

**CBI RESPONSE TO DCSF/DIUS CONSULTATION: RAISING EXPECTATIONS  
ENABLING THE SYSTEM TO DELIVER**

1. The CBI welcomes the opportunity to respond to the DCSF/DIUS consultation 'Raising Expectations: enabling the system to deliver'. The skills of the UK workforce must be raised if we are to sustain our international competitiveness and the outcome of the proposed reforms must be a funding system that efficiently supports the acquisition of economically valuable skills and which is easy to navigate.
2. There is strong concern that shifting responsibility for 16-19 funding to local authorities would not just cause disruption, but that the new system would be more complex and less efficient than currently exists under the Learning and Skills Council (LSC). At a time when there is a need to simplify the skills infrastructure, the proposals move from a single agency responsible for post-16 funding (LSC) to a system of multiple national agencies (Skills Funding Agency, Young People's Learning Agency and National Apprenticeship Service) and almost 400 local authorities.
3. CBI members welcome the renewed emphasis on moving towards a demand-led funding system for post-19 funding and ensuring training provision is shaped by the skills needs of employers and employees. But employers would have preferred not to have faced another revolution in the skills infrastructure, with all the upheaval and uncertainty this will cause. However, given that the Government appears determined to press ahead with organisational reform, the disruption caused by the transition from the LSC to the Skills Funding Agency (SFA) in 2010 must be minimised, with the focus remaining on delivering a demand-led system to employers.
4. The CBI believes that any system must be easy to navigate for employers and in particular the Government must ensure that:
  - giving local authorities responsibility for 16-19 funding does not cause excessive confusion, with concerns over the new approach clearly addressed
  - the organisational disruption caused by the creation of the Skills Funding Agency is minimised
  - the post-19 system delivers an effective demand-led system with necessary reforms put in place.

**The successful delivery of the 14-19 agenda could be affected by the disruption caused by the funding changes**

5. Employers expect young people to leave the education system literate, numerate and employable as a minimum, and remain deeply concerned about the number of school leavers who continue to lack basic and employability skills. The CBI/Pertemps Employment Trends Survey 2008 found 52% of employers remain dissatisfied with school leavers literacy skills and 50% their numeracy skills, while over half of employers (51%) are unhappy with young people's employability skills. To underpin success on the 14-19 agenda there is a need to ensure qualifications deliver the skills employers need and that young people have good quality careers advice and a genuine choice between high



quality academic and vocational routes (e.g. apprenticeships), alongside the new diplomas.

6. However, CBI members are very concerned that the transfer of 16-19 funding responsibility to local authorities could cause unnecessary disruption and confusion, and in particular it is unclear whether local authorities will have the necessary institutional knowledge and infrastructure required to perform their role effectively. There may be a case for testing the effectiveness of the proposals in selected local authorities before the system is rolled-out across the country.
7. The funding reforms are being introduced during an already busy period of change with the introduction of the fourteen sector specific diplomas, plans to raise the education and training participation age, and reform of GCSEs and A-Levels – all of which will affect local provision. The Government should ensure that if the funding and organisational changes do proceed they do not risk the success of the wider 14-19 reforms.
8. Employers are key customers for 16-19 training provision – and from an employer perspective a successful funding system would be for providers to be efficiently funded to deliver provision that met local needs. Providers themselves need a system that gives clarity in their funding relationships. CBI members have a number of practical questions over the transfer of funding responsibilities which will need to be addressed if the changes proceed:
  - **Will local authorities have the necessary infrastructure to deliver?** Local authorities will need to have the systems and staff expertise required to effectively assess and plan local provision, and commission learning to deliver the 14-19 learning entitlement. However with almost 400 local authorities of different sizes and organisational set-up, and with many not having had previous relations with FE colleges, assurance is required that the new system will be able to deliver a consistent quality of service across the country. The Young People's Learning Agency will need to monitor quality of local performance and take action where necessary to ensure consistency.
  - **How will local authorities assess employer demand?** The consultation contains no detail on how local authorities will assess demand for learning provision from local businesses. But employers are key part of the customer base – by sending young employees on training courses and employing those who emerge from the education system. It is therefore vital that local authorities have proper systems in place for consulting employers about their skills needs and the needs of the local economy.
  - **How will local demand for apprenticeships be managed?** Individual local authorities will have responsibility for assessing local demand for apprenticeships from employers, with demand aggregated locally and passed to the National Apprenticeship Service (NAS). Further detail is required on how employer demand will be assessed and how clear and effective lines of communication will operate between the NAS and local authorities. The system must be efficient and non-bureaucratic, with funding supporting the right levels of provision.
  - **How will collaborative arrangements between local authorities operate in practice?** A key element in the functioning of the new system will be how local authorities collaborate on the planning of provision, and how local authorities work to ensure training providers/employers operating across local authority boundaries do not deal with multiple organisations with the additional bureaucracy that will cause. Practical uncertainty on the operation of collaborative arrangements needs to be resolved as soon as possible so that local authorities, providers and employers have time to adjust to the new system and operational difficulties can be dealt with.
  - **Will the system be simpler to navigate for employers and providers?** There is a need to ensure that the funding system becomes simpler and easier to navigate for employers. There is concern that the new arrangements may prove to be more

complex – with a single agency responsible for post-16 funding (LSC) being replaced by multiple national agencies (Skills Funding Agency, Young People’s Learning Agency and National Apprenticeship Service) and almost 400 local authorities.

- **How will the 14-19 and post 19 systems be co-ordinated?** Young people will progress through the 14-19 system into post-19 employment and workplace training, while training on apprenticeships could be undertaken by younger or older workers. Therefore a close working relationship will need to be established between the pre and post 19 systems at both local and national level to ensure co-ordination over funding and policy. The CBI is particularly concerned that there is no detail on how the pre and post 19 systems will interact to ensure coherence and clarity for young people, employers and training providers.

**The CBI welcomes the creation of an increasingly demand-led system, but organisational disruption must be minimised**

9. CBI members have previously expressed concern over the performance of the LSC, but in recent years member feedback has indicated improvement – with the LSC beginning to provide more employer-focused services. Members have therefore questioned the need to replace the LSC with the new SFA, with all the resultant organisational disruption this could cause. The priority for business is an efficient funding system and clear relationships with government agencies – they do not wish to see constant change in the skills infrastructure.
10. CBI members do welcome the greater focus on a demand-led approach that the SFA could deliver, but if the SFA is to go ahead then any disturbance on day to day business operations must be minimised. In particular there will be a need to maintain continuity in terms of organisational expertise and institutional knowledge in the transition to the SFA wherever possible. There is also concern that the long time-lag between the announcement of the LSC’s abolition and the operational creation of the SFA could itself lead to poor staff morale and potential drift in the LSC’s organisational focus. The LSC has begun to set-out plans for the functioning of a demand-led funding system and for expanding and reforming Train to Gain – and progress in these areas should continue throughout the period of transition.
11. Employers are the primary customers for both the NES and NAS, and if these are to be demand-led services, it will be important for employers to have an input into shaping the services being offered. Clear lines of dialogue with employers should be established to both structure the nature of the service and to provide feedback on quality provided. For example, on the NES, employers could have an input on the type of support and advice they require from the NES and ultimately from Government.
12. The SFA will have a regional and sub-regional ‘presence’ but more detail is required on how this will operate – for example how it will link with Employment and Skills Boards in setting the strategic direction for skills. In order to ensure businesses continue to play a leadership role in skills boards it is essential that, where they exist, their pivotal role as drivers of the overall training and skills strategy for adults is recognised and backed by the appropriate structural linkages with Ministers. CBI London will be submitting a response separately in relation to the unique London context.

**Any demand-led system for post-19 funding must meet clear criteria for success**

13. The CBI welcomed Lord Leitch’s emphasis on placing the needs of employers at the heart of the adult skills system through the creation of a demand led funding system. The current approach, whereby provision is planned in advance with colleges and other providers by the LSC on the basis of expected demand, has at times proved inflexible,

with the system unable to respond quickly to changes in business and individual needs and with employers having limited input into shaping the provision on offer.

14. A demand-led approach will allow employers to determine the training on offer, with providers able to respond more flexibly to changes in market demand. The expansion in demand-led funding is welcome – and we note that by 2011 £1.5 billion of adult skills funding will be demand-led (with over £1 billion channelled through Train to Gain and £500 million through the new Skills Accounts). However the CBI would like to see clear progress made towards achieving the wholly demand-led funding system envisaged by Lord Leitch. Employers recognise that it is necessary to ensure that there is capacity on the supply side to deliver, but the Government should set out a clear timetable for achieving this goal.
15. The new SFA must facilitate a demand led system on the ground, with employers able to access the training they need effectively and with minimum bureaucracy. There are a number of components required for any demand-led system to be successful and Government should ensure the following elements are put in place:
  - the customers – employers and individuals – have power to choose, are able to make informed decisions over providers and funding follows demand
  - a greater proportion of government funding for adult learning is focused on economically valuable skills
  - the right market environment should ensure supply meets demand – competition is supported, high quality providers are able to expand, new entrants to the market are encouraged, unwarranted barriers to entry removed and public funding does not support poor-quality provision
  - the FE market works effectively and efficiently, delivering more skills to more businesses and learners
  - employers are able to access qualifications developed by business that meet their needs
  - adults are able to access a career service that provides good-quality, accessible information and advice to help inform choices.
16. If this demand-led vision is to be achieved, there are a number of key issues that will need to be addressed:
  - reforming Train to Gain so that it becomes a truly demand-led service
  - there must be a network of employer responsive providers to deliver demand led funding
  - qualifications must be reformed to meet business needs
  - the post-19 skills system must be simple and easy to navigate for employers.

### **Reforming Train to Gain so that it becomes a truly demand-led service**

17. Employer experiences of Train to Gain have been relatively positive. According to the CBI/Edexcel Skills Survey 2008 a third of firms (33%) found that Train to Gain had improved company performance and slightly more (38%) staff morale. But worryingly 38% of firms said Train to Gain had had ‘no measurable impact’ on their organisation and to tackle this deficit a number of issues will need to be addressed:
  - ***More funding should be available for higher level qualifications*** – Train to Gain currently provides welcome funding support for basic level training. While employers continue to believe it is government’s responsibility to ensure people leave education with essential literacy and numeracy skills, tackling gaps on basic skills remains essential to economic performance. But with the skills needs of so many employers focused at higher levels, employers have often found the public funding available does not correspond to their skills requirements. Similarly providers seeking to offer a demand-led service have been unable to offer publicly funded provision that meets

employer needs. It is therefore welcome that from 2008/09 employers should be able to access matched funding for Level 3 training – and the findings of the Level 3 pilots should be carefully analysed to address any issues affecting employer take-up.

- ***There must be greater flexibility on funding criteria*** – There needs to be greater flexibility in the funding criteria's current focus on 'first full' Level 2 qualifications. This has prevented employers from gaining funding for re-training staff on business relevant Level 2 qualifications (if they already possess another basic level qualification), which is particularly problematic given the economic need for employees to gain new skills in a global environment of constant technological change. In addition it may sometimes be more practical and relevant for employer and employee to only work part of the way towards a whole qualification – and the fullness criteria therefore limits the options available. This is particularly incongruous with the development of the Qualifications and Credit Framework which is intended to allow individuals to accumulate units of learning over time.
- ***The quality of the brokerage service must become more consistent*** – Brokers often provide the main interface with employers and hence the quality of the brokerage service must be consistently high. The CBI/Edexcel Skills Survey 2008 found 70% of employers had a good or mixed view of the brokerage service, but 30% described the quality as low. Brokers must have a good understanding of both employer and sectoral needs, and be able to translate skills requirements into effective business plans. The quality of the brokerage service must be high across different regions – with London acknowledged by the LSC as an area where improvement is needed.
- ***Levels of bureaucracy must be reduced*** – So that employers are able to access funding efficiently and with minimal red-tape.

### **There must be a network of employer responsive providers to deliver demand led funding**

18. Training providers will need an employer responsive approach if they are to be successful in a competitive training market. The basic priorities for employers are training providers who understand business needs, and who can deliver high quality business relevant training at a time, place and format that fits around the day to day running of their business. Research currently being undertaken by the CBI (funded by the Quality Improvement Agency) is considering best practice in employer-FE college relationships. The report will set out good practice guidelines on how colleges are responding to employer needs.

19. The Framework for Excellence and the new quality standard on employer responsiveness must both provide employers with valuable information to inform their choice of training provider, and give providers benchmarks of achievement for employer responsiveness and quality of service. Both these initiatives will be important in ensuring a consistent quality of service across the provider network.

### **Qualifications must be reformed to meet business needs**

20. The Government's Leitch Implementation Plan set challenging qualifications targets for both 2011 and 2020. But with only a third of employer training currently leading to recognised qualifications, it is imperative that qualifications are reformed to deliver the economically valuable skills that business requires. Importantly if providers are to successfully provide employers with a responsive service they must be able to offer business relevant qualifications.

21. A twin track approach to qualifications reform is required with Sector Skills Councils overseeing reform of standard 'off the shelf' qualifications, and continued momentum maintained on accrediting high-quality employer training. Recognising employer training is key to building a demand-led and business focused qualifications system – and the progress made to date with seven employers becoming awarding bodies and over 30

gaining recognition for their bespoke training is welcome. Moving forward, barriers – such as tackling bureaucracy and providing support for employers– will need to be continually addressed so that the system is open and accessible to any employer who wishes to follow the accreditation route.

**The post-19 skills system must be simple and easy to navigate for employers**

22. Employers must be able to easily navigate the skills system and access any support or funding they require. This has been recognised by the UK Commission for Employment and Skills which has made developing a ‘Talent Map’ for employers an early initiative. The proposal for giving key employer facing services – such as the National Employer Service and National Apprenticeship Service – individual presences within the SFA is welcome as this will provide easier customer entry points into the skills system.

**Human Resources Directorate  
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