at assessing college performance in a timely way?

Q34. Do you agree that underperforming on the skills measure (described in paragraph 120) should be taken into account for planning an Ofsted inspection?

Q35. Do you agree that we should publish colleges' financial health ratings in the Dashboard, as we do not currently publish these?

Autonomous colleges

Q36. Do you agree with our proposal for new Accountability Agreements?

Q37. Do you agree that Accountability Agreements should incorporate and replace Funding Agreements?

Exploring an enhanced role for Ofsted

Q38. Which of the options above, or combination of options, would have the biggest impact on shifting college behaviour towards meeting local skills needs?

Q39. How do you think Ofsted can best make meeting local skills needs a more prominent feature within its inspection framework?

Q40. Are there any other changes to Ofsted's inspection approach that would support improvement in this aspect of college performance?

How the system will work for other post-16 providers

Q41. Do you agree that our accountability proposals should apply to all grant funded providers on a proportionate and relevant basis?

Apprenticeships

Q42: How might apprenticeships best feature in the new accountability system?

Support and intervention

Q43. Do you agree with our plan to give the FE Commissioner this role with a renewed focus on driving improvement and championing excellence?

Q44. What lessons can we learn from our current approach to formal intervention to help us design this new approach?

Q45: Do you agree with our proposals to create a simpler and straightforward three stage approach to improve college performance?

Q46: What specific actions do you think we need to take to ensure that performance issues are dealt with quickly and effectively?

Improving data and reporting

Q47. Do you agree with our high-level proposals to improve student data collection?

Audit and assurance

Q48. How do you think we should go about achieving our objective of keeping requirements to a minimum while maintaining confidence in the system?

Implementation and next steps

Q49. Please provide any information that you consider we should take into account in assessing the equalities impact of these proposals for change. (For example, do you believe any groups with protected characteristics will be impacted by the changes and if so, how?)

The proposed simplification of the formula should be carried out thoughtfully to avoid the risk of reducing the necessary financial resources for learners with additional learning support needs.

