

The management agenda

Funding and finance for maximising business 2009/10

Skills

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Foreword

The further education sector understands the need to improve skills levels if business is to compete and succeed in global markets. Further education providers recognise too the key role they have to play in innovation, training and support for employers. We are keen to learn from the many examples of effective practice in the sector to build provider capacity to deliver high quality, flexible provision that responds to employers' needs.

The Learning and Skills Improvement Service's (LSIS) World Class Skills programme (WCS) provides a range of products and services that are alert to the needs of individual providers as they seek to improve the responsiveness and quality of their offer to employers.

Fully funded, it provides a free-of-charge range of interactive workshops, seminars, consultancies and structured support to take forward reform and development through thematic development projects.

This publication is one of a group of resources that have been developed to support interactive workshops and seminars offered through the programme. We believe it brings together useful information to support providers as they gear up their business with and for employers.

Dr David Collins CBE
Chief Executive, LSIS

Welcome to World Class Skills

The *Leitch Review of Skills: Prosperity for all in the Global Economy, World Class Skills* (2006) investigated the UK's long-term skills needs and predicted that even if targets current at the time of the report were met, the UK's skills base would still lag behind many of its key comparators.

That's why the government has committed to ensuring that the workforce in England has world-class skills by 2020. This will call for an enormous shift in attitudes and aspirations within workplaces, schools, colleges, universities and society itself.

It will require every individual to think about updating their skills and qualifications to ensure that they are giving employers what they really need.

It will require employers to play an active role in helping to reform vocational qualifications to ensure that they are relevant and responsive to changes in the global economy.

In support of these reforms, the Learning and Skills Improvement Service (LSIS), working closely with national partners, was asked by the government to lead the development of a single, integrated improvement strategy to support the drive for excellence in the further education system that would succeed in the new demand-led environment.

“”

In the twenty-first century, our natural resource is our people – and their potential is both untapped and vast. Skills will unlock that potential. The prize for our country will be enormous – higher productivity, the creation of wealth and social justice.

Lord Leitch, *Leitch Review of Skills*, 2006

Introduction to the programme

The **World Class Skills – developing responsive provision** is an LSIS programme providing support for improvement activities for LSC-funded providers in enhancing their employer-facing provision. This will support organisations in developing provision to meet employers' skills needs and the aspirations of the *Leitch Review of Skills*.

KPMG and its consortium partners are delivering this major support programme. Together they can bring significant expertise to you and your organisation. KPMG has an in-depth understanding of the wider education and skills sector that can help further education colleges and independent training providers deliver improved outcomes for learners and employees, as well as achieve their organisational goals. They can also draw in the sector's most innovative and effective practice to share with you.

Programme benefits

Involvement in the programme will help LSC-funded providers of education and training to:

- develop and extend effective employer relationships
- ensure that growth and quality go hand in hand
- create fit-for-purpose organisational structures
- gain relevant accreditation, for example, Training Quality Standard (TQS) and Framework for Excellence
- access high-level support through a range of focused events
- network with peers and share effective practice.

Programme overview

The programme is designed to support the Train to Gain Plan for Growth, the changes to demand-led funding, the rolling out of the TQS accreditation, National Skills Academies and the development of specialist networks.

The focus of the programme is to work with providers and other stakeholders to be more responsive to the needs of employers and increase the capacity of the FE system to provide high quality, flexible training and support for employers and their employees in order that they can contribute to UK productivity and competitiveness in a global economy.

The programme comprises both seminars and workshops. Seminars provide a high-level introduction and overview of the topic. Workshops are designed for smaller groups: the sessions are more interactive and practical in nature, giving participants the opportunity to work with a range of proven tools and techniques. There will be an opportunity for providers to apply for individualised consultancy support to work within their organisation in an intensive way to focus on the development of employer-responsive provision.



Resources

HMSO (Her Majesty's Stationery Office) (2007) *World Class Skills: Implementing the Leitch Review of Skills in England*. Norwich: HMSO. Available online at: www.dius.gov.uk/reports_and_publications%20HIDDEN/leitch.aspx

Lord Leitch (2006) *Leitch Review of Skills: Prosperity for all in the Global Economy, World Class Skills*. London: HMSO. Available online at: www.dcsf.gov.uk/furthereducation/uploads/documents/2006-12%20LeitchReview1.pdf

QIA (Quality Improvement Agency) (2006) *Pursuing Excellence: An Outline Improvement Strategy for Consultation*. Coventry: QIA.

Learning and Skills Council: www.lsc.gov.uk

Learning and Skills Improvement Service: www.lsis.org.uk

World Class Skills: <http://wcs.excellencegateway.org.uk>

E-learning

Alongside the workshops and seminars, a suite of five online training modules has been developed. The topics are as follows:

- Building employer-responsive skills in your organisation
- Funding and finance for maximising business
- Identifying bottom-line benefits
- Sales and gaining repeat business
- Targeting SMEs for training.

E-learning is an alternative way for providers to interact with the programme and share knowledge within their organisation.

Each module will take between 40 minutes and an hour to complete, and include interactive material such as multiple-choice questions, quizzes, games, scenarios and case studies.

The modules can be accessed from <http://wcs.excellencegateway.org.uk>

If you would like further information please contact

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Agenda

Session 1: Introduction – aims and objectives of the day

Session 2: Setting the scene – ‘a challenging time ahead’

Session 3: LSC funding policy

Session 4: Delivering commercial income provision – selling the benefits

Lunch

Session 5: Maximising fee income – towards smarter fees policies

Session 6: How to plan the way ahead – action planning

Session 7: Summary evaluation – final feedback and next steps

Seminar outline

Aim

To provide the latest information on the changes to employer-responsive provision and to better understand how these changes are likely to impact on your business.

Objectives

- To outline the key changes to policy with regard to being demand-led and the delivery of employer-responsive provision.
- Share the latest information on the new funding arrangements for employer-responsive provision.
- To consider approaches to the planning and delivery of LSC-funded provision and to the further development of commercial income programmes.
- To highlight how these changes are likely to impact on your organisation and the need to develop practical solutions to be able to respond to the challenges ahead.

Benefits

- Better understanding of the impact of funding changes on your business. You will receive the latest information on the changes to employer-responsive provision, which will enable you to better understand how this is likely to impact on your business.
- Developing practical employer-led solutions. You will be given practical ideas and solutions to be able to respond more effectively to the challenges ahead.

We would like to thank Colin Stronach for his permission to use material from his presentation 'Funding the Employer Responsive Model', June 2008.

Setting the scene

The former Department for Education and Skills and the Learning and Skills Council (LSC) published a joint consultation document, *Delivering World-class Skills in a Demand-led System* (January 2007).

This document set out the case for change and sought views on proposed reforms to deliver funding principles that placed learners at the centre of the system and gave them greater purchasing power.

The government's agenda outlined in *World Class Skills – Implementing the Leitch Review of Skills in England* has further confirmed the move towards a demand-led system.

This seminar will focus on the key changes to funding principles and the potential impact on the future finances of providers. This seminar will be of interest to providers seeking to develop their approach to maximising business opportunities and be more responsive to the needs of employers. It is imperative that *all* providers are fully aware of how these changes will impact on their business.

At the end of the seminar you will be able to better understand and be more aware of the needs of employers, and possess the latest knowledge with regard to LSC funding of employer-responsive provision for 2009/10.



Resources

DIUS (Department for Innovation, Universities & Skills): www.dcsf.gov.uk/furthereducation

HMSO (Her Majesty's Stationery Office) (2007) *World Class Skills: Implementing the Leitch Review of Skills in England*. Norwich: HMSO. Available online at: www.dius.gov.uk/reports_and_publications%20HIDDEN/leitch.aspx

HMSO (2009) *Apprenticeships, Skills, Children and Learning Act (2009)*. Available online at: www.opsi.gov.uk/acts/acts2009/pdf/ukpga_20090022_en.pdf

TSO (The Stationery Office) (2008) *Raising expectations enabling the system to deliver*. Norwich: HMSO. Available online at: http://publications.dcsf.gov.uk/eOrderingDownload/Raising_Expectations.pdf

Policy update for post-14 education

Policy priorities	Institutional change affecting FE
Economic; Political; Social; eg Children's agenda; Improving performance in schools; 14–19 participation and achievement; Introduction of Diplomas, move to 100% participation, local collaboration; Skills agenda: <i>New Industry, New Jobs (April 2009)</i> ; <i>Skills for Growth</i> ; <i>Skills Investment Strategy 2010–11</i> ; Employer Engagement; SfL; Widening access to HE.	DCSF and BIS (previously DIUS); Skills Bodies; Regional LSC; Future Funding Options, Machinery of Government (MoG) changes from April 2010; establishment of YPLA and SFA; Reform of Vocational Qualifications.

Leitch implementation plan

Interim targets for 2011

	% indicated in Leitch review, Dec. 2006
FT education for 16–18 to rise to 84%	78
Adult literacy Level 1 up to 89%	85
Adult numeracy Entry Level 3 up to 81%	79
Adult full Level 2 up to 79%	69
Adult full Level 3 up to 56%	

Current challenges for the sector

- Impact of the economic downturn
- Immediate expenditure increases, eg training unemployed people and SME skills support
- Immediate pressures from rising demand, eg 16–18 and HE
- Reduction in training expenditure by employers
- Success of Train to Gain
- Review of Capital Funding Programme
- Need to 'manage demand' within available resources
- Longer term very tough expenditure outlook

Major challenges for the immediate future

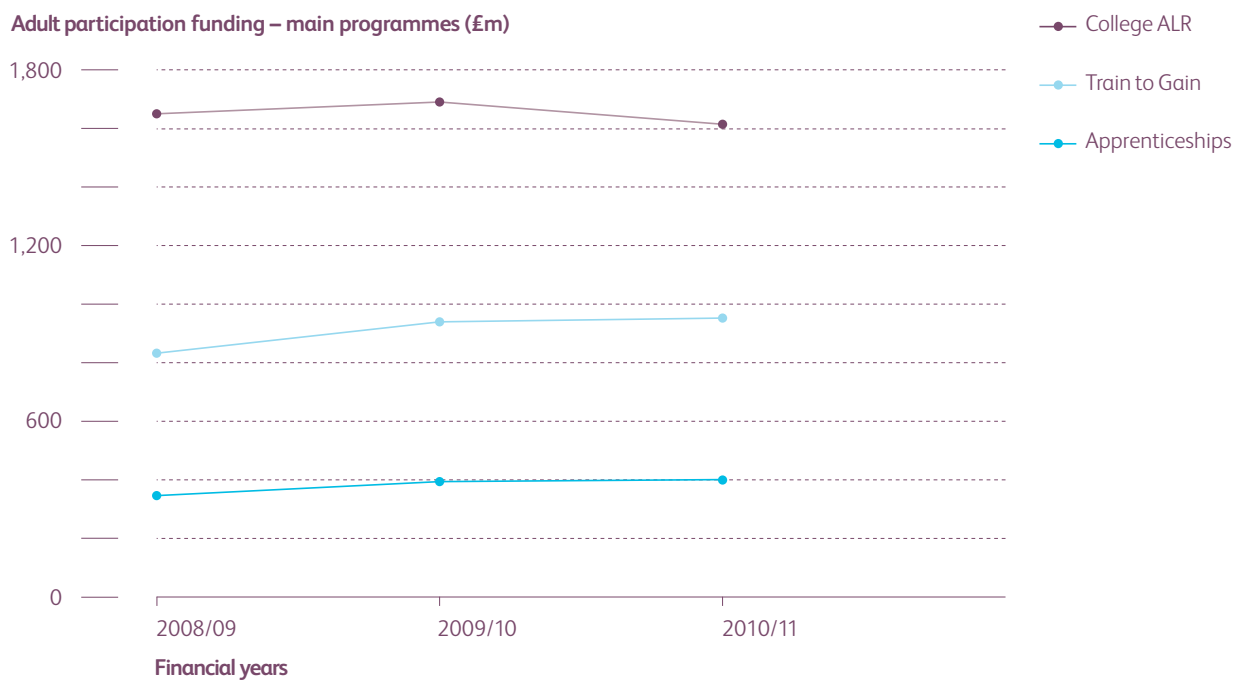
- Economic Downturn
- Machinery of Government (MOG)
- Savage cuts in public funding
- Possible change of Government

Changes to LSC funding policy

Demand-led funding models

School/college/provider-based	Employer-based	
16–18 offer, part of 14–19 entitlement		
Provision funded through strategic commissioning without in/end-year reconciliation	Apprenticeships (funded through employer-responsive model)	16–18 budget
Provision funded through strategic commissioning with in/end-year reconciliation	Train to Gain service: TtG funds, NVQs in workplace; Apprenticeships 19+ (funded through employer responsive model)	19+ budget

Adult budgets (in BIS Skills Investment Strategy)



Source: Skills Investment Strategy 2010/11 (Department for Business Innovation and Skills)

The Department for Business Innovation and Skills (BIS) Skills Investment Strategy 2010/11 sets out the funding changes around adult provision. Key adult participation funding streams are shown in the above chart.

The Adult Learner Responsive line shows a reduction in funding in 2010/11 and Train to Gain funding shows some increase in 2010/11. This accounts for the fact that some of the funding has gone into response to redundancy programmes around six month unemployment and the young person's guarantee.

A key change in the funding policy is an increase in the amount of money available for adult Apprenticeships. The funding for Apprenticeships increased in 2009/10 and will increase further in 2010/11.

The funding for adult participation has to be used across a number of areas which means that providers can no longer look to work in just one of the funding streams and be financially viable. The implications to providers are that there is a clear need to diversify income streams and a need to explore new ways of building relationships with employers.

Features of the employer-responsive model:

- Negotiated indicative maximum contract value
- Calculated using DLF formula
- Payments on actual delivery in arrears
- Achievement element
 - Train to Gain – 25 per cent for each aim paid as each aim achieved
 - Apprenticeships – 25 per cent NVQ and apprenticeship element paid on achievement of whole apprenticeship framework
- Performance considered monthly and formally reviewed quarterly.

The funding formula (ERM)

Full Funding	=	SLN	x	National funding rate	x	Programme weight	=	Area cost (x disadvantage for apprentices)
Participation	=	Full funding x 0.75 (dependant on retention)						
Achievement	=	Full funding x 0.25						

Standard learner numbers

SLN values are based on activity costing studies, driven by costs of delivery in the workplace.

Qualifications that become eligible for funding in 2009/10 will be assigned appropriate SLN values, which may differ from those shown in the table. We suggest you always consult the Learner Aims Database to check the rate for a specific qualification.

Train to Gain SLN values 2009/10

Full Level 2 or below	0.429
Full Level 3 or above	0.644
Skills for Life – Literacy and Numeracy	0.193
Skills for Life – ESOL	0.193

Each of the elements within an apprenticeship is given an SLN value:

- NVQ, apprenticeship element, key skills, technical certificate.

National funding rates

Funding per SLN	2008/09	2009/10	2010/11	Change
Train to Gain	£2,858	£2,901	£2,727	-6%
ALR/19-24 apprentices	£2,775	£2,817	£2,732	-3%
25+ apprentices	£2,775	£2,535	£2,186	-13.8%

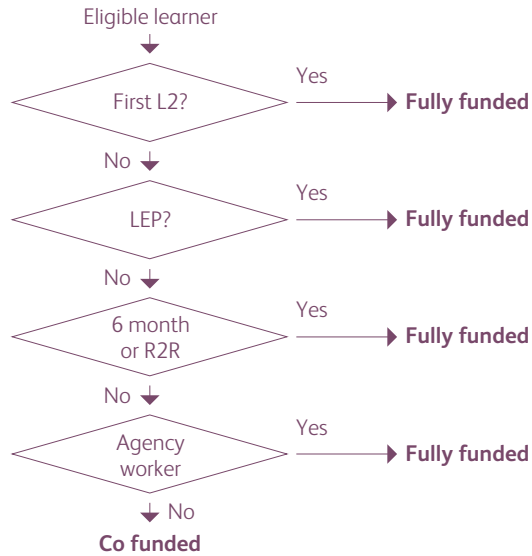
Less employer contributions where appropriate



Notes

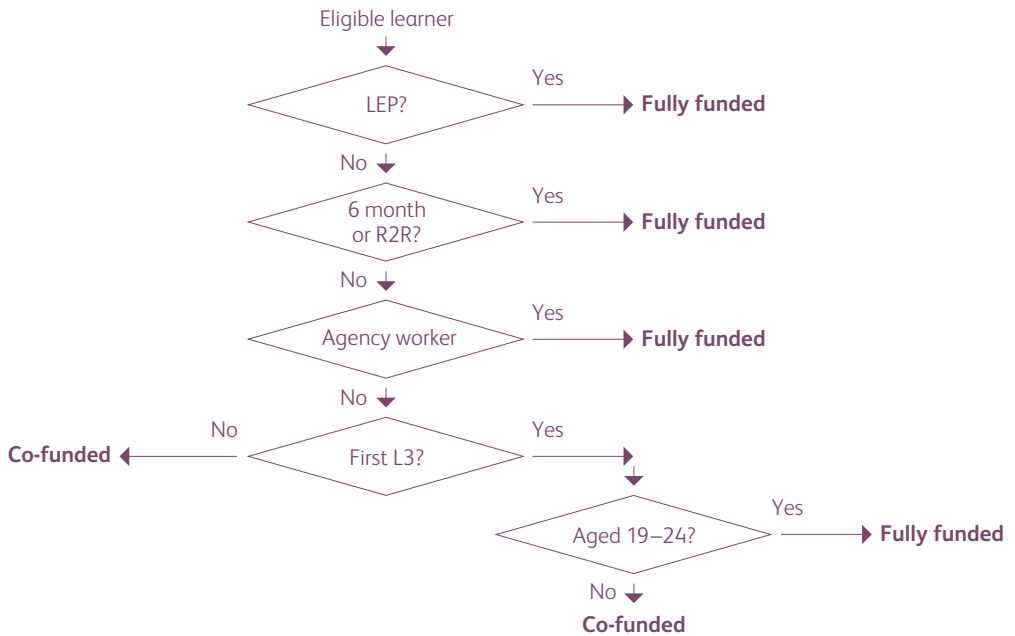
Train to Gain – Level 2 eligibility

LEP = Local Employment Partnership
 6 month = 6 month unemployment offer
 R2R = Response to Redundancy



Train to Gain – Level 3 eligibility

6 month = 6 month unemployment offer
 R2R = Response to Redundancy



Provider factor**(ERM for contracting)**

- Programme weighting
 - Average for contracting
- Disadvantage
 - Applies to apprenticeships only
 - Learners' home postcode using IMD 2004
- Area costs
 - Based on postcode of delivery location
- Retention and achievement factor
 - Only used for contracting

Provider factor**(ERM for payments)**

- Programme weighting
 - Average for payments
- Disadvantage
 - Applies to apprenticeships only
 - Learners' home postcode using IMD 2004
- Area costs
 - Based on postcode of delivery location
- Retention and achievement factor
 - Actual retention and achievement of individual learners for payments

Monthly payments**Profiled payments (based on ILR start and end dates)**

In terms of programme payment (75 per cent), the rule is: $n+1$.

EXAMPLE: A learner starts on a nine-month programme. In this case, $(n+1) = (9+1) = 10$ instalments over nine months. The first payment includes two instalments and subsequent payments are equal – so 2/10 followed by 1/10 for nine months (ie 100 per cent of the 75 per cent).

$(n+1)$ where n is the planned months on the programme

Months	1	2	3	4	5	6	7	8	9	Total
Payments	2/10	1/10	1/10	1/10	1/10	1/10	1/10	1/10	1/10	100%

25 per cent of total funding is then paid on achievement

Delivering commercial income provision

LSC communications strategy

- Fees are here to stay. They are strategically important to the future viability of all providers and, as such, all opportunities must be seized to embrace and adapt to the change.
- Providers must understand the risks and opportunities and develop a clear vision of how to take things forward in order to capture the financial rewards, and to build upon their quality and reputation.
- Fees can help to give more flexibility to providers in what they deliver – increasing the impact and influence on their local community.
- Fees encourage a demand-led system promoting innovation, efficiency and economies of scale, providing colleges with a flexible income, enabling innovation and ensuring a fair market value for their products.
- Fee remissions will still be available for those that are disadvantaged but it must be utilised and monitored effectively.
- Fees promote quality and pride in *your* price.



The key question for colleges on 19-plus funding is how much money they will have in the 2010/11 academic year. The Skills Investment Strategy does not make this clear because it reports budgets in government financial years. We're crunching the numbers, but estimate the total adult budget – not including Train to Gain or apprenticeships – is cut by 8 to 10 per cent.

AoC Analysis, *FE Focus*, 4 December 2009

In tough economic times providers need to use their commercial expertise to persuade employers and individuals to understand the benefits and share the responsibility for investing in skills. Visit the Learning and Skills Council website for further information: www.lsc.gov.uk/providers/funding-policy/income-generation

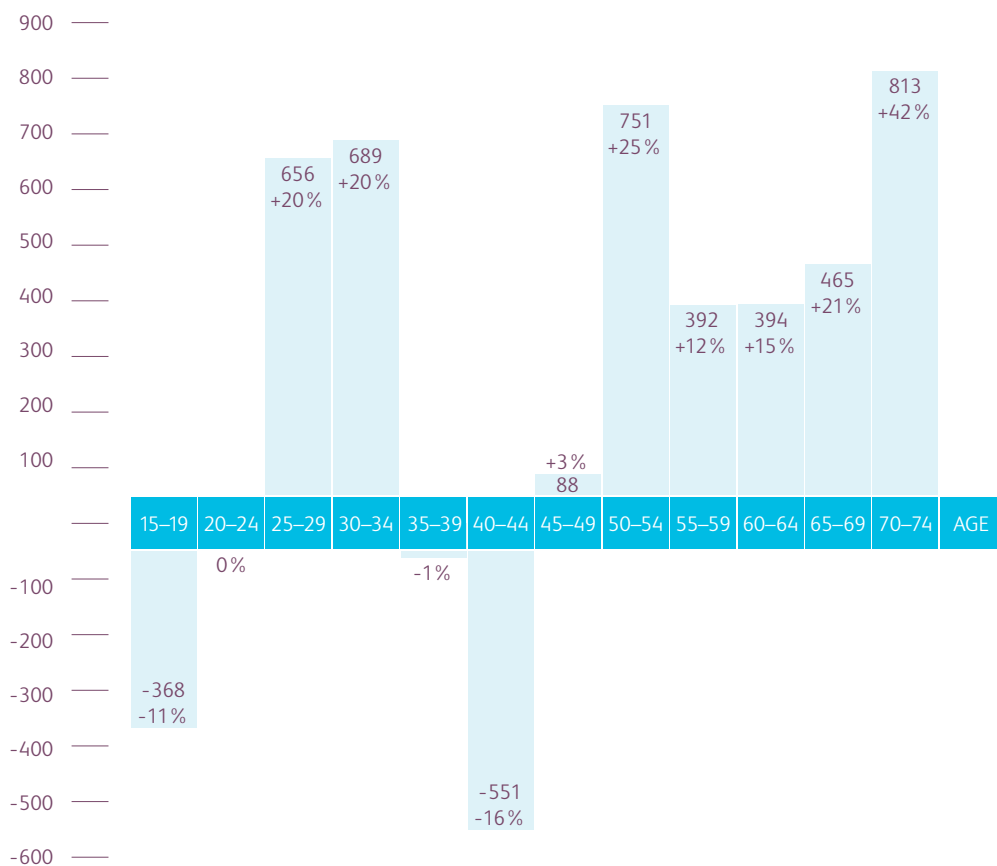
Why is this important for you?

- Shifts in funding
- Changing demographics
- Greater focus on the adult and employer market
- Achievement of TQS
- Opportunity to raise your profile
- Long-term relationships with employers
- Increase to ‘bottom line’ for employers and providers

Demographic trends

Projected change in age groups 2006–2020 in England

in thousands



- There will be a decline in prime-age workers.
- Big increase in older workers.
- Yet these are the people we are least likely to train.

Source: National Statistics 2006-based sub-national population projections

National Employers Skills Survey 2007 (NESS07)

The cost to employers of providing training totalled £38.6 billion for the 12 months prior to NESS07. This includes: 47 per cent labour cost (those delivering on-the-job training or organising training is 37 per cent) = £14 billion. This breaks down into delivery cost = £8.4 billion, and managing training = £5.7 billion.

Key points

- 217.7m days of training
- 26 per cent delivered through an FE college (28 per cent in 2005)
- 84 per cent of these stated they were satisfied or very satisfied
- 51 per cent delivered through non-FE training providers (53 per cent in 2005)
- HE 7 per cent (this was not included in the previous survey)
- 28 per cent of employers aware of Train to Gain – 4 per cent ‘actively involved’

Overall cost %	£ billion	%
Off-the-job training: course related	16.0	41
Off-the-job training: other (seminars, workshops, etc)	2.4	6
On-the-job training	20.3	53
Total	38.7	



With increasing international competition, it is more important than ever to understand the skills issues facing employers. Only then can we work with companies to help them address their skills and recruitment needs, thereby enabling the British economy to remain competitive within the global market.

Chris Banks, Chairman, LSC

Maximising fee income

Providers are being encouraged to maximise their income from non-governmental sources. RCU has developed two toolkits designed to help colleges and providers think about ways to increase the income they generate from fees and employer sponsored work.

Smarter Fees Policy Toolkit

The focus for this toolkit is on individuals who are paying their own fees, and may be most appropriate for colleges. The toolkit is built around the simple proposition that customers will pay more for goods and services that they value. It covers both full cost fee income and income from co-funded programmes. The toolkit provides background information, checklists and modelling tools to help develop a local fees strategy. The toolkit uses your judgements to help you and your colleagues to think systematically about setting course fees, providing examples of ways in which colleges have increased fee income and reduced resistance to fee increases by redesigning what they offer and how they present it.

Employer Contributions Toolkit

This toolkit is designed to help providers maximise income generated from employer-sponsored work and is appropriate for all types of providers. The Toolkit describes key factors that influence the potential contribution that an employer may make towards the cost of a training programme or package of training services. The Toolkit suggests ways in which these factors, listed as either provider employer or provider factors, can be modified by a provider, so that the level of contributions from employers can be increased.

The application allows providers to assess the strength of their negotiating position for each employer training opportunity. Providers can record a list of actions that should allow them to improve the strength of their negotiating position in the short and long term. Each training situation can be summarised, using a series of self assessment questions, as a point on a 3 x 3 grid. The horizontal axis shows the employer's potential to pay higher contributions. The vertical axis shows the provider's capability to realise higher contributions. For each self assessment issue actions can be stored and reviewed at a later date.

Both toolkits are available to download at:
www.excellencegateway.org.uk/page.aspx?o=smarterfees



Resources

LSC (May 2007) *The Impact of Fees Policies on Recruitment to LSC-funded Provision*. Coventry: LSC. Available online at:
http://readingroom.lsc.gov.uk/lsc/National/nat-impactof_feesbookmark-jun07.pdf

LSC (April 2008) *Who Gets Fee Remission? An Analysis of FE Remission by Social Group: An Update*. Coventry: LSC. Available online at:
http://readingroom.lsc.gov.uk/lsc/National/Who_Gets_Fee_Remission.pdf

LSC (July 2008) *Value of Learning in the Adult Market*. Coventry: LSC. Available online at:
http://readingroom.lsc.gov.uk/lsc/National/Value_Of_Learning_in_the_Adult_Market.pdf

LSC (July 2008) *Fees and Commercial Income: Good Practice and Other Key Issues*. Coventry: LSC. Available online at:
http://readingroom.lsc.gov.uk/lsc/National/Fees_and_Commercial_Income.pdf

LSC (in press) *Case Studies on Fee Income Generation*. Coventry: LSC.

Planning the way ahead

What is the potential impact for you with regard to these changes in government funding?

What actions have you already taken?

How can you increase your commercial activity?

What actions might need to be taken in further understanding, increasing and promoting value and assessing the impact of training for employers?



Exercise

- 1 Working in groups, discuss the previous questions.
- 2 Identify three priority areas for action.
- 3 Report back on the outcome of your discussions.

Wins – lessons learnt

Feedback from KPMG staff on pitches for work that they have won.

- We win when we have an established relationship with the client, we therefore have an in-depth understanding of their issues and requirements – and of the personal agendas of the key buyers.
- There is strong brand recognition for the service we are offering.
- We can demonstrate, through both organisational and personal credentials, that we have both the capability and the capacity to deliver.
- We have put original thought into winning work, rather than cobbling together old, generic or recycled material.
- We work in small, senior teams to develop our approach. Farming out sections of proposals to individuals who have not been involved in the early discussions inevitably leads to disjointed, poor-quality proposals.
- The bid is tightly managed, with discipline about deadlines, allocation of roles, etc.
- There is good chemistry between our presentation team and the panel.

Losses – lessons learnt

Feedback from KPMG staff on pitches for work that they have lost.

- Bid on a highly selective basis. We cannot afford to invest lots of time and effort chasing several 'difficult' bids at the same time. We should be aiming to bid less and win more.
- The margin by which we win or lose is often very narrow. We cannot therefore afford to submit second-rate proposals, and we need to keep reviewing the reasons why we win or lose.
- Communication with buyers. We often assume that they will be unwilling to talk to us, but our competitors appear to be much more persistent in seeking to talk to key buyers and influencers at all stages during and after the bid process.
- Although value for money is an important issue for our clients, we rarely lose on price alone.
- We should be open to partnering, particularly if we are moving into a new market or we lack essential skills.



Plan of action

What are the top three actions I need to carry out back in the organisation?

What are the timescales I need to set myself?

What resources do I need to support me in these actions?

How will I measure the success of these actions?



Contacts

Name

Job title

Organisation

Email

Telephone

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Resources

Publications

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LSC (2008) *Fees and Commercial Income: Good Practice and Other Key Issues*. Coventry: LSC. Available online at: http://readingroom.lsc.gov.uk/lsc/National/Fees_and_Commercial_Income.pdf

LSC (2008) *Who Gets Fee Remission? An Analysis of FE remission by Social Group: An Update*. Coventry: LSC. Available online at: http://readingroom.lsc.gov.uk/lsc/National/Who_Gets_Fee_Remission.pdf

Websites

Learning and Skills Council: www.lsc.gov.uk

Responsive College Unit:

www.excellencegateway.org.uk/page.aspx?o=smarterfees

World Class Skills: <http://wcs.excellencegateway.org.uk>

CPD tool

You can use the Continuing Professional Development (CPD) Tool to record thoughts, ideas, reflections and actions as you continue your journey of professional development with the WCS programme.

To access the tool and find further details about how you can use it to record your CPD activity please visit the CPD pages of the WCS website:
<http://wcs.excellencegateway.org.uk/CPD-tool>

Courses

Visit the World Class Skills website for listings of all seminars and workshops within the programme: <http://wcs.excellencegateway.org.uk>

Courses that may be of special interest are:

- Assessing your level of responsiveness
- Capital investment strategies to support employer responsiveness
- Introduction to the Training Quality Standard.

PDFs of all the courses are available to download.

E-learning

Visit the World Class Skills website for all e-learning courses within the programme: <http://wcs.excellencegateway.org.uk>

Courses that may be of special interest are:

- Funding and finance for maximising business
- Identifying bottom-line benefits.

World Class