



Skills Accounts

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This note provides information on the new Universal Skills Accounts which are due to be rolled out in England in autumn 2008. Information on similar programmes operating in other countries is also provided. The note also gives some background on Individual Learning Accounts which preceded Skills Accounts but were closed in November 2001 due to fraud.

Further information on the Individual Learning Accounts programme up to and including its closure is provided in Library Standard Note SN/EP/1035:

http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY_OTHER_PAPERS/STANDARD_NOTE/snep-01035.pdf

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A. Background – Individual Learning Accounts

Individual Learning Accounts (ILAs) were introduced to provide a new way to help people pay for learning by offering them help with the cost of courses. The Government introduced the national framework of ILAs accounts from 1 September 2000 by regulations made under the *Learning and Skills Act 2000*.

An ILA was a voluntary savings account into which an individual and the government could contribute. The funds in the account could be used for learning activities and the first million people to open an ILA received £150 from the government against an individual contribution of £25. Subsequently, most courses attracted a 20% discount for ILA holders. Certain courses, mainly limited to a range of Information Technology and maths courses, attracted an 80% discount.

ILAs were a UK wide initiative but there were some specific variations for each country. Responsibility for the development and administration of ILAs is devolved to the Scottish Executive. The *Learning and Skills Act 2000* which provides for the creation of ILAs in the rest of the UK gave certain powers to the Secretary of State in England, the Welsh Assembly in Wales and the Department of Higher and Further Education, Training and Employment in Northern Ireland.

On 24 October 2001, Estelle Morris, the then Secretary of State for Education and Skills announced that the ILA programme in England would be suspended from 7 December, following concerns about the way the ILAs were being sold and the value for money offered by some learning providers. On 23 November, the ILA programme was shut down immediately (two weeks earlier than originally planned).

The (then) DfES Press Release announcing the closure stated:¹

The Department for Education and Skills today called in police to investigate alleged fraud and theft involving Individual Learning Accounts (ILAs).

Officers from the Department's special investigations unit had discovered irregularities on Thursday after being contacted by an ILA provider.

This afternoon, the ILA programme was shut down immediately, two weeks earlier than planned. The ILA programme was to have been suspended from December 7.

The scheme was also shut down in Northern Ireland, however, after initial suspensions in Wales and Scotland, the scheme has continued to operate in these countries.²

1. Reports investigating ILAs

On 1 May 2002 the (then) Education and Skills Select Committee produced a report on their inquiry into ILAs. Their terms of reference were as follows: to examine the lessons from the

¹ http://www.dfes.gov.uk/pns/DisplayPN.cgi?pn_id=2001_0395

² See: <http://www.ilawales.co.uk/> and <http://www.ilascotland.org.uk/>.

closure of the Individual Learning Account (ILA) scheme, for the future of the DfES's lifelong learning strategy in England, with particular reference to:

- Management
- Policy
- Plans for replacing the ILA scheme

The following link provides a list of the Committees conclusions and recommendations:

<http://www.publications.parliament.uk/pa/cm200102/cmselect/cmeduski/561/56109.htm>

The National Audit Office (NAO) produced a report in 2002 on ILAs which investigated the design, implementation and closure of the scheme.³ The NAO report concluded that Individual Learning Accounts represented innovative policy-making, which succeeded in attracting considerable new interest in learning. The emphasis on information technology (IT) in the programme also provided a step towards increased "IT literacy" amongst the population, enabling future electronic delivery of services. The scheme had to be withdrawn not because of its innovative nature but because of problems arising from a variety of factors including:

- Pressure to implement the scheme quickly and inadequate planning – The scheme was implemented in response to a Labour Party 1997 manifesto commitment. Two years spent on developing proposals which proved unpopular with the public and potential providers meant that the timetable for drawing up the specification, tendering and piloting the national scheme was too tight. No business model was drawn up evaluating costs and benefits and security requirements were not specified in the contract.
- Risks in the design and implementation of the scheme which were not actively managed – The value of individual transactions was low, and initially the (then) DfES considered that the risks of fraud were low. In deciding whether or not to accredit providers, DfES should have taken account of its recent experience with distance learning (franchised provision) in the further education sector. DfES did not respond fully to risks identified by consultants in the Project Health Check, nor to bidders' concerns about the very tight timetable for getting the scheme set up and running.
- DfES's relationship with Capita – The DfES regarded its relationship with Capita⁴ as a partnership, the risks in effect always remained with DfES. The relationship bore little resemblance to a partnership – Capita was not involved in the project board and the DfES left Capita to implement the system. In adopting a public-private partnership approach, the DfES sought to comply with best practice at the time.
- Inadequate monitoring – The DfES should have monitored more closely the information supplied by Capita and the escalating demand for accounts, especially

³ NAO, *Individual Learning Accounts*, 25 October 2002: http://www.nao.org.uk/publications/nao_reports/01-02/01021235.pdf

⁴ The Government appointed Capita to run the Individual Learning Accounts Centre which provided services to individuals to enable them to open an ILA.

given the innovative nature of the scheme and increasing numbers of complaints. Capita was not required to undertake any spot checks on eligibility of learning nor any basic validity checks to ensure bona fides of account holders. Lack of exception reporting meant that the DfES was unaware that 13 providers had registered over 10,000 accounts and 20 had received payments in excess of £1.5million.⁵

B. Developing an new scheme – Universal Skills Accounts

In 2003 the Government stated that it planned to take forward the principles of the ILA scheme in plans announced in the then forthcoming Skills Strategy:⁶

Mr. Drew: To ask the Secretary of State for Education and Skills when individual learning accounts are expected to be re-introduced. [117677]

Mr. Ivan Lewis: We will make an announcement about the National Skills Strategy in July 2003, which will include our proposals for taking forward the principles of individual learning accounts.

The Skills Strategy White Paper stated that the Government has decided not to introduce another stand-alone ILA scheme. However, it believed that the measures announced in the Skills Strategy preserved the key elements which were previously developed through ILAs. For example, the entitlement to free learning up to level 2⁷ for those with low levels of qualifications, enhanced support for learners and broadening the range of training providers are in keeping with the ILA approach.⁸

However, the Government announced its intention to reintroduce a similar model to ILAs in England in the 2006 FE White Paper⁹ and subsequently outlined more details of its operation in its response to the Leitch Review of Skills which was published in July 2007 (see pp27-30):

<http://www.dfes.gov.uk/skillsstrategy/uploads/documents/World%20Class%20Skills%20FINAL.pdf>

Currently, 'Adult Learner Accounts' are being piloted as a precursor to the introduction of 'Universal Skills Accounts'. These trials are in operation in the East Midlands and South East and are focused on training and advice at level 3:¹⁰

<http://www.lsc.gov.uk/adultlearneraccounts/>

It is envisaged that the new Universal Skills Accounts will begin roll-out in autumn 2008 in England and will be fully operational by 2010/11. The Skills Accounts will operate slightly

⁵ NAO, *Individual Learning Accounts*, 25 October 2002, p2.

⁶ HC Deb 11 June 2003 c886-7W

⁷ A level 2 qualification refers to any qualification equivalent in standard and breadth to 5 GCSEs at A*-C or a National Vocational Qualification at level 2.

⁸ See: DfES, *Skills Strategy White Paper*, July 2003, Chapter 4, 4.31-2:

http://www.dfes.gov.uk/skillsstrategy/_pdfs/whitePaper_PDFID7.pdf

⁹ <http://www.dfes.gov.uk/consultations/downloadableDocs/6514-FE%20White%20Paper.pdf>

¹⁰ Level 3 refers to a standard equivalent to two A levels or a National Vocational Qualification at level 3.

differently to the current pilots and will provide individuals with an account towards all qualifications up to and including level 4 (degree level). The Government announced in March 2008 that £60 million of additional funding would be directed at rolling out the new Skills Accounts over the period 2007/08 to 2010/11.¹¹

Once fully rolled out Skills Accounts will interact with the aforementioned new Level 2 entitlement by giving individuals the purchasing power to go to the accredited provider of their choice (rather than being assigned a learning provider by the Learning and Skills Council (LSC)). The level 2 entitlement has been in place since September 2006; it offers any adult aged 19 and over (there is no upper age limit) in the labour force access to free tuition for their first full level 2 qualification. Additionally, an entitlement to free training for first full level 3 qualifications was recently announced for all learners aged 19-25 in May 2007; national roll-out began in August 2007. These entitlements are administered by regional LSCs.

C. International comparisons

The European Learning Account Partners' (ELAP) Network is a network of representatives from both national and regional governments and other organisations across the European Union and beyond, interested in developing policies that enable individuals to plan, manage and invest in their own lifelong learning and for the costs of that learning to be shared by government, individuals, employers and other interested parties. The network is financed and managed by the LSC. ELAP has produced a report which summarises programmes involving learning accounts in individual European countries:

<http://www.e-lap.org/docs/158.doc>

A summary of similar programmes to ILAs, including non-EU countries, is provided in Annex 2 of the following OECD publication (pp87-143) *Co-Financing Lifelong Learning: Towards a Systemic Approach* (the US system is detailed on pages 139 to 143):

www.sourceoecd.org/9264018107

¹¹ DIUS Press Release, "[£60m funding boost for DIUS to improve adult skills](#)", 13 March 2008