



**The Chartered
Institute of Logistics
and Transport**

For Discussion at COT / IAC February 2017

NB: This document is based on a Detailed Discussion Paper produced by Jon Harris for Jan Steenberg and Keith Newton as an extraordinary IESC item – January 26th 2017

Proposal for Discussion at COT / IAC

The cap for the Education licence fee at £50k should be held in place for 2017 subject to income levels being at or below budget. This cap should stay in place until agreement with CILT UK is reached on what these fees are used for. Subsequent to that we will need to agree a license fee rate that is based on affordability, reward for past investment and funds for forward development.

IESC Paper

Licence Fee Options and Scenarios – Background

CILT International qualifications are based on the CILT UK course material, adjusted for an international market.

The courses were first 'internationalised' in 2005/6 with a refresh process carried out on a rolling programme since 2011. The lower level qualifications (Into Cert/Entry level) have also been brought into the family.

The CILT UK qualifications are regulated by Ofqual, and although the International products are written to a comparable standard, they are not regulated but instead we ask training providers to work with their local CILT Branch or Territory to obtain recognition of the CILT International syllabus and qualifications by their respective QCA.

The principle of a licence fee was determined back in 2010/11, prior to the current CILT International management team being in place. At that time it was agreed between CILTI/CILTUK that there should be a discounted rate to take account of affordability issues across the world – particularly in relation to our established International markets such as Africa/India etc

The CILT UK discounted rate at that time represented as significant saving on the commercial are levied by CILT UK to their own centres for the use of materials, registration, examinations etc.

The last major rewrite where CILT international needed to pay for resource to develop material was with the Diploma refresh in 2014. Since then we have working on the basis that licence fees

are used to help fund the dual 'refresh' of UK and International qualifications, such as with the Advanced Diploma in 2015/16

Potential changes to the licence fee arrangement with CILT UK

As part of the IMC and COT meeting cycles in November/ December 2016, the President raised the issue of whether the licence fees should continue at a capped level of £50k (£48.5k was claimed in 2016 FY with the cap in place for the 2017 budget) or be raised on a pro rata basis to an uncapped level.

We have therefore carried out some research to look at what this does to the funding arrangement for education but also what it means for future development and expansion of CILT's product range and rate of development.

Assumptions from a CILT International perspective

Under the current licence fee arrangements CILT International assume that

- Any revisions to the current portfolio of CILT Level 1-6 qualifications will also be carried out in parallel to the UK refresh process. CILT UK pay for any expert writer/consultant input.
- The only cost to International is time of the IPDC in terms of review/checking and a small amount of consultancy time in ensuring that the brief/content guidance/International steer is in place (i.e. the 'Dos and Don'ts for the UK authors)
- CILT International can have input into the nominations of the material writers but the decision on who to appoint rests with CILT UK. We do however state that we need writers with an international perspective ensure the tone and language fit well.
- All the CILT UK qualification modules will be brought into the refresh process if there is an International need.

Assumptions from CILT UK (discussions between JH & Neil Villiers)

Under the current licence fee arrangements CILT UK assume that

- Revisions to the materials will be first and foremost those that will appeal/meet a UK market demand - unless there is strong demand for an International module that will continue to generate revenue through the licence fee
- The reduced licence fee level represents good value for money
- The income from the licence fee (whether capped or uncapped) goes into the general 'pot' for development and AO activities – it is not ringfenced to qualification development
- The unitised cost of revising a module within a qualification is about £5k if all costs are chargeable etc

Other points

We are aware that CILT UK are looking at only selectively refreshing their most popular modules, so some key International units (e.g. Ports) which are very popular might be excluded from the automatic 'free' rewrite process unless we show a clear business case

The UK have 2 issues that need looking at which are related but can be dealt with separately. These are:

- The principle of the cap and whether this should continue to be applied. There are 2 issues
 - Affordability (the uncapped figure for 2017 at budgeted student numbers and levels would be £102k)
 - Agreement on what the sum paid to CILT UK is a payment for and if it includes the International assumptions above
- The issue of cashflow and the impact of 'paid when paid' which has created, at present a £29k 'gap' from fees charged by CILT International but not yet banked.

Both the above need consideration.

We are still looking at the impact of this issue, but based on the principle that the licence fee should be used to reinvest in the core materials, there is either a service level expectation that needs close assessment, or alternatively CILT International need to retain a budget to do the additional modules themselves where they are vital for the international market but not the UK sector.

Development Activities

- Any NEW units that CILT International would like to develop could be dealt with as joint projects, but only if there is also a market need by CILT UK/income generation.
- CILT International can work collaboratively with other education providers and experts to develop additional International modules (as we are doing) but these feature as an International development cost
- Any new units are outside of the licence fee arrangement unless CILT UK are developing them anyway and they are relevant for an International Market
- Historically if CILTI develop improved materials (eg Diploma resources, slide decks etc or new modules) we have not charged CILT UK back for use of these enhanced tools in the spirit of collaboration.
- The important issue is that for CILT International to continue to develop products and we units for meet our global needs, 'piggybacking' on the UK development programme will only be **part** of the resourcing plan.

Licence fees in context with other costs

As a rule of thumb, the licence fee is paid to the CILT UK once the training provider has paid the student registration fee in full for the batch of students taking a particular course level. The fees due are calculated monthly and an invoice raised.

Where there are specific arrangements with countries where a reduced student registration fee is in place, or where only single units are being studied then a pro rata amount is discussed and agreed with CILT UK Awarding Organisation.

The arrangement has to work in arrears because of the need to ensure funds are properly receipted and banked from the overseas providers before the licence fee is passed on.

In terms of overall costs, for every fully paid student registration fee, the costs need to go directly towards

- CILT UK licence fee
- CILT Ireland administration support fee dealing with registration and certification (for International)
- CILT International education administration covering management of the student cohort, exam result input, organising moderation
- CIT International moderation services for exam setting and marking of exam scripts
- Shipping costs

Once the above are met per student group, then any remainder of the income will go towards the wider Education Development function and supporting the CILT International Secretariat

Currently the licence fees are as follows, in relation to the overall registration fees

Level	CILT UK fee	CILT International Student Reg Fee	As % of overall charge per student
Entry Award	£24	£100	24%
Indro Cert	£32.50	£140	23%
Cert	£45	£150	30%
Diploma	£55	£150	36%
Advanced Diploma	£55	£150	36%

Under the latest agreed fee increases from **1st April 2017**, taking account of the proposed increase from CILT UK, the new figures would look like:

Level	CILT UK fee	CILT International Student Reg Fee	As % of overall charge per student
Entry Award	£25	£100	25%
Intro Cert	£33	£130	25%
Cert	£45	£165	27%
Diploma	£55	£175	31%
Advanced Diploma	£55	£200	27%

The % increase proposed by the UK Awarding Organisation represents a .75 to 1.7% increase on the previous levels. From the International side viewpoint, the earliest it should be increased is when the International fees slide up on 1st April 2017 rather than with the CILT UK financial year.

Based across all levels of qualification, on average 1000 students are needed to provide CILT UK with their £50k 'cap' figure per annum.

If the cap is lifted, then based 'conservative' annual targets (2000 students) through to aggressive levels of student s (3000) income profile for CILT UK would be as below. 1000 students are needed to reach the current £50k cap following the current split of qualification uptake.

CILT UK LICENCE FEE SCENARIOS	Current price/student	Based on student mix set out above			If UK cap only is met (1000)
		If 2000 target met	If 2500 target met	If 3000 target met	
Costings - CILT licence fees					
Entry level	£24.00	£960.00	£1,200.00	£1,440.00	£480.00
Intro Cert	£32.00	£1,920.00	£2,400.00	£2,880.00	£960.00
Cert	£45.00	£22,500.00	£28,125.00	£33,750.00	£11,250.00
Dip	£55.00	£55,000.00	£68,750.00	£82,500.00	£27,500.00
Adv Dip	£55.00	£22,000.00	£27,500.00	£33,000.00	£11,000.00
	Totals/scenario	£102,380.00	£127,975.00	£153,570.00	£51,190.00

However, the implications of removing the cap for CILT International are

- Based on the conservative budget target of 2000 student registrations in 2017, no development activities could take place as the budget would not be available to spend (CILTI would need to find an additional £52,000 to meet unrestrained licence costs)
- If CILT International had to develop its own materials because the sister UK modules were not being reviewed, there would be no funding to do this
- Any benefits generated through exceeding the target on students would be voided because the licence fee plus all the other fixed costs would not provide much margin and therefore would take a lot more students to generate any development fund
- The above is compounded when there are a lot of providers registered smaller batches or students at all levels because the costs for moderation and exam setting a fixed by unit, not by student number. This means our core costs can vary, particularly in relation to moderation and exam services because there is more work to do, but less student income per batch. The UK pricing system to its centres is based on a menu of services that get charged as a student progresses, whereas for simplicity and maximising transaction value (ie avoiding losses through bank charges and transfers) CILTI has run a fixed fee system since
- There is also a common sense approach that says that there is a trade-off between capping the licence fee versus a lot of development work and membership/course promotion that is carried out by the IPDC to support the UK which is free of charge.
- There is also an argument that says that the funding should be used for continual improvement of the product and therefore given the limit of capacity to do this process each FY, then the licence fee should be capped at a figure that reflect the costs of modernising the courses on a rolling basis.

Recommendations of IPDC

In view of the need to continue to carry out education development activities which may not be funded by CILT UK there are a number of options – in order of preference from IPDC viewpoint

1. Agree the principle of the cap and fix at £50k for the next FY at least. This continues to be paid in arrears based on student income
2. Agree the price of cap and fix at a higher amount but still cap to compensate for the fact that not all materials and product development support will come from the UK – terms as above
3. Agree a set annual licence fee for use of materials which is paid on a monthly fixed fee basis regardless of registrations - giving UK certainty but helping CILTI cashflow
4. Agree options 1 and 2 but with 'pay UK on invoice' rather than in arrears
5. Agree to accept unrestrained pricing - but with the consequences outlined above on our ability to develop products we need for the international market

JH

24.1.17