

**Agenda Item 24**

**Enclosure 9**

**Paper ETC 9/02**

**Shadow Health Professions Council**

**Education and Training Committee**

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**INDIVIDUAL LEARNING ACCOUNTS**

**From C.P.S.M. via the Secretary**

**FOR INFORMATION**

## **Executive Summary**

CPSM (Council) was very concerned that the Individual Learning Account (ILA) system was being abused, and in such a way as to cause problems and confusion for HPC in due course in its post-registration work.

These papers show that concern and the response to it, and then track the new developments subsequently.

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Our ref: 2001/0077534DIRECT

12 December 2001

Dear Mr Hall

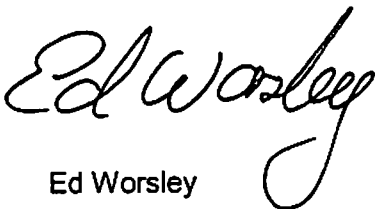
Thank you for your letter about Individual Learning Accounts (ILAs). I apologise for the delay in replying to you. This is because of the heavy load of correspondence that has been generated by matters concerning ILAs recently.

As you may be aware that the ILA scheme closed on 23 November due to serious potential fraud and theft. Our investigations into learning providers abusing the scheme will extend beyond the closure.

You might also like to know that the DfES is developing plans aimed at overcoming the shortcomings of ILAs for when we introduce a further scheme. Your comments on the eligibility of learning such as witchcraft and the other courses you mention have been noted.

Estelle Morris, the Secretary of State for Employment, has said that there is much that has been important and innovative in the ILA approach and there are delivery features that we can learn from. While we build on the successful elements of the programme, we need to design the new scheme to avoid the kinds of abuse that have been experienced.

Yours sincerely

  
Ed Worsley



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## Learning scheme £63m over budget



The scheme was halted amid fraud inquiries

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A troubled government scheme to encourage adult learning has gone almost £63m over its budget.

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The scheme, which provided individual learning accounts (ILA) worth up to £200, was suspended across the UK at the end of last year, amid allegations of fraud.

The Commons Education Select Committee has now begun an investigation into the government's handling of the scheme.

Details of the overspend - £5m more than previously revealed - came in a written Parliamentary answer to Conservative education spokesman Alistair Burt.

He said the money could have paid for nearly 3,000 new teachers.

The latest news has increased concerns that millions of pounds may have been stolen by cheats, but as yet there has been no official estimate of this.

### 39 arrested

ILAs, launched in September 2000, provided subsidies for people over 18 to improve their skills through approved training courses.

The subsidies went to the organisations which provided the training.

But the scheme was halted in England and



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- Lobby of parliament
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- 'Chaos' attacked
- Warnings 'ignored'
- Accounts scrapped
- NI grants halted
- Trainers at risk
- Minister admits flaws
- Learning scam

### Analysis

What went wrong

### Internet links:

- Official ILA website
- Department for Education and Skills
- The Community Online lobby group

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Northern Ireland, then Scotland, then Wales amid allegations of fraud.

It had appeared that some registered training providers were providing sub-standard courses, or no courses at all, and then claiming the full £200 from the government.

It also emerged that tricksters operating on the street and door-to-door had been convincing people to sign-up for courses which turned out to be either bogus or worth substantially less than the £200 discount.

So far 42 cases have been referred to police, leading to 39 people being arrested and one person charged.

But the sudden closure has left many small companies who provide courses facing bankruptcy. Claims worth more than £11m have been frozen pending investigation.

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# Training accounts scrapped



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The BBC's Sue Littlemore  
 "The government is scrapping the scheme because of fraud"

**See also:**

- 16 Oct 01 | Business  
Minister admits skills scheme flaws
- 10 Oct 01 | Business  
Tricksters target government scheme

**Internet links:**

- Department for Education and Skills
- Individual Learning Accounts

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Many people have had genuine training  
 Education ministers are scrapping a UK-wide scheme designed to help people with training costs, following allegations of fraud.

Individual Learning Accounts entitled people to a grant of up to £200 towards educational courses.

There is growing evidence that some companies are abusing the scheme

Education Secretary, Estelle Morris

But there have been allegations that some registered training providers were manipulating the system to pocket the money while providing sub-standard courses or no courses at all.

Police are investigating 279 providers.

On Wednesday the Education Secretary, Estelle Morris, told a committee of MPs the scheme was being suspended.

She said in a statement later: "The scheme is now closed to applications for new accounts, but learning begun by existing account holders will continue to be supported provided it is booked with the ILA Centre by 7 December."

Ms Morris said the rapid growth of the scheme had exceeded all expectations, "causing us to think again about how best to target public

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funds in this area and secure value for money".

But she also had concerns about the way some accounts had been promoted and sold.

"There is growing evidence that some companies are abusing the scheme by offering low value, poor quality learning.

"We are keen that this does not undermine what has been a very successful programme and so we are acting quickly to protect the interests of individual learners."

### **Dubious practices**

More than 8,000 companies had registered as learning providers.

There were complaints that some had engaged in aggressive - and sometimes dubious - selling techniques.

One common scam has involved offering a computer course, but sending only a textbook worth £6.99, even though learners had signed away their £200 discount.

Other people have been tricked in their homes through cold-calling and doorstep selling, along with unsolicited e-mails.

### **Skills shortage**

As well as using trickery to gain individuals' account money, some companies have been forging people's signatures.

Individual Learning Accounts were introduced in the 1998 Budget as a way of tackling the skills shortage.

More than 2.5 million people had taken out accounts and the department says "the vast majority" received good training..

The Trading Standards Institute, which highlighted the problem, said that it was a "massive scam", but it was impossible to know how much

money had been swindled.

Incidents had been reported as far afield as Warwickshire, Hampshire, Somerset, London and the Isle of Wight.

### 'Embarrassment'

The shadow education secretary, Damian Green, said the decision to suspend the accounts was a "severe embarrassment" for Ms Morris, coming a few days after the government's U-turn on student grants.

"It is clear from the stories of ILAs being offered to passers-by on street corners that absolutely no control was in place about how taxpayers' money was spent," he said.

"This is yet another example of the government grabbing a quick headline, leaving the taxpayer to repent at leisure."

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The Liberal Democrats' spokesman, Phil Willis, said: "Yet another failure by government to think through the implementation of such a key scheme is inexcusable."

He wanted the scheme to be revived and expanded.

The Association of Colleges said what had happened showed that the money would have been better targeted through further education colleges - "subject to the fullest inspection and audit regimes and ... fully accountable".

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# Training scam tricks thousands

THOUSANDS of people have been tricked by a scam involving a flagship government education scheme, writes Tim Miles.

Police are investigating several companies after trading standards officers said they had received more than 5,000 complaints about poor or non-existent training under the Independent Learning Account (ILA) scheme.

Now, in a belated effort to stamp out fraud, the Government is tightening rules.

The ILA scheme was launched to encourage people aged over 19 and outside formal education to boost their skills. This summer, education minister John Healey said that more than 850,000 had benefited from

it. However, rogue companies have been cold-calling people or approaching them in the street, offering the training, then pocketing £150 from the Department for Education and Skills for each client signed up.

Trading standards officers say it was a fundamental error, inviting fraud, for the payment of £150 to be made not to students but to training providers.

A DfES spokesman said it had had complaints about 330 providers out of 8,000 registered under the scheme. A moratorium has been declared on registering new providers and all existing ones will be required to re-register, giving more details about the content of courses they offer.

## Counting the Costs of Courses

### Whither ILAs?

ILAs have gone. What happens now? The government remains committed. "We will deliver increased learning opportunities through the continuation of ILAs," says the latest DfES policy document. They blame the problems on the scheme's success, saying it far exceeded their expectations.

And it was a success. Many providers saw substantial increases in business through ILAs. Many new people came into learning, and acquired new skills. We want that to continue. But we see the dangers as well.

### Empowering Individuals

One rumour is that government will restrict access to ILAs to publicly funded schools and colleges, or to employers, or to vocational courses which meet some government-defined national need. But that would be to negate the universality that made them so attractive. ILAs must stay as grants to individuals, available to all to spend on the learning of their choice.

### The need for quality

It was the scams and shoddy practices, exposed by the media, which forced the government's hand. Those practices, too, must be avoided.

Yet for all the government's emphasis on quality in education, it has been oddly reluctant to acknowledge the need for quality here. Both learndirect, and the original ILA registration scheme were, to put it mildly, reticent about quality.

It is a course, particularly galling for us. As the body set up by government to assess and acknowledge quality in ODL, we have been pressing for more information on quality, of the kind

offered by our *Buyer's Guide*, to be given to learners. We would like more controls, whether through our accreditation scheme or some other route, to avoid the worst excesses. We are in the midst of more meetings with DfES; we hope they will find a way to include our ideas this time.

### At what cost?

But there are other, more subtle difficulties. People misunderstand education. It is a service. It may seem more important than plumbing or hairdressing. But like them it is a service, offered by professionals to willing purchasers.

Services cost money. But because most of education is state funded, people don't develop a streetwise understanding of those costs. That too is part of the problem.

What should a course cost? There is no simple answer; education is an odd kind of commodity. Take your local grocer. He pays 10p for an apple. The supermarket sells apples for 12p. So his price, and his profit per apple, is outside his control. And it stays the same whether he sells one apple or a thousand.

Compare him with your local train company or airline. All their costs – trains, tracks, infrastructure – have to be met in advance. So they can, and often do, charge what they like per seat. Any income may be better than none; it's the total income that counts, not the income per seat.

Distance Learning courses are more like seats than apples. Once the course has been written, and the support systems put in place, the extra cost per new learner is small. And

unlike the airline, the number of seats is not limited; a distance learning course can be run for one thousand learners as easily as for one.

The price of a course is fixed by the market, by competitors' prices, and by a provider's guess on likely sales and income. A cheap course may be shoddy, or it may be one the provider thinks will sell well. A course may be expensive because it is very good, or because it will sell only a few copies.

Buyer expectations are also important. When ILAs were introduced, some providers adjusted their prices down to £175, (£25 plus the grant). And people grumbled. But why? On a train you might have paid £10, whilst the next man paid £100. One rule for seats, another for courses?

### Buyer beware

And people buy courses in curious ways. They would look carefully at a used car, shop around, get independent advice; know that there are bargains, and rascals, and be watchful for both.

So why not approach a course in the same way? Because education, they assume, is not a commercial activity. Because you can trust educators, can't you? They do it for love, not money.

There are other consequences. You have some say in what the hairdresser does. But they often lack the confidence to take the same kind of control in education.

ILAs are important because they empower individuals. But individuals also need guidance, and a modicum of protection. Any new scheme must do both. We await developments.

David Morley