

Briefing

Raising expectations: Enabling the System to Deliver (Cm 7348) Government plans for replacing the Learning and Skills Council

Introduction

1. The 370 English further education and sixth form colleges:
 - educate and train 727,000 young people each year (more than are in school sixth forms, private schools and private training providers put together).
 - enrol more than 3 million adults each year, the majority of whom achieve economically valuable qualifications.
2. College income is £6.6 billion a year in public funding, 78% of which comes from the Learning and Skills Council (LSC). This paper sets out plans to abolish the LSC, change the way in which Government funding is routed and the entire system regulated.

SUMMARY OF MAIN PROPOSALS

Learning and Skills Council functions inherited by a Young Peoples Learning Agency (YPLA) and a Skills Funding Agency (SFA)

Local authorities given the main role in planning and funding 16-19 education but must work within a national set of rules and in partnership with their neighbours.

DCSF will encourage local authorities to work in sub-regional partnerships; effective partnerships will get budgetary responsibility and will commission 16-19 provision from FE colleges. Where partnerships are less effective, YPLA will handle FE college commissioning.

Legislation will designate sixth form colleges as a separate category of colleges, based mainly on whether they focus on full-time 16-19 education. They will be funded, regulated and performance managed by their home local authority. Performance management and regulation of FE colleges will be handled by SFA.

Changes will be made to funding of students with learning difficulties and young offenders.

YPLA will be an organisation with an independent board; SFA will be an agency that forms part of its host Government department (DIUS)

Skills accounts will account for £500 million in funding by 2010 (ie within two years)

Consultation asks 22 questions and runs until 9th June 2008

THE CONSULTATION PAPER EXPLAINED – YOUNG PEOPLE

Explanation for the policy (chapter one, pages 15 to 18)

3. The consultation paper is the culmination of 9 months work which has taken place since Gordon Brown became Prime Minister and announced:
 - The division of the Department for Education and Skills (DfES) into two departments; the Department for Children, Schools and Families (DCSF) and the Department for Innovation, Universities and Skills (DIUS). Both Departments have a wider set of responsibilities.
 - The decision to channel funding for 16-19 education paid to schools and colleges via local authorities.
4. The policy has been explained in various ways since then. The consultation paper now, for the first time, explicitly justifies the policy in terms of the plan to raise the participation age in education and training to 18. Ministers say that they need to change the education and training system to achieve 100% participation. The Government is legislating in the Education and Skills Bill to raise the participation age to 18 by 2015. When Ministers consulted on raising the participation age in 2007 they did not talk about structural change. Chapter one (pages 15-17) of the paper sets out the following proposed changes:
 - Local authority leadership in identifying demand and planning provision
 - Nationally set frameworks for funding and quality
 - A funding model which ensures money reaches providers
 - A transition plan to get from now to the new arrangements in 2010.

Local authorities (chapter two, pages 19 to 22)

5. The decision to route funding for the education of 16 to 19 year olds via local government is a policy that is consistent with other Government policies. Local councils have developed a key role as the organisations responsible for the well-being of all the children and young people in their area. Recent and future legislation defines these responsibilities as covering young people up to the age of 18 and increases the role of local government in stages. Over the next 8 years, they take on responsibility for ensuring:
 - every young person participates in education or training up to the age of 17 (2013);
 - information, advice and guidance is available to every young person (2008);
 - every young person can access an appropriate diploma course (2013);
 - the funding of education for young people up to the age of 18 (2010).
6. In the case of 16-19 education and training, chapter two lists two key roles that local authorities will take on:
 - strategic commissioner, producing a education and training plan for its young people as part of its Children and Young People's plan
 - decision-maker on whether provision is adequate to meet the needs of its young people. In most areas the local authority decisions will be constrained by a tight set of national rules and by the need to work in partnership with its neighbours

Funding flows (chapter three, pages 23 to 25)

7. The consultation paper sets out a number of operational configurations for commissioning by local authorities but expresses a clear preference for two models outlined on page 32.
8. The paper declares that neither a centralised or localist model will achieve their objectives.
 - Localism - full devolution of funding responsibility to local authorities is rejected because funding flows would be based on last year's numbers and would allow no freedom to local authorities to deal with changing demand or low quality.
 - Centralism – a model in which the local authorities advise the national agency about local needs is rejected because it does not deliver the objective of local leadership.
9. The models that are proposed all involve the following features:
 - clustering of local authorities in sub-regional groups on a voluntary basis
 - the creation of a national agency to handle budgets and ensure coherence
 - progressive devolution of power from the national agency to the sub-regional level

Local authorities will be encouraged to come together on a sub-regional basis. They will be able to apply for formal designation from the Secretary of State for Children, Schools and Families which will be the trigger for devolution of budget responsibility. Budget responsibility will only go to a sub-regional group which has geographical coherence, robust governance, strong procedures, arrangements for handling cross-boundary issues and disputes

10. The Government plans to legislate to allow both options in an area. The default option will be model 2a (16-18 agency commissioning) with a process to allow sub-regional groups to take on budget responsibility if they pass various tests. This creates possibility of a budget patchwork quilt.

A Young People's Learning Agency (YPLA) (chapter three, page 29)

11. The YPLA will be established as a non-departmental public body with representatives from providers and local authorities on its board. It will have the following functions:
 - management of the budget and commissioning framework including powers to intervene if local authorities are failing in their duties
 - the national funding formula (working with the QCA successor agency)
 - co-ordination of regional plans (not necessarily with regional staff)
 - commissioning of work from FE colleges in model A areas
 - national contracts with 3rd sector and specialist providers
 - national arrangements for students with learning difficulties (SLDD)
 - management of learner support (including post-19 up to 2013)
 - data and analysis on 14-19 year olds

Regional groupings (chapter three, page 30)

12. In each region, a regional grouping will be established with the help of the YPLA with the help of the Regional Development Agency (RDA), Government Office in the region

and Skills Funding Agency. The regional group will have the task of reviewing plans, budgets and demands made on institutions at a regional level

Commissioning models (chapter three, page 32)

Model A	Model B
Local authorities agree a regional plan	Local authorities agree a regional plan
All local authorities work together at sub-regional level	Some authorities form strong sub-regional groupings which hold budgets
National budget allocation partly based on the regional plan	National budget allocation partly based on the regional plan
Local authorities commission provision from school sixth forms and sixth form colleges	Local authorities commission provision from school sixth forms and sixth form colleges
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16-18 agency commissions from general FE colleges	Sub-regional group commissions from general FE colleges

13. The position of the 370 colleges will diverge:

- The 96 sixth form colleges will “rejoin the local government family”. All relationships (commissioning, funding, performance management) are handled by the local authority
- 250-270 further education colleges will fall between the two Departments with commissioning of 16-19 work handled regionally or sub-regionally and performance management handled by the post-19 agency

14. The YPLA will handle commissioning for a few national and specialist providers and lists various national charities and names independent training providers. It does not say that colleges can be included

Sixth form colleges (chapter three, page 33)

15. The planned legislation will define sixth form colleges as institutions that predominantly cater for 16-19 year olds. Colleges will be allowed some freedom to apply for re-designation.

Students with learning difficulties and disabilities (chapter three, page 35)

16. As far as possible, commissioning of provision for students with learning difficulties (SLDD) will be handled regionally but there will be some national contracts. Budgets will be allocated to local authorities on the basis of residents – necessitating some transfer of funds within a region.

Young people in custody (chapter three, page 36)

17. Significant reforms of education for young offenders are outlined. Paper asks whether the 37 young offender institutions should be funded via the home local authority (as with the rest of 16-18 education) or whether funding should go to the young person’s home authority with cross-boundary payments introduced to fund their education.

Performance management/ case conferences about colleges (chapter three, pages 40-41, chapter nine, pages 73-74)

18. The paper gives local authorities a role in performance management with a promise that this could become more coherent in the 16-18 phase, perhaps based around the framework for excellence.
19. Performance management of schools and sixth form colleges will be handled by the local authority. Performance management of general FE colleges will be handled by the Skills Funding Agency but with the use of case conferences involving the 2 national agencies and the home local authority. *“Everything possible will be done to avoid one funding party creating extra costs for another party”* – including extra expenditure to improve quality, redundancies etc

Organisation of 16-18 provision (chapter four, pages 41-43)

20. The paper outlines some important changes on 16-19 organisation. Local authorities will have a specific duty to commission high quality provision as well the duty to ensure that the provision is sufficient for 100% participation. The means by which they implement this duty will vary according to the type of institution, ie they can work more directly with schools and sixth form colleges but will have to work via the skills funding agency in respect of FE colleges.
21. Although the school and FE presumptions stay in place, high performing schools will have to demonstrate collaborative working to acquire a sixth form and show that progression and results will improve. More time will be allowed for the consultation process. The new rules will apply to new schools and academies wanting sixth forms. Paper mentions need for some local authorities to decommission provision because of population decline but gives no details on how this might work.

Data (chapter four, page 44)

22. Existing data systems for schools, colleges and universities stay in place. The 16-19 agency expected to cut the data into local authority and institution segments for use in commissioning and performance discussions

The funding formula (chapter five, pages 47 to 48)

23. The formula will be an adapted version of the new LSC formula. DCSF is considering whether to extend the 16-19 funding formula to become a 14-19 one. Significantly the consultation paper reiterates the promise that comparable funding will be available for comparable learning regardless of institution (ie to close the funding gap).

Capital funding (chapter five, page 49)

24. The paper explains that the YPLA will handle the 14-19 capital funding budget and will be expected to integrate plans more closely with Building Schools for the Future (BSF).

Transition (chapter six, pages 51 to 55)

25. Government will legislate in next session of Parliament with a view to implementing legal transfer on 1st April 2010 but will aim to achieve transfer in practice by September 2009 by following measures to ensure focus on delivering existing targets and the new plans;
 - mapping of LSC staff to local authorities by September 2008
 - organisation of local authority sub-regional groupings by January 2009
 - regional forums to be in place by spring 2009 to help 2009/10 funding transfer

The Raising expectations white paper, AoC briefing March 2008

THE CONSULTATION PAPER EXPLAINED – ADULTS

Policy towards adult learning and skills (chapter 7, pages 57 to 60)

27. The section on post-19 skills contains little given that the Leitch implementation plan set out Government policy but it does say that:
- Demand-led funding, fronted by brokerage, implies less planning
 - skills accounts are really important
 - the integration of employment and skills will be a key policy
 - a skills funding agency will be created

The skills funding agency (SFA) (chapter 7, pages 61 to 62)

28. The paper outlines the following functions for the skills funding agency
- budgets (ie payments to providers in line with learner/employer choice)
 - competitive tendering of provision
 - management of the market (ensuring quality of supply and ensuring quality of information to customers)
 - support services and/or management for a range of national agencies and functions
 - capital funding for modernisation of college estate (which will continue)
 - performance management of FE colleges
29. The skills funding agency will be an executive agency (which means that its focus is delivery not expert advice and that it will not have an independent board, separate budget, grant letter etc). CEO of the SFA will be on the DIUS board. SFA's own board will include CEO and directors of NAS and Adult Advancement and Careers Service (AACCS).

Skills accounts (chapter 8, page 64)

30. The role of skills accounts is reemphasised in the paper. They will account for account for £500 million in public funding by 2010. They will be virtual vouchers allowing learners to choose accredited providers. Universal skills accounts will be piloted in the South East and East Midlands in 2008-9

Regional relationships (chapter 8, pages 66-67)

31. The SFA is expected to work with regional partners (eg development agencies) and with sub-regional partners (Employment and Skills Boards). Planning, capital funding and competitive tendering will all be organised at a regional level

The wider skills system (chapter 8, page 64)

32. The Skills Funding Agency will have a role with other national agencies and functions:
- Support services for the National Apprenticeship Service (NAS)
 - Setting targets and service standards for the (AACCS)
 - Management of a national employer service
 - Funding and management of the offender learning and skills service
33. The SFA is expected to liase with other national agencies including Jobcentreplus, the Higher Education Funding Council for England (HEFCE) and the new UK Commission for Employment and Skills (UKCES). It is also expected to work with the new FE improvement agency to facilitate self-regulation and greater sector ownership of quality improvement.

ISSUES FOR COLLEGES

1. Since the announcement in June 2007, AoC has worked with colleges, ministers and officials to design a system that will meet Government objectives while preserving what is best in existing arrangements.
2. The system will become more complicated. The consultation paper is a compromise between giving local government a full role in 16-19 funding, ensuring delivery of national targets and allowing institutions to respond to learner choice.
3. The creation of two national agencies reaffirms the split between the Departments. There are few prospects that the age divide at 19 will be closed in the short term which makes the system less coherent and which created particular difficulties for young adults completing further education courses they should have started earlier because of disadvantage and their failure to achieve level 2 qualifications at age 16.
4. The regulatory impact assessment says that the reforms will be cost neutral because the costs within the local authority system will be equal or less than the £205 million annual running costs of the LSC in 2010 while the costs to colleges of the new arrangements will be minimal (£2 million in total).
5. Colleges need to ensure that they have a role in shaping the new 16-18 (or 14-19) agency, for example in the operation of the national formula.
6. The continued support for a national funding formula is positive.
7. DCSF have not confirmed how the funding will flow and, in particular, whether the money will be paid to local authorities as a dedicated ring-fenced grant.
8. The division of college sector raises various issues:
 - Most local authorities with a sixth form college within their boundaries have only one. It is likely that they will treat sixth form colleges as if they are schools (which could, of course, be beneficial for the college).
 - If sixth form colleges are institutions that focus predominantly on full-time education for 16-18 year olds, what about the 100 or colleges whose full-time 16-18 year olds constitute 50% of their total FTE enrolments? The rules need to allow for cases where new colleges are created. For example some further education colleges may want to de-merge into a 16-18 institution and an adult one. A number of de-mergers took place between 1988 and 1993 at the time when the Government created separate higher and further education systems. There are reasons for thinking history might repeat itself, particularly if policy towards 16-19 year olds and adult diverges.
 - Who will make decision on mergers (there have been 10 GFE-SFC mergers in the last ten years)? Clear decision-making arrangements for mergers will be needed to handle cases where institutions of a different legal character merge (college-school as well as college-college).
9. There are positive statements but little detail on 16-18 performance management. Long-standing AoC objective to ensure that colleges and schools are treated consistently. Not clear yet if framework for excellence is fit for measuring school performance on a consistent basis with colleges.
10. There are positive moves on 16-18 organisation in the form of greater local consultation before new sixth forms or Academies are established but these may be too late to deal

with the consequences of the present policy. DCSF make welcome proposals about closing weak sixth form provision (whether in schools or colleges) but provide no details.

11. The “case conference” approach to managing GFE college performance could be a recipe for inter-agency arguments but may also provide some protection for colleges. The proposal on cost-shunting implies that the 16-18 agency will have to provide funding for redundancies if 16-18 provision is withdrawn from a GFE on the grounds of quality
12. Interesting that the post-19 section of the paper expresses such strong support for skills accounts. A massive amount of work needed to make it possible to route £500 million via the accounts by 2010-11. The current pilots are very modest by comparison.
13. Creation of skills funding agency as an executive agency implies that it has no need for independent judgement or expert advice. This could make it more difficult to recruit or retain good staff. This proposal does deal with the long-standing division between the department and the LSC but puts post-19 funding and the regulation of colleges wholly under government control. Other options are not considered, for example a merger with the Higher Education Funding Council.

Association of Colleges
17th March 2008