



# Raising Expectations: enabling the system to deliver



department for  
**children, schools and families**

Department for  
**Innovation,  
Universities &  
Skills**



Department for Children,  
Schools and Families

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Universities and Skills

# **Raising Expectations: Enabling the system to deliver**

Presented to Parliament  
by the Secretary of State for Children, Schools and Families  
and the Secretary of State for Innovation, Universities and Skills  
by Command of Her Majesty

March 2008

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# Ministerial foreword



Our two departments are tasked with arguably the most important job in Government today – improving the education and skills of our nation.

We must ensure that all young people can achieve well through education and training. We must enable today's adult workforce to gain new skills and qualifications. And, in the coming years, we must ensure that everyone can continue to improve their skills throughout their life.

At the time of writing, 77% of 17 year-olds are engaged in some form of education or training. We are now raising our sights so that by 2015 all young people will stay in education or training at least to 18, developing the skills and gaining the qualifications they need for successful adult life.

The legislation currently before Parliament provides the framework and the impetus to make that change happen. But its success depends on a radical transformation of our education and skills sector; and on a major cultural change reflecting higher aspirations for all young people. A central part of that transformation is that every young person will be entitled to a new curriculum and new qualifications, including 17 new Diplomas and the guarantee of an Apprenticeship or pre-Apprenticeship place, so that every young person can be learning in a way that motivates them and prepares them for life.

This transformation requires strong local leadership in every area. That leadership will come from local authorities, who will have clear responsibilities for delivering the new entitlements for all young people. In parallel, they are assuming responsibility for the Connexions service and for developing integrated youth support services. By bringing all of these vital responsibilities together we are significantly enhancing the role of local government and placing in their hands the responsibility for ensuring that the participation age can be raised successfully.

Our proposals mean that local authorities will assume responsibility for commissioning and funding education and training for all 16-18 year-olds. But they cannot do so successfully by acting in isolation. In the first place, we want to keep aspects of the existing national system, especially the national funding formula. And secondly, because young people so frequently travel to learn across local authority boundaries, local authorities will need to work together in order to carry out their commissioning role.

Schools, colleges and other providers are the organisations that are directly responsible for educating and training young people. The commissioning and funding system will support them to make a success of their joint efforts. We want the commissioning system to be as simple as possible;

to respect the autonomy of individual institutions and the differences between different types of institution; and to ensure that young people are offered the best and standards continue to rise.

We will make it a priority to ensure a smooth and efficient transition to this new system, so that outcomes continue to improve for young people in education and training now. Through the transition, we will continue to support the Learning and Skills Council to drive up standards and participation levels and will work with local authorities to manage the devolution of power.

If we succeed in our goals for the young people who will reach the age of 18 over the next decade we will have a huge impact on the life chances of that generation. They will expect to have the opportunity to gain new skills and qualifications through their working lives. In the short term, we also have a big job to do supporting our current workforce and their employers.

When Lord Leitch wrote his definitive report on the future skills needs of the UK, he reported that 70% of the 2020 workforce had already left compulsory education. That figure has already risen to around 74%.

As urgent as the need to deliver our goals for young people, is the need to give adults already in the workforce – or, even more crucially, who are out of work – the skills they need to succeed.

We have set our 2020 skills ambitions, and set out our policy programme to achieve the formidable tasks on the road to 2020; but new tasks often need new tools and new approaches. The movement of duties from the LSC into local authorities presents us with a simultaneous opportunity to rejuvenate and reconfigure our delivery mechanisms for adult skills and to fit them to the remit of the Department for Innovation, Universities and Skills.

In particular, to deliver our ambitions not just for a qualified workforce but a skilled workforce, we must ensure that public funding for qualifications and training deliver economically valuable skills. And to do this, we must ensure that when employers and individuals go to colleges and training providers for solutions, what they get is the skills they really need, delivered in the way they need and to the highest standard.

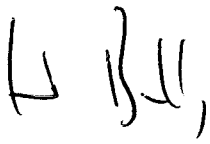
At the same time, we will expect colleges to work more closely with Jobcentre Plus to develop an integrated employment and skills service that can not only help people come off benefit into work but ensure that they keep their job and gain new skills.

Colleges will also have an important role in delivering the more basic skills that are needed for work and which can be the first step towards vocational qualifications.

We propose to create a new, streamlined Skills Funding Agency, designed to oversee the development of the FE sector and to route public funding effectively to where it is most needed. The LSC has had considerable successes in driving up quality and volumes of skills supply, but we now need to develop the post-19 funding mechanisms for a training and education system in which the volume of funding determined by the demand of employers and learners will grow significantly in the years to come.

The new agency will also, under our proposals, house a range of other functions vital to the effective operation of the FE sector, including the new National Apprenticeship Service (NAS) already announced by the Prime Minister. This will ensure that we bring together in one place the elements of the training system which depend critically on engagement with employers (the NAS, the National Employers Service, and the Skills Pledge and support for Train to Gain).

The publication of this consultation document marks the beginning of a period of discussion and debate with those most affected. The issues it addresses, while concerning the Machinery of Government, are vital to the creation of a strong, effective system for meeting the skills needs of our nation and the entitlements of our young people. We hope you will consider them carefully, and respond to our consultation.

Handwritten signature of Ed Balls in black ink.

Ed Balls

Handwritten signature of John Denham in black ink.

John Denham





# Summary

1. We want every 16 and 17 year-old to participate in education or training, and we want every adult to have the chance to improve their skills in order to find work or progress in their current employment. The changing nature of the world economy makes increasing participation in education and training an urgent necessity.

## **Raising Expectations: enabling the system to deliver for young people and adults**

2. Since its creation in 2001, the Learning and Skills Council has helped drive significant progress towards its goal of improving the skills of England's young people and adults to create a workforce of world-class standard. Together with schools, colleges and other providers, the LSC has delivered year on year improvements in participation and success rates, with more young people and adults than ever before gaining the skills and qualifications that employers need and value. 87% of all 16 year-olds are now staying on in education or training, and over a quarter of a million young people are on an Apprenticeship programme.
3. We have also seen year on year improvements in attainment, with 73.9% of 19 year olds achieving at least level 2 qualifications (equivalent to at least five higher grade GCSEs) in 2007; and 48% achieving level 3 (two A levels or the equivalent). Over two million adult learners have achieved a first qualification in literacy, language or numeracy since 2001, and over 1.7 million more adults have achieved a level 2 qualification. Almost three quarters of the adult workforce are now qualified to at least level 2 and over half are qualified to level 3.
4. To maintain this progress, the system needs to respond to new challenges. As this document is published, there is a Bill before Parliament to raise the participation age. Our ambition is for every young person to be pursuing a programme which engages them and enables them to progress in learning and employment. Successfully implementing this vision will require clear local leadership in every area. We want local authorities to provide that leadership.
5. In June 2007, as part of the Machinery of Government change, we announced that funding for 16-18 participation would transfer to local authorities, subject to consultation and the necessary legislation. This gives local authorities clear responsibility for 14-19 provision, in line with their responsibility for commissioning children and young people's services, and enables them to take decisions locally about how services can best be delivered for young people.

6. Alongside the challenge to ensure that an appropriate and engaging learning opportunity is accessible to every 14-19 year-old, is a drive within the adult education and skills market towards a more dynamic, demand led approach.
7. This consultation paper proposes two new systems responding to these challenges and reflecting the different needs of young people and adults. In the system for young people, responsibility and accountability is given to local authorities, to deliver the right education and training provision for every young person in their area. The system for the adult sector is focused on establishing a market which rewards success and brings together education and skills in a high quality offer to respond to the needs of adults and employers.
8. Across all parts of the education and training system it will be critical to intervene less where there is success but take robust action where there is failure. As we make this change we will commit to minimising unnecessary costs and bureaucracy and to creating a light touch environment that supports those delivering learning and training to focus on success.

## Young people

9. For 14-19 year-olds we aim to build on the success of the current system while enabling local authorities to drive increased achievement in every local area. Our preferred approach has four key features:
  - Local authorities will discharge their responsibilities to provide a place in learning for every young person through strategic commissioning.
  - Local authorities will cluster together in sub-regional groupings reflecting travel-to-learn patterns to commission provision for young people across the wider local area.
  - This will be supplemented by a slim national Young People's Learning Agency, which will have responsibilities for budgetary control and for securing coherence in the event that agreement cannot be reached locally.
  - There should be progressive devolution of power and authority to the sub-regional level as the collaborative arrangements become stronger, successful and more formal.
10. Local authorities will judge demand for different forms of provision, and the extent to which the available supply meets that demand and makes a full reality of the new entitlements to Diplomas, Apprenticeships and the Foundation Learning Tier. They will then decide where to commission more provision, where to expand the best provision to fill gaps, and where to remove the least effective provision. In doing so, they will aim to make the new entitlements available in full to all young people at the highest possible standard.
11. Based on this, and as part of its Children and Young People's Plan, the local authority will produce a commissioning plan for young people's learning. When it has been agreed, it will provide the basis for funding allocation. Funding will follow the learner's choice and comparable funding will be provided for comparable provision within a national funding formula, which will continue

on a very similar basis to the current formula. Local authorities will be funded according to the institutions which are in their area – not according to where young people live.

12. It is vital that the system enables local authorities to fulfil this new commissioning role, and is neutral between different types of provider in deciding where provision should be located. Nonetheless, it must recognise the needs of different types of provider. Further Education (FE) Colleges and training providers in particular may draw students from many local authority areas and we do not want such colleges to be required to manage multiple dialogues with local authorities. Achieving a workable model will therefore require local authorities to work together to develop and implement plans. Local authorities will be expected to form groups to commission provision. This will be supplemented by a national Young People's Learning Agency, which will have reserve powers to step in to secure coherence of plans and budgetary control in the event that agreement cannot be reached.
13. As a minimum, we would require local authorities to come together in sub-regional groupings to: share their 16-18 commissioning plans; analyse together how learners move across and within their borders and make sure that their collective plans accommodate them; aggregate demand for Apprenticeships in each plan in order to commission the National Apprenticeship Service (NAS); and decide who is responsible for leading the planning, commissioning, procuring and funding for each college and provider in the region.
14. We will progressively devolve more power to sub-regional collaborative groupings as the strength of those groupings increases. Where groups are less well established and less formally constituted, the Young People's Learning Agency will have an important role especially in commissioning General FE Colleges. Where sub-regional collaborative groupings can demonstrate that they have the governance and decision-making structures and operational rules in place to take on this role, then they will do so.
15. A key part of the new curriculum and qualifications entitlement is that from 2013 every suitably qualified young person should be entitled to an Apprenticeship place. Local demand will be identified by each local authority, aggregated within the region and agreed with the NAS. It will then be the task of the NAS to provide the necessary Apprenticeship places (through contracting with employers and training providers) to deliver the entitlement in every part of the country. Funding will be transferred to the NAS at national level, to reflect total agreed demand; and the NAS will be accountable to the Department for Children, Schools and Families (DCSF) for the delivery of sufficient places for 16 and 17 year-olds. Similarly, for specialist and third sector organisations that operate at a national and regional level, there should be a single contract covering all these operations in a region. These contracts would be drawn up by the Young People's Learning Agency on the basis of aggregated demand from local authorities.
16. Local authorities will come together as a regional planning group in each of the nine Government Office regions to consider and agree the overall commissioning plan for the region. The Regional Development Agency (RDA) will co-chair this group, which will be

convened by the Young People's Learning Agency and include representatives from the Government Office and the adult Skills Funding Agency.

17. In the new system, local authorities will be primarily responsible for planning and funding of provision for learners with learning difficulties and/or disabilities (LLDD), who have an entitlement to education or training up to the age of 25, and for the education and training of young people in juvenile custody. It is important in both cases to be as consistent as possible with wider arrangements for all young people.
18. These new roles and the new commissioning process must be underpinned by a strong performance management system. As local commissioning will be based on analysis of local demand, and funding will follow the learner, this will be an incentive for providers to deliver learning that young people want and that is of good quality. Institutions will retain clear responsibility for their own performance and be held to account against a clear framework of measures common across providers.
19. Through the planning and commissioning cycle local authorities will be able to expand strong and cease to fund weak provision. Local authorities will also have powers to lead more significant reorganisations of 16-18 provision where this is necessary. Ultimately, there will be robust intervention where there is serious underperformance. We will ensure that this system is supported by excellent data, collected in a low-burden way, shared efficiently and in a timely way with those who need it.
20. National Government will continue to have a role in managing the strategic direction of the system, maintaining the national funding formula, setting expectations and providing the necessary resources to deliver. The main mechanism to hold local authorities to account for 14-19 provision will be the new performance framework set out in the *Strong and Prosperous Communities* White Paper.

## Adults

21. Upskilling the adult workforce is the key to creating a high-skill, high-productivity nation. Almost three quarters of the workforce of 2020 have already left compulsory education. In our response to the independent Leitch Report<sup>1</sup> – the seminal report on the UK's skills needs - we set out in *World Class Skills*<sup>2</sup> and related documents<sup>3</sup> how we will work with our partners, employers and individuals to rise to the skills challenge.
22. The LSC has successfully hit all its targets, but the ever-increasing pace of change means the skills landscape too must change, and itself be flexible and responsive to new challenges.
23. Two key features in particular of our ambitious policy programme dictate that structural change is necessary: the aim of a demand-led system, and the integration of employment and skills.

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1. Dec 2006 *Prosperity for all in the global economy - world class skills*

2. July 2007

3. *In Work, Better Off and Ready to Work, Skilled for Work*

24. The advent of Skills Accounts and the growth of Train to Gain herald a radically different model of organisation of the skills system, where the role of Government is to ensure that customers are empowered, well-informed and well-supported, so that demand can lead supply.
25. The integrating employment and skills agenda – which will strengthen and grow in the coming years, as the Government pursues its twin socio-economic goals of 80% employment and higher productivity – also requires a refreshed approach. In particular, it will require ever-closer co-operation and alignment between the activities and agencies of the Department of Innovation, Universities and Skills (DIUS) and the Department for Work and Pensions (DWP), as set out in *Opportunity, Employment and Progression*<sup>4</sup>.
26. To support these policies and strengthen the system we will create a new Skills Funding Agency. It will be a focused, streamlined agency, close to Government and with an operational role. It will have national and regional presence, deploying its activities and resources flexibly to reflect the fact that skills needs are manifested in sectoral, regional and sub-regional patterns, and rarely follow local authority geographies.
27. The key role of the new Skills Funding Agency is to ensure that public money is routed swiftly, efficiently and securely to FE Colleges and providers following the purchasing decisions of customers. It will build on the considerable successes of the LSC. It will be responsible for ensuring that public funds are best used to complement the much larger private investment which is made in adult skills and training. The majority of its funding will flow in direct response to customer choices through Train to Gain and Skills Accounts.
28. Coupled with making payments, the agency will also manage the framework and the development of the FE service. This includes responding to strategic skills pressures and bottlenecks, securing dynamic market exit and entry, creating a funding and incentive structure that prioritises responsiveness to customers, and ensuring availability of good public information. It will be a funding body, not a funding and planning body.
29. The Skills Funding Agency will be responsible for ensuring that the overall environment or ‘trading conditions’ in FE created by Government are highly supportive of upskilling to meet the nation’s needs. The Skills Funding Agency will therefore be responsible for the performance management of FE Colleges. It will also be the single point of intervention where either pre- or post-19 performance of FE Colleges does not meet nationally agreed minimum standards.
30. As announced in *World-class Apprenticeships: Unlocking talent, Building Skills for All*,<sup>5</sup> we are creating a new National Apprenticeship Service to take end-to-end responsibility for the Apprenticeships programme, including ultimate accountability for national delivery of targets. The NAS will be a discrete service, led by a Director reporting to the Secretaries of State of DCSF and DIUS, and managed within the Skills Funding Agency.

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4. November 2007

5. January 2008

31. The agency will also manage the National Employer Service (NES), the single service for employers with 5,000+ employees. The relationship between NAS, NES and Business Link will be close, so that employers experience a 'no-wrong-door' service.
32. As a key part of creating a genuinely demand-led system, the Skills Funding Agency will lead the development and management of the new England-wide adult advancement and careers service. It will play a vital role, with Jobcentre Plus, in boosting individual demand for skills and guiding people to the right training to meet their needs and help change their lives. The agency will, in the long term, be responsible for all programmes of financial support to help adult learners meet the additional costs of learning in FE that could otherwise prevent them from participating; although a single delivery contract managed by the Young People's Learning Agency will be kept in the medium term to unify the delivery of most financial support for young people and adults.
33. The Skills Funding Agency will also be responsible for setting targets and monitoring performance of the Offenders Learning and Skills Service (OLASS), which it will do jointly with the new National Offender Management Agency.
34. The Skills Funding Agency will have a close relationship with DIUS policy functions, similar to the DWP/Jobcentre Plus relationship, in order to minimise the need for sponsoring and oversight functions in DIUS and get the tightest connection between policy and delivery. Like Jobcentre Plus, it will depend on clear rules and operating procedures to give the necessary assurance that public money is being used equitably, according to national priorities as defined by Government. As now, there will be a national funding system, with consistent, transparent, national funding formulae, tariffs and subsidies.
35. The UK Commission for Employment and Skills will advise Government on how we can make it simpler for employers and individuals to access the welfare and skills system in England. We will ask the Commission to make recommendations on how the 'user experience' of the employment and skills system can be simplified, including by 'hiding the wiring' and creating clear pathways for customers.
36. The 2006 *Raising Skills Improving Life Chances* White Paper set out our ambition to develop a new relationship with colleges and providers which would reinforce their autonomy within a significantly deregulated operating environment, including the new proposals for qualification deregulation for colleges and employers.
37. Then in November 2007 the Government, in partnership with the Centre for Excellence in Leadership (CEL) and the Quality Improvement Agency (QIA), published a consultative prospectus for a new sector-owned improvement organisation to be created through bringing CEL and QIA together. Rapid progress is being made to establish the new body so that it is ready to take on the responsibility for development and improvement. The aim is for the new organisation to be fully up and running by autumn 2008 and to become a major player in enabling a self-improving, self-regulated sector.

38. The second element of FE self-regulation is a sector-wide representative group which has been set up by the main college and provider representative organisations and is wholly owned and managed by them. It will work with the new sector-owned improvement organisation to raise the performance of the FE sector. As it develops its representative function, it will seek to provide a coherent position on relevant matters of interest to the whole of the sector on behalf of the sector.
39. The challenges to our country brought about by global social, economic and environmental change are only likely to increase. It is imperative that the new landscape we create is not only streamlined and effective but also adaptable, and in ways which cannot be predicted today. The proposals in this document give the adult skills system the dedicated agency needed to reflect the vital importance of the skills agenda to our economy and society. Built from its inception to be innovative, streamlined and to have the needs of the adult workforce and employers at its heart, the Skills Funding Agency will be a sharp and effective tool to allow us to realise our ambitions for a world-class, demand-led system. Our goal is a skills and FE system which targets support for individuals and employers where it is needed most, and allows colleges and providers to deliver the excellent service we must have as we move towards a sustainable vision of a high-skills, high-employment, high-productivity nation.





# PART 1: Supporting participation and achievement for young people

## Chapter 1: Introduction

- 1.1** We want every 16 and 17 year-old to participate in education or training. The benefits of participation to the individual, the economy and society are well documented. Those who participate for longer are more likely to be in work and to earn well, more likely to be healthy and live longer and less likely to suffer crime or the effects of deprivation. The economy benefits from higher skill levels in the population; and society as a whole benefits not only from greater affluence, but also greater cohesion, if all its members are able to contribute.
- 1.2** The changing nature of the world economy makes raising participation in education and training not merely highly desirable but an urgent necessity. Economic activity will move to wherever in the world it can be carried out most competitively. As the impact of this grows, the skills of the workforce will be a decisive factor in our continuing to be a high wage economy. The Leitch Review of the skills needs of the economy points out that, on current trends, there will be only 600,000 unskilled or low skilled workers in the UK economy in 2020 compared to over three million now. If all young people are to have opportunities to take part in our high-skill economy of the future we need all of them to learn and develop ready to do so.
- 1.3** The wellbeing of our society as well as its wealth depends on the education of its population. As sources of information and influence become more varied and less subject to scrutiny; as traditional sources of authority decline in importance; and as the diversity of society and personal experience increases, so the importance grows of having an educated population, capable of independent thought and judgement, able to live and work with others harmoniously.
- 1.4** In this context, those who drop out of education and training without the skills and qualifications they will need to make a success of their lives will face a bleak future: as the number of non-participants shrinks, the disadvantage they may suffer grows. We cannot allow a small, disadvantaged group to leave prematurely, knowing that they do so unprepared for life and work.

- 1.5** As this document is published, there is a Bill before Parliament to raise the participation age – to require all 16 and 17 year-olds to participate in some form of education or training. Subject to Parliamentary approval, we intend this new requirement to be fully in place for 16 year-olds by 2013 and for 17 year-olds by 2015. The young people who will be affected first by this legislation, if it is passed into law as it is, are in Year 6 now, starting secondary school this September. Changing the law will galvanise action in schools, colleges and in all services that support children and young people – in line with the ambitions we set out in the Children’s Plan. We want the legal change to play a key part in stimulating change throughout the system, so that this generation of young people is kept engaged throughout secondary schooling, and provided with new opportunities up to the age of 16 and beyond, so that each can succeed and achieve.
- 1.6** Over recent years participation among 16 and 17 year-olds has increased, and attainment of young people post-16 has risen sharply with, for example, the proportion of 19 year-olds who achieved level 2 qualifications up from 66.4% in 2004 to 73.9% in 2007. The Learning and Skills Council (LSC) has played an important part in these achievements, in support of schools and colleges. It is vital that the drive to increase participation and attainment is maintained. However, successful implementation of our plans to raise the participation age will require a major cultural change. Central to implementation will be:
- making sure that the new Key Stage 3 curriculum is implemented successfully for the young people starting secondary school in September 2008 – so that schools have better opportunities to help those who fell behind at primary school to catch up;
  - making sure that there are routes available to every young person in Key Stage 4 and post-16 which can engage them and enable them to progress – through making sure that the new qualification routes (Diplomas and the Foundation Learning Tier) are available to all;
  - making sure that the right guidance and support are available to all young people – through the transition of Connexions to local authorities, and the development of Targeted Youth Support to ensure that every young person can receive the help they need with any problems they face;
  - making sure that those young people who need it get financial support;
  - supporting every young person to make the transition from pre- to post-16 learning successfully – implementing the September Guarantee to every young person of a place in learning straight after they finish Year 11, and extending this to age 17; and
  - engaging those young people who will be affected first, their parents or carers and their teachers – so that they know what to expect and what opportunities will be available and can begin to think about the future and aspire.
- 1.7** To do this, we will need clear local leadership and a single point of local accountability for the whole of the 14-19 phase of learning. Raising the participation age means that the need to make sure that the right opportunities are available in each area and to integrate learning and

support services is greater than ever – so that each young person can get the right range of opportunities and the right support to make good choices which work for them.

- 1.8** We want local authorities to provide that leadership and we therefore propose that responsibility for the funding and organisation of 16-19 learning should transfer from the LSC to local authorities in England. Local authorities are already accountable for how well children’s services in their area meet the needs of young people and for the outcomes which are achieved. They will be able to integrate their new role with regard to post-16 learning with their existing responsibilities for services for children and young people, and their leadership of Children’s Trust arrangements. As responsibility for Connexions services transfers to them, they are also taking on responsibility for commissioning the broad range of advice and guidance services – from careers guidance to more targeted support for those young people at risk – and developing integrated youth support services, including transforming the range of positive activities available to young people.
- 1.9** It is our intention to bring forward legislation to effect this change at the next available opportunity. We want the formal transfer of funding to take effect from 2010-11. And within the existing legislative framework, we intend to move as far and as fast as possible to increase the local authority voice in 16-19 provision. In this document, we set out for public consultation our proposals for transferring responsibility, subject to legislation, and for moving towards this goal in the shorter term.
- 1.10** The key elements of this change are:
- a clear role for local authorities to identify demand and plan provision to meet the needs of young people;
  - an operating system in which local authorities can commission the provision that is needed;
  - a performance management system which ensures that the system raises standards for young people;
  - a funding model which ensures that money reaches providers appropriately; and
  - a plan for managing the transition from the present to the future.
- 1.11** Our key proposals in these areas are set out for consultation in this document.



# Chapter 2: Local authorities commissioning provision to meet the needs of young people

## Summary

To enable local authorities to lead the system to respond to the needs of young people, we need to do more than change the way that funding flows, important though that is. We need to give local authorities clear responsibility for commissioning provision, and a process for doing so which ensures that all young people are able to access suitable learning opportunities, wherever they live and whatever their needs and interests.

We want every young person to be pursuing a programme that engages them and prepares them for success in life. By 2013 young people will be entitled to a new, wider choice of options: this will include a new Foundation Learning Tier for those working below level 2, new functional skills embedded within all qualification routes, 17 new Diplomas, strengthened GCSEs and A levels, including a new extended project, and an Apprenticeship place for every young person who wants one.

Local authorities will be responsible for making a reality of this national entitlement in their area. They will analyse demand from young people, ensuring that choices are informed by good information, advice and guidance. They will compare the pattern of demand to the existing pattern and performance of provision locally, and work with schools, colleges and other providers to assess the best way of filling any gaps and promoting quality.

This analysis and these decisions will lead to a commissioning plan agreed within and without the area, as part of the local authority's Children and Young People's plan.

- 2.1 Securing the local leadership that we want for 14-19 reform is not solely about how the funding flows to individual institutions – important though that is. It is more importantly about how local authorities carry out their commissioning role, come to decisions on the provision that is needed area by area and draw up plans for provision, so that funding can flow to implement the commissioning plans.

## **We want every young person to have access to an appropriate place in learning**

- 2.2** It is central to our drive to raise the participation age and to transform attainment by age 19 that every young person should be pursuing a programme which both engages them and prepares them to progress in learning and in life. For that to happen, we need to ensure that every young person can follow a course that meets their needs (in terms of subject area and style of learning) at the right level of difficulty.
- 2.3** This means that by 2013, every young person will have access to:
- the new secondary curriculum, which will give schools more freedom to tailor the curriculum to meet the needs of young people and help those who fell behind at primary school to catch up;
  - the new Foundation Learning Tier, for those working below level 2, which will provide, for the first time, coherent progression routes to level 2 and beyond;
  - new functional skills qualifications in English, maths and ICT, so that, no matter what route young people are on (GCSEs, Diplomas or Apprenticeships), they will be expected to achieve the functional skills they need for life;
  - the new Diplomas – a new set of high quality broad qualifications for 14-19 year olds, designed by employers and Higher Education, which combine theoretical and practical learning and are available at three levels, up to advanced;
  - strengthened and revised GCSEs and A levels and a new extended project; and
  - an Apprenticeship place for all those who are suitably qualified, or a pre-Apprenticeship place for those in need of further preparation.
- 2.4** Delivering this new entitlement will be an essential part of the local authority commissioning role – making sure that every young person has the learning opportunities they need, pre- and post-16, to be able to progress and succeed. Alongside this, the local authority has the leading role in ensuring that young people know what is on offer, can make good choices and have targeted support where it is needed.
- 2.5** The local authority will discharge these responsibilities as strategic commissioner. As part of its Children and Young People's Plan, it will produce a plan for education and training for young people, which will form part of the integrated regional strategy for economic development. The plan will focus on delivering a pattern of education and training provision which fits what is needed locally, including in the labour market, and drives up quality for young people. It must take particular account of the need to raise participation, raise achievement at levels 2 and 3 by age 19 and reduce the number of young people who are not in education, employment or training (NEET). The first step is to understand the demand from young people.

## **The local authority will judge the level and nature of demand for different forms of provision**

- 2.6** Local authorities will analyse demand in many ways: examining patterns of application for courses; directly consulting young people; and gathering information from schools and colleges. They will use data and management information currently provided by the Learning and Skills Council (LSC) to its partnership teams. Since September 2007, there has been an online prospectus for every local area, setting out information about each course available across the area to inform choice, and we are strongly encouraging local authorities to develop a common online application process alongside the prospectus to manage and track post-16 applications. These systems will provide a continuing source of information about young people's interests, motivations and aspirations.
- 2.7** At age 16 many young people choose to travel further to learn than they did at an earlier age – perhaps because they want to access more specialist provision. There should be no assumption that it is problematic that a young person chooses to leave the area of one local authority in order to learn elsewhere. Local authorities will need to understand such patterns of demand, but should not seek to reverse flows of young people across boundaries, unless the choices they are making are driven by dissatisfaction.
- 2.8** Local authorities should make sure that they understand fully the nature of demand from young people, but also that young people are well informed about the full range of choices available. Local authorities are now responsible for commissioning information, advice and guidance (IAG) services, in line with national quality standards. These standards make clear that good IAG must be impartial, be provided in the best interests of the young people and include information about the local and national labour markets. Good IAG also makes sure that young people can have 'taster' and other experiences which help them to make choices. On the basis of a full analysis of demand, local authorities will consider what is on offer locally and how well it meets demand.

## **The local authority will judge the extent to which the available supply meets the demand from young people**

- 2.9** In considering how well the supply of learning meets demand, the local authority will consider how well the new entitlements to Diplomas, Apprenticeships and the Foundation Learning Tier are being delivered locally. It will consider whether all young people, no matter where they live, can access a place in learning. They will consider whether there are sufficient places at every line and level of learning to meet every young person's needs. They will look at the outcomes being achieved, the progress of different groups of young people, including particularly the disadvantaged and vulnerable, to make sure that every young person has a good quality place.



- 2.10** Local authorities should not seek to provide for every resident young person within their own boundaries – since doing this would lead to serious over-provision, often in the wrong places. Instead, local authorities should work together in their commissioning to ensure that every young person has access to the provision they need within reasonable travelling distance. They should together analyse and understand demand from across the ‘travel-to-learn’ area, consider gaps in provision and share judgements of quality. For some young people, including some learners with learning difficulties and/or disabilities (LLDD), where local authorities need to plan for all young people up to the age of 25, provision may be highly specialised and costly. Planning across a wider area for such provision will be particularly important.
- 2.11** The local authority will use evidence from recent inspections and provider performance data to analyse where there are areas of weakness and of particular strength. The local authority will then approach commissioning decisions with a clear focus not only on filling gaps and responding to growth and shifting demand, but also on tackling and eliminating weakness and on expanding the best provision.

**In making commissioning decisions, the local authority will put first good quality provision, meeting the needs of young people**

- 2.12** Through this analysis, the local authority will look at what changes need to be made in order to secure a full entitlement for all learners at the highest possible standard. It will decide where to commission more provision, and where to reduce provision – focusing on expanding the best provision and filling gaps, and reducing or replacing the least effective provision and that which is not in demand. The local authority will need to discuss its planning widely. Where it decides that it should make significant changes in order to meet demand, it will need to take care to manage the process of change to avoid unnecessary impact on providers.
- 2.13** The decisions local authorities make will produce a local commissioning plan. When this plan is agreed, it will provide the basis for funding to flow to institutions. Local authorities will be funded according to the agreed plan for the institutions which are in their area – not according to the residency of young people. In this system, the processes for agreeing a plan and for ensuring that it is affordable are of course critical and, therefore, the broader structures and processes within which the local plan is agreed are an essential part of creating a functioning system. These are the subject of the next chapter.

**1. Do you agree that transferring funding from the LSC to local authorities to create a single local strategic leader for 14-19 education and training is the right approach?**

# Chapter 3:

## Operational models for commissioning

### Summary

We need to consider carefully the best model to enable local authorities to fulfil this new commissioning role, whilst recognising the needs of different types of provider. The model needs to ensure that there is transparency about funding decisions, promote quality, secure proper budgetary control, fit the post-16 context and be flexible enough to respond to demand.

A model in which each local authority simply commissioned independently would be difficult for large Further Education (FE) Colleges, would be unresponsive to changes in demand and would create problems for budgetary control. A model in which a national agency retained ultimate responsibility for decision-making and commissioning, informed by local analysis of need, would fail to make a reality of local leadership of the system.

We therefore propose a model between these extremes, in which local authorities will be expected to form groups to consider the coherence of plans across a wider area and agree commissioning decisions. A new, small national agency the Young People's Learning Agency will provide an indicative budget for an area, help to resolve issues where a group cannot reach agreement, and secure overall budgetary control. Within this model there will be differing degrees of collaboration between local authorities and there should be progressive devolution of responsibility as groups of local authorities demonstrate sufficiently robust governance and decision-making arrangements and operational procedures are in place to manage this.

Recognising the diversity of post-16 provision, learning providers will be engaged at the right level for them: School Sixth Forms, Sixth Form Colleges and local voluntary organisations will have conversations with the local authority in which they are situated, for example, whilst larger FE Colleges will deal with a single representative of the sub-regional grouping of local authorities.

- 3.1 We want to create a system which is as effective as possible in increasing opportunity and in raising the quality of provision available to young people. Such a system must be capable

of delivering change and improvement, but must also be capable of securing necessary institutional stability.

## **The system must deliver transparency of funding and improvement in the range and quality of provision for young people**

- 3.2** In order to achieve our central objectives that the system should be improving continuously in offering greater opportunity and higher standards for all young people, we need to have in place several key elements:
- There should be clear requirements to deliver a national curriculum and qualifications entitlement for all young people.
  - Local authorities should have clear levers to commission, in order to secure this entitlement, remove poor provision and expand good provision. They should be held to account for the outcomes for young people in the area – including levels of participation, progression and attainment.
  - The system must be coherent for providers. The scope for challenge in a commissioning system can drive up standards, but requires dialogue between providers and commissioners. These interactions must not be so complex as to draw energy from the task of educating and training young people.
  - There should be a national funding formula. This will ensure that providers receive comparable rates for comparable provision, make the system as simple, transparent and accountable as possible, and avoid perverse incentives.
  - There must be budgetary control at each level, to ensure that commissioning takes place within the limits of what can be afforded.
- 3.3** It is also important that the system works effectively with the patterns of demand in post-16 education and training. Young people are much more prepared to travel longer distances to get the provision that they want at 16 than at 11. Colleges in particular can draw from a very wide area – sometimes from over 100 local authorities. It is important that local authorities work with these patterns of demand rather than seeking to provide every possible form of specialist provision for every young person within their own boundaries. However, we do not want colleges to have to manage multiple dialogues with local authorities, but to be able to plan their provision for young people in dialogue with a single commissioner. Of course, where providers also offer adult education and training, we will want to bring this dialogue together as far as possible with the dialogue with the Department for Innovation, Universities and Skills (DIUS) Skills Funding Agency about adult provision.
- 3.4** Post-16 provision is much more flexible in many respects than pre-16. Courses can start, stop, grow or shrink much more quickly, especially in private providers and in colleges. As a consequence, reputational shifts and shifts in patterns of demand can be much quicker. And the number of year groups involved means that half the post-16 student body completes

courses each year – compared to only a fifth of the 11-16 cohort – so that a shift in demand in one year has a proportionately much bigger effect on the budget as a whole. In practice, this means that the distribution of the post-16 budget between different local authority areas is much more variable from year to year than the Dedicated Schools Grant is. Variations of plus or minus 10% are not unusual, even in regions of the country where overall numbers are stable. We therefore need a system and a funding model that can be responsive to changing demand.

### **Neither centralised nor locally fragmented models can deliver our objectives**

- 3.5** We have examined a range of models for achieving our objectives. One possibility would be that each local authority could simply commission independently on the basis of its own analysis of demand. However, when combined with a national funding formula, this approach would threaten proper budgetary control over a very large national budget, if local authorities were responsible for drawing up commissioning plans and Government were responsible for funding these plans at the national rate.
- 3.6** In practice, this would mean that in any such model funding would have to be provided to institutions on the basis of the previous year's student numbers, as with the Dedicated Schools Grant. This would significantly reduce local authorities' scope to commission actively to meet changing patterns of demand, fill gaps in provision or address quality issues – the money for one year would simply reflect what happened the year before and local authorities would not be able to withdraw funding from a poorly performing institution in order to expand provision elsewhere.
- 3.7** An alternative solution to the problem of securing budgetary control would be to give a national agency a very 'hands on' role. In this model, local authorities could carry out needs analysis, bring forward proposals for filling gaps and addressing quality problems and set out proposals for change. But a national agency would retain ultimate responsibility for the key decisions and for commissioning provision.
- 3.8** This approach would solve the problem of budgetary control because the agency could continue to adopt the approach taken by the Learning and Skills Council (LSC), of iterating between national, regional and local levels to challenge and adjust planning on the basis of national data and budgets – and would commission to fit the budget. Equally, the problem of making the interaction coherent from the point of view of colleges would be solved because the agency would be able to internalise the problem of bringing together different local authority proposals and go to each college with a single plan. And as a single national body, the agency could straightforwardly adapt to shifts in demand without facing the risk that budgets had been pre-allocated in the wrong place.
- 3.9** However, the ability of local authorities to provide real local leadership would be limited under this model. Admittedly, local authorities would still be able to do their own local planning and come to a view about what their local plan should be. But ultimately, this would be local authorities acting partly under contract to the national agency; and partly in an advisory

capacity. The key responsibilities and accountabilities would rest with the agency – and the local authority would have too few levers to lead and too much incentive to act as though unaccountable.

- 3.10** Therefore, neither of these models could ultimately deliver the local leadership that we seek. A workable model must come between the two extremes.

### **Our preferred model includes local, sub-regional and national roles**

- 3.11** In the light of this, our preferred way forward has three key features:

- local authorities should cluster together in sub-regional groupings to commission provision;
- this should be supplemented by a slim national agency – the Young People’s Learning Agency – which would have responsibilities for budgetary control and for securing coherence in the event that there could not be local agreement; and
- there should be progressive devolution of power and authority to the sub-regional level as the collaborative arrangements become stronger and more formal.

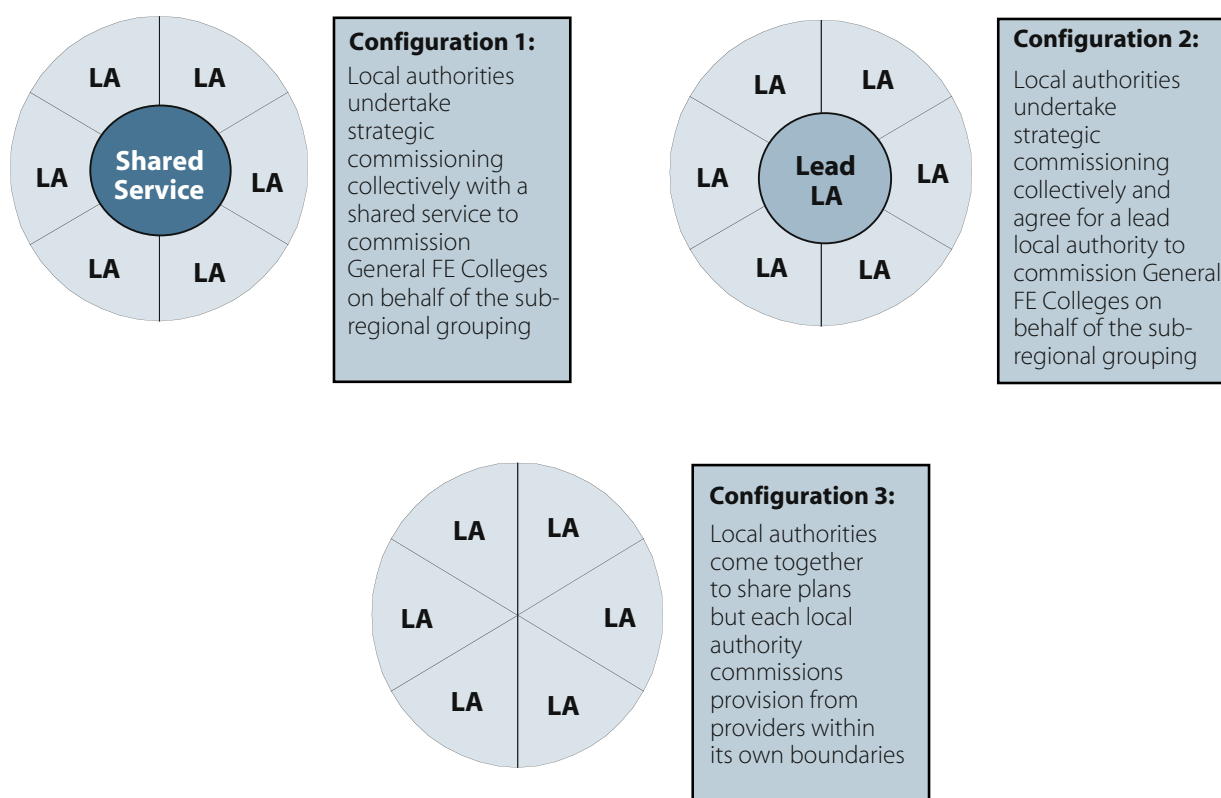
### **Local collaborative arrangements are essential**

- 3.12** Achieving a workable model requires local authorities to work together to develop and execute plans. Young people may travel significant distances, perhaps across several local authority boundaries, in order to learn: sometimes to access specialist provision or a centre of excellence; sometimes because transport routes make that the most straightforward thing for them to do. This means that when analysing demand, understanding patterns of movement and looking at shifting preferences, local authorities will need to work together – to understand what is happening across whole ‘travel-to-learn’ areas and to ensure that they are working from consistent data and assumptions. If they do not, planning will be incoherent for the area as a whole.
- 3.13** Likewise, commissioning decisions need to be made collectively. No local authority should seek to provide every form of provision for every learner within its own borders, ignoring centres of excellence which may be just over the boundary but within easy reach of learners. And if, for example, several neighbouring authorities all decide that there is a need for more and better provision of a particular type and separately run competitions to commission that, the result would almost certainly be incoherent, with the likelihood that some of the provision would close in short order. Conversely, a local authority should not decide in isolation to withdraw funding from provision if others are relying on it and it would be destabilised. In this area of public service – as the *Review of sub-national economic development and regeneration*, known as the sub-national review (SNR), found in other areas – making decisions at a sub-regional level is an effective way to deliver the economic and skills needs of an area.
- 3.14** We therefore expect local authorities to form structured collaborative groups to agree their commissioning plans. These collaboratives will draw on needs analyses carried out locally – ensuring that they are based on shared data and shared analysis of movement across the sub-

region, to come to decisions about the match between supply and demand. The group will need to ensure that the collective plans are consistent and coherent and agree who will lead the commissioning conversation with each provider in the sub-region, making sure that they are able to do so on behalf of the whole group.

- 3.15** The size and nature of groupings will of course vary – reflecting local demography, geography and travel-to-learn patterns. Local authorities in metropolitan areas will sensibly group together. Some whole regions might naturally form a single grouping. There may be some large counties which can sensibly and without damaging others approach the task alone. Where possible, we want groupings to develop from existing relationships or structures which are working well. For example, the new Multi-Area Agreements (MAAs) are designed to support local authorities to improve economic prosperity by working across administrative boundaries, and could provide a good basis.
- 3.16** We will expect local authorities to identify groupings that they regard as workable, and for there to be a process of designation by the Secretary of State to allow functions to be delegated to them. To be designated, the groupings will need to demonstrate good shared governance arrangements and clear decision-making and escalation structures; and taken together, the sub-regional groupings will need to be coherent across the country, avoiding gaps, ‘enclaves’ or other geographical features not reflecting travel-to-learn patterns.
- 3.17** Beyond the level of the formal collaborative groupings, we also propose that local authorities come together in each of the nine Government Office regions to ensure coherence. This will be a much more informal grouping, designed to consider whether the plans taken together are consistent with one another and whether together they meet all the needs of young people and the region. The fact that authorities will meet in this way does not preclude authorities from forming sub-regional groupings which sit across the regional boundaries.

Figure 1: Local authority collaboration: potential configurations for planning and commissioning provision



**A Young People’s Learning Agency to secure budgetary control will give local authorities more space to undertake commissioning activity**

- 3.18 The local collaborative arrangements will be an essential part of creating a coherent system. However, in order to secure full budgetary control while giving local authorities powers to commission and de-commission provision, there will also need to be a slim Department for Children, Schools and Families (DCSF) national agency – the Young People’s Learning Agency – with a role in securing budgetary control.
- 3.19 Without this, budgetary control would have to be achieved through budgeting on the basis of ‘lagged’ (i.e. the previous year’s) student numbers, so the national budget setting process could not be very sensitive to changing circumstances. Local authority and institutional budgets would be based on the number of young people they actually taught in the preceding year, and local authorities would only be able to commission with any ‘growth’ funding – that is, funding for increases in the total number of participants.
- 3.20 The existence of a national agency with a role in budgetary control will mean that funding can be plan-led – that is, based on plans agreed between commissioner and providers. Of course, it will be necessary in the following year to ensure that funding properly reflects the activity actually delivered in the previous year. However, if the commissioning process has worked well and demand has been mapped accurately, there should be a close match between what is planned and what actually happens.

- 3.21** The Young People’s Learning Agency will provide an indicative budget for a region and local authorities collectively will need to ensure that the plans will fit within that budget. Local authorities will carry out a full analysis of supply and demand for the young people in their area, using common data supplied by the agency and supplemented locally. Local authority collaboratives will consider jointly the impact on providers, so that there can be a single conversation with each provider. The agency will be able to step in if local authorities are unable to reach agreement on a collective plan which falls within the budget and delivers the requisite progress towards national targets; or if young people will not have access to the full national qualifications and curriculum entitlement.
- 3.22** We anticipate that the Young People’s Learning Agency will be established as a Non-Departmental Public Body (NDPB) and that its governance will include representatives of the key delivery partners, including local authorities. It will operate nationally and regionally and we anticipate that its governance regionally would reflect the importance of local authorities having a strong sense of ownership of services provided to them by the Agency. The Young People’s Learning Agency will:
- establish and agree with local authorities a national planning and commissioning framework;
  - provide a strategic analysis service which supplies consistent data to support local authorities to carry out their commissioning duties;
  - manage the national funding formula and work with the new qualifications development agency, which will evolve from the Qualifications and Curriculum Authority, to advise on qualifications funding;
  - deliver all learner support for young people and adults, as the LSC does now, nationally to 2013 – the end of the current contract. Beyond 2013 we will take a view on managing the youth and adult learner support systems separately;
  - manage national and regional contracts, for the few providers that operate across the whole country or provide highly specialised services;
  - secure budgetary control and delivery of statutory entitlements if these would not otherwise be delivered; and
  - be responsible for the flow of 14-19 management information to meet commissioning needs.
- 3.23** The Young People’s Learning Agency would also provide support to a regional grouping of local authorities. We anticipate that as well as the local authorities in the region and the Agency, this grouping will also involve the Regional Development Agency (RDA), the DIUS Skills Funding Agency (which will fund adult skills development) and the Government Office. The sub-national review recommended that the RDA have oversight of strategic economic issues and responsibility on behalf of the region for preparing the new style integrated regional strategy and that a new local authority leaders’ forum be established to scrutinise this work and sign off the regional strategy. Regions will wish to consider how the RDA, the leaders’ forum



and the grouping looking at education and skills plans are best brought together. The RDA will act as co-chair at this level, reflecting its regional strategic role. This grouping will provide local authorities collectively with the opportunity to ensure that the plans:

- are collectively affordable within the regional budget;
- are coherent making consistent assumptions and using common data;
- deliver the 14-19 entitlement – so that all learners can access provision at the right level which meets their learning preferences – including the opportunity to choose from the full range of Diplomas and to choose an Apprenticeship or pre-Apprenticeship programme;
- meet demand from young people and focus on driving up quality;
- make manageable demands upon individual providers (and particularly FE Colleges which will feature in most plans); and
- are consistent with the priorities for economic development set out in the region's integrated regional strategy.

**3.24** The regional grouping provides a forum for local authorities to assure themselves on all of these points collectively, so that plans can formally be signed off. When all are in place, the group will be in a position to confirm individual plans to the Young People's Learning Agency and to the National Apprenticeship Service in respect of Apprenticeship places.

#### The extent of devolution of powers will depend on the strength of collaborative arrangements

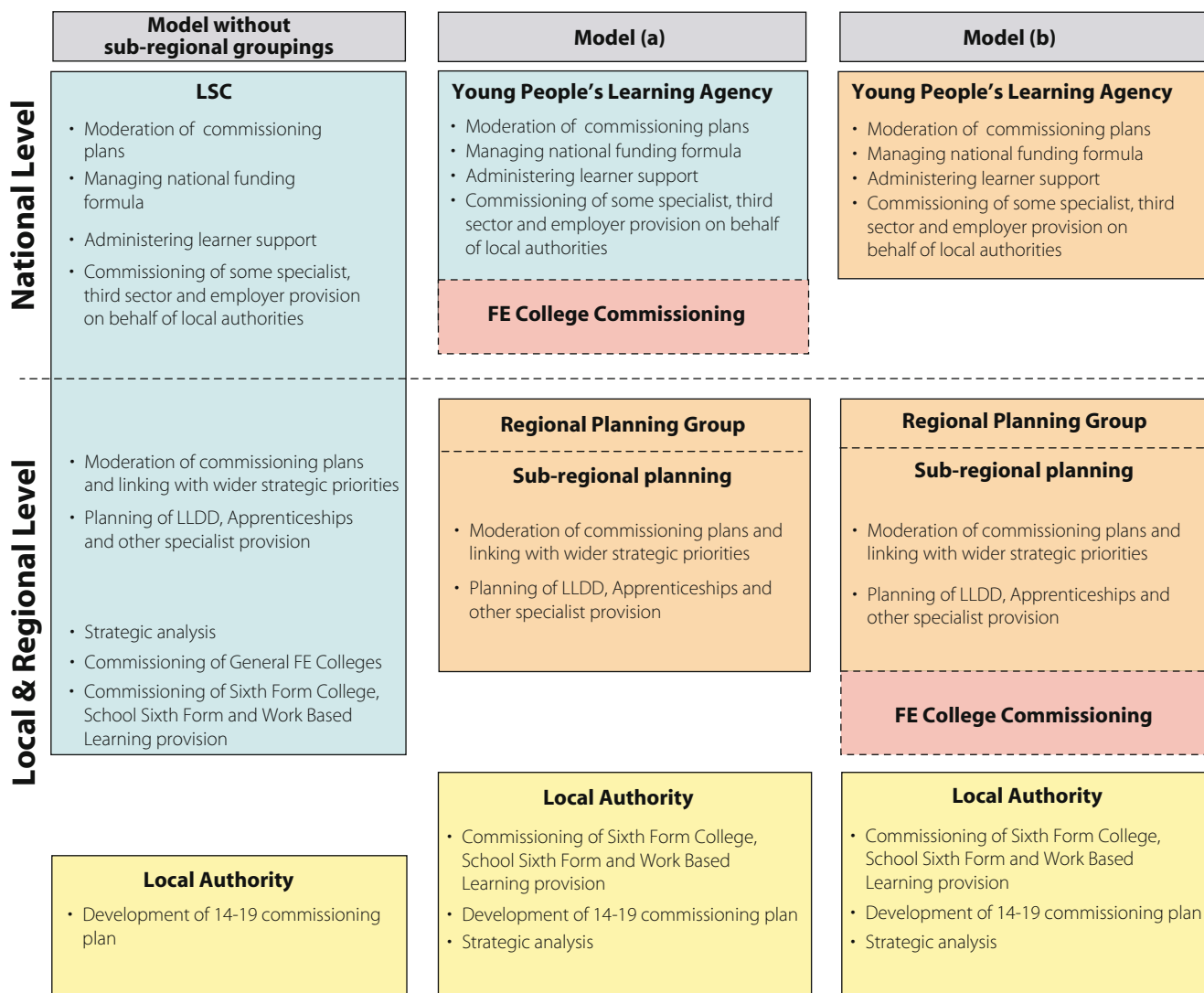
**3.25** At sub-regional level, there will in practice be degrees of collaboration. Some authorities will wish to develop shared services for the procurement and commissioning of 16-18 provision. Others may wish to go further to pool their planning and commissioning structures. Some may wish to start with a minimal degree of collaboration and grow in time towards more joint services. The more robust the collaborative arrangements, the more we will judge them to be capable of taking on the key functions.

**3.26** At one extreme, if appropriate sub-regional arrangements cannot be agreed, all but the local analysis work would need to sit with the Young People's Learning Agency. In practice, we expect that it will be possible to agree appropriate collaborative arrangements across the country and therefore, there would be essentially two variants of the model in place, depending on the depth of collaboration:

- In model (a), the home local authority manages the relationship with School Sixth Forms and Sixth Form Colleges. Management of the commissioning relationship with FE Colleges, however, is by the Young People's Learning Agency at a regional level.
- In model (b), the home local authority manages the relationship with School Sixth Forms and Sixth Form Colleges, but the relationship with FE Colleges is managed through the sub-regional collaborative groupings of local authorities.

- 3.27** The more devolved model (b) is preferable in giving local authorities a fuller leadership role, but will place more demands on the collaborative grouping than model (a). In particular, the grouping will need more robust shared governance arrangements and a clearer capacity to make difficult decisions and trade-offs, particularly where the initial thinking and planning of individual local authorities is different. It will be particularly important that decisions can be taken in a timely fashion, so that providers have details about their budgets sufficiently early to plan their own provision sensibly.
- 3.28** We therefore propose that as a default the Young People’s Learning Agency should have a significant role. However, when local authorities can demonstrate that they have put in place sufficiently robust formal partnership and decision-making structures, the Young People’s Learning Agency will step back, maintaining only reserve powers to intervene if necessary. In practice, we anticipate that in the time it takes to pass the legislation, all local authorities who wish to should be able to demonstrate readiness for, and capacity to deliver, model (b). They will need to demonstrate that they have formed a coherent grouping, have agreed governance and decision-making structures, have operational procedures in place and functioning and have an agreed means of resolving disputes in a timely fashion. We will need to be sure that there is the necessary capacity and capability to perform the commissioning role to a high standard and will look to identify and disseminate good practice so that all local authorities are well prepared to do this job.
- 3.29** We believe that this approach, of progressive devolution of decision-making, as local authorities demonstrate increasingly effective collaborative arrangements, is the best way to ensure that local authorities can assume the fullest local leadership role while minimising the risks of the transition. The Young People’s Learning Agency would maintain the power to step in should there be a serious problem at the sub-regional level, or to ensure that the budget is not breached. If a group of local authorities significantly fails to deliver their duties under either model, the Secretary of State will reserve the right to intervene and manage commissioning in that area directly through the Agency until such a time as the local authorities are able to do so.

Figure 2: Commissioning proposals under the two models



**The system will take account of differences between providers**

3.30 Delivery of the full curriculum and qualifications entitlement across an area requires the active involvement of schools, colleges, work-based learning and third sector providers. Each type of provider can bring distinctive strengths, and the commissioning process will be neutral between them. The aim of the system will be to drive up quality – making sure that there is a full range of provision, capable of meeting the needs of every young person, and that the best provision is allowed to grow and flourish. Decisions on what to expand and on where to develop new provision will be based only on which providers can do it best.

3.31 However, we intend to ensure that the system engages with providers in the ways that work best for them. The system will respect the autonomy of individual institutions and the freedoms that they have. Individual institutions will retain the lead responsibility for improving standards and for tackling underperformance where it exists. The system will seek to avoid unnecessary bureaucracy and intervention with all providers – but will approach this task differently with different providers, depending on their circumstances.

## The home local authority will lead engagement with many institutions

- 3.32** We would expect that in relation to many forms of provider, the home local authority will straightforwardly lead for all local authorities the relationship with the provider. This will be true for School Sixth Forms, Sixth Form Colleges and many third sector organisations. In these cases, the home local authority will have the lead role in commissioning, in performance management (including intervention if necessary) and the key powers of the LSC in this respect will transfer to the home local authority.
- 3.33** In order to achieve this, we will identify Sixth Form Colleges as a distinct legal category for the first time. Currently, all incorporated colleges are treated as a single group in law. In practice there are few objective criteria which can differentiate precisely between Sixth Form Colleges and all other colleges: some Sixth Form Colleges have diversified to a considerable extent into adult provision, while many other colleges, not formally identified as Sixth Form Colleges, are very clearly focused on young people.
- 3.34** Therefore, we propose that a college should be deemed to be a Sixth Form College if:
- it predominantly caters for students aged 16-19; and
  - it is designated as a Sixth Form College by the Secretary of State.
- 3.35** In practice, this will mean that the Secretary of State has some discretion as to which colleges are so designated. Some colleges which were originally Sixth Form Colleges could propose not to adopt this status, if they felt that their identity had changed significantly since incorporation. Equally, colleges which did not start life as Sixth Form Colleges but had become very strongly focused on 16-19 year olds could apply to be designated as Sixth Form Colleges if this now reflected the reality. Colleges under either designation will continue as incorporated bodies, with high levels of autonomy and could continue to offer provision to both adults and young people.
- 3.36** We recognise the strength of the Sixth Form College sector and its major contribution to the education of young people. We will continue to work closely with Sixth Form Colleges as we work through the details of the changes and their implementation. We want the sector to be strong, growing and stable. We anticipate that the key differences in the system between the position of Sixth Form and FE Colleges will be a closer relationship between Sixth Form Colleges and their home local authority and a single commissioning and performance management relationship with that authority. We hope that bringing Sixth Form Colleges back within the local authority family will give added impetus to the growth of the sector. We will look to mechanisms such as 16-19 competitions to consider much more actively the option of creating or enlarging a Sixth Form College where new 16-19 places are needed.
- 3.37** Academies are funded directly by the DCSF on the basis of funding agreements. Like other providers, they will represent their interests and contribute expertise through local 14-19 Partnerships. Academies will participate fully in this process. Where an individual Academy is unable to agree with the local authority what its provision should be, the Secretary of State

retains the right to fund the number of Academy places which he deems to be appropriate, having first consulted the relevant local authorities. The Academies will receive their funding directly from the DCSF in line with the agreed commissioning plan.

### Some providers will need to be engaged at regional or sub-regional level

- 3.38** For FE Colleges, larger work-based training providers, more specialist provision and Apprenticeship places, we propose that commissioning should take place at the regional or sub-regional level. In the future, either the Young People's Learning Agency (under model (a)) or a sub-regional grouping of local authorities (under model (b)) will act as the lead for these forms of provision, in aggregating demand from all local authorities and leading the commissioning and 'contracting' processes on their behalf.
- 3.39** A sub-regional grouping will be able to carry out this role in a range of ways: establishing a joint governance arrangement with responsibility for commissioning decisions; designating a single lead authority to work with FE Colleges across the grouping; or through each local authority carrying out the task for any FE Colleges in their area. In deciding how they wish to carry out this and other functions together, local authorities will need to consider how best to use the resource, expertise and staff available. The establishment of effective arrangements for carrying out this function, including clarity about who will lead in relation to each college, and their ability to act quickly on behalf of other authorities, will be a crucial criterion for taking on responsibilities under model (b).
- 3.40** The DIUS Skills Funding Agency will need to engage with the local lead for each FE College, so that between them they can ensure that their plans cohere. The local lead will also be responsible for engaging with the Skills Funding Agency in the annual performance assessment and in the event of poor performance by an FE College.
- 3.41** By 2013, we want every suitably qualified 16 and 17 year-old to be entitled to an Apprenticeship place, as a part of the new curriculum and qualifications entitlement. Each local authority will establish what supply of Apprenticeship places will be needed in order to implement this entitlement. This demand will be aggregated within the region and agreed with the National Apprenticeship Service (NAS). It will then be the task of the NAS to provide the necessary Apprenticeship places (through contracting with employers and training providers) to deliver the entitlement in every part of the country. Funding will be transferred to the NAS at national level, to reflect total agreed demand; and the NAS will be accountable to DCSF for delivery of sufficient places for 16 and 17 year-olds. The NAS will be accountable to both DIUS and DCSF for quality assurance and intervention in relation to Apprenticeship delivery.
- 3.42** Some organisations make provision for young people right across the country. These include third sector organisations, such as the Prince's Trust, Rathbone, Barnardo's, NACRO, Rainer and YMCA. They also include some independent training providers which provide Entry to Employment and other programmes as well as Apprenticeships. For these organisations, we propose that there should continue to be a single contract covering all these operations in a

region, rather than contracts with every local authority. These contracts would be drawn up by the Young People's Learning Agency on the basis of aggregated demand from local authorities. For third sector organisations and other training providers operating at a more local level, we would expect local authorities to commission provision directly, working in their sub-regional groupings where appropriate.

### **The system will serve learners with learning difficulties and/or disabilities**

- 3.43** Local authorities will be responsible for provision for all learners with learning difficulties and/or disabilities (LLDD) up to the age of 25. As with all learners, we want to ensure that these learners have access to the right provision for them to learn and progress. The move to the new system provides an opportunity to make arrangements work better for these learners, and to ensure that support and provision are fully integrated.
- 3.44** Planning of provision for LLDD will take place at local level, where local authorities will plan within their indicative budgets, as with other forms of provision, but be supported by brokerage with specialist providers at regional level:
- The local authority will analyse future demand from their resident young LLDD population using existing data and known cases – local authorities should involve other agencies in this planning, to support good commissioning.
  - This will then be included as a distinct requirement in the commissioning plan – and wherever possible provision will be developed and delivered locally.
  - Local authorities will share their plans in the regional planning group and agree where unmet demand can be met from non-specialist providers in another part of their region.
  - Should gaps remain, requiring more specialist provision, the regional planning group will pass this requirement to a specialist team within the Young People's Learning Agency who will broker provision from specialist providers as appropriate.
- 3.45** Funding for such provision will flow from the Agency to the specialist provider. This means that local authorities can have access to a larger pool of specialist providers, increasing choice and value for money, and to funding for high cost, specialist LLDD provision. It also ensures an appropriate focus on the development of local provision wherever possible.

### **We will provide better for young people in juvenile custody**

- 3.46** Consistent with the principle that local authorities should plan, commission and fund education and training for all children and young people, we want them to do so for young people in juvenile custody (who are aged 10-17 and some 18 year-olds nearing the end of their sentence). Despite recent improvements, standards of provision still fall short of what we would expect for young people in mainstream education. New planning and funding arrangements for young people in custody must foster improved outcomes, including progression and achievement in education, and hence contribute to reducing re-offending.

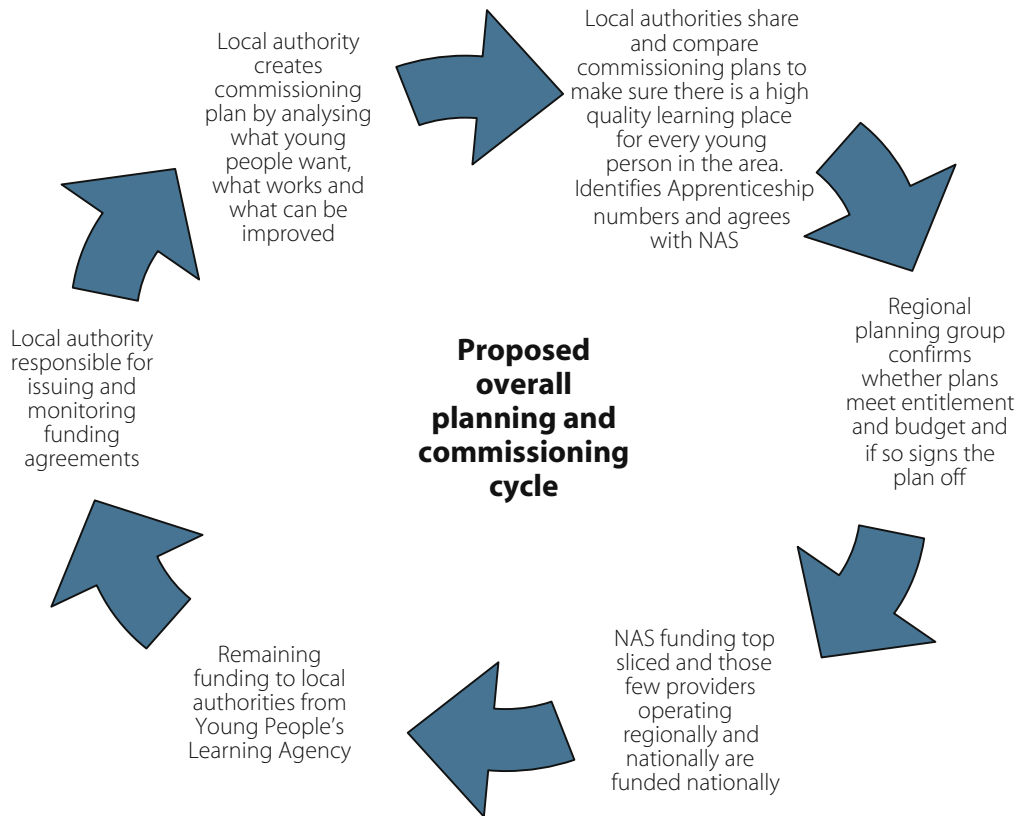
- 3.47** There are currently 37 custodial establishments for juveniles and these are located in some 30 local authorities across England and Wales. The majority of young people in custody are held in establishments situated in a different local authority area to the one where their home is. The largest custodial establishments may hold young people from 50 different local authorities. The average length of stay for a young person in juvenile custody is between three and four months. Young people can also move establishment during their sentence and some transfer to the post-18 secure estate.
- 3.48** We want the 'host' local authority (the one where the custodial establishment is) to plan and arrange education for young people in juvenile custody, as part of their wider 14-19 planning and commissioning. They could choose to deliver education in custody by providing it directly, or by commissioning a school, college, private training provider or third sector provider. They will need to work with the Prison Service and other establishment operators in order to plan and deliver appropriate provision which is integrated with wider custodial regimes.
- 3.49** We think that there are two options for funding arrangements within this new model of local authority-led delivery:
- One model is for the 'host' local authority to be responsible for both planning and funding education in custody regardless of where the young people held there have come from. This model is consistent with wider proposals for mainstream provision post-16. However, this model provides little incentive for 'home' local authorities (where young people are from) to maintain an interest in young people's education while they are in custody.
  - An alternative model is for the 'host' local authority to be responsible for planning and arranging education in custody, but for 'home' local authorities to be responsible for funding education for young people from their areas. This would involve 'host' local authorities recouping the cost of education in custody from the young people's 'home' local authorities.
- 3.50** The latter model has the important advantage that the 'home' local authority remains financially responsible for the young person's education regardless of where the young person is in the system. This could create strong financial incentives for 'home' local authorities both to prevent young people from entering custody in the first place, and to maintain a role in ensuring appropriate education is available and is continued on release from custody (in order to prevent the young person from re-offending and re-entering custody). The difficulties with this model are that the recoupment of funds would be difficult to administer for both 'home' and 'host' local authorities. 'Home' local authorities would need to pay for education provision over which they would have little control, because it would be arranged by the 'host' local authority.
- 3.51** The DIUS Skills Funding Agency will be responsible for funding skills and training in adult prisons and this will include 18 year-olds held there. Youth and adult establishments follow different regimes, and it would be impractical to expect establishments to deal with a different planning and funding regime for offenders aged 18, to that which applies to those aged 19 and over. However, we will seek to secure a consistent approach for all young people in custody across the adult and young people's systems.

**3.52** The youth justice system covers England and Wales. This document applies to arrangements in England only, although we will consider with the Welsh Assembly Government what arrangements are needed for young offenders from Wales who are held in custody in England, and vice versa.

- 2. Do you agree that the model we have proposed for transferring funding to the local authority is the best way to give local authorities effective powers to commission, to balance the budget, create coherence for providers and retain the national funding formula?**
- 3. Do you agree that there is a need for:**
  - a. Sub-regional groupings of local authorities for commissioning?**
  - b. Authorities to come together regionally to consider plans collectively?**
  - c. A slim national 14-19 Young People’s Learning Agency with reserve powers to balance the budget and step in if needed?**
- 4. Do you agree that we have described the way that these bodies would function in broadly the right way? Is the balance of responsibilities between them right?**
- 5. Do you agree that there is a need for a single local authority to lead the conversation with each provider?**
- 6. Do you agree with the proposed approach for Learners with Learning Difficulties and/or Disabilities?**
- 7. Do you agree that local authorities should be responsible for commissioning provision for young offenders in custodial institutions?**
  - a. Do you favour the ‘host’ funding model, or the model where ‘home’ authorities are charged?**
  - b. Are there planning or legislative levers other than funding systems which would create the right responsibilities and incentives to promote the best outcomes for this group of young people?**



Figure 3: Proposed overall planning and commissioning cycle



# Chapter 4:

## Management of the system

### Summary

**New roles and a new commissioning process must be underpinned by a strong performance management system. Local commissioning will be based on analysis of local demand, and funding will follow the learner, an incentive for providers to deliver learning that young people want and that is of good quality. Institutions will retain clear responsibility for their own performance and be held to account against a clear framework of measures common across providers. Through the planning and commissioning cycle local authorities will be able to expand strong and cease to fund weak provision, and they will also have powers to re-organise 16-19 provision more fundamentally where necessarily. Ultimately there will be intervention where there is serious underperformance. We will ensure that this system is supported by excellent data, collected in a low-burden way, shared efficiently and in a timely way with those who need it.**

- 4.1 The central task of the new system will be to widen opportunity for young people, increase participation in education and training and increase attainment by age 19. Over recent years there have been significant improvements: post-16 participation has increased, after a period of stagnation; and attainment is up – for example, 73.9% of 19 year olds achieved level 2 qualifications in 2007 – up from 66.4% only three years earlier. These improvements are a huge tribute to the efforts of schools, colleges and others across the country in helping more young people to stay in education and training, and more to achieve by doing so.
- 4.2 The challenge now is to continue and accelerate that improvement, so that all young people are prepared by their education and training to make a success of their lives. We want all young people to have the chance to achieve well – by 2013, we want at least 85% of 19 year-olds to achieve level 2 qualifications; and at least 56% to achieve level 3 (up from 48% now). Meanwhile, we aim to reduce the proportion not in education, employment or training from 10% to 8% by 2010.

## **There will be a strong performance management system**

**4.3** The new system is designed to support and accelerate the improvement now happening in participation and attainment, through:

- ensuring that informed learner choice can drive the system;
- leaving responsibility firmly in the hands of individual institutions for their own performance and putting in place a transparent system for holding institutions to account for their performance;
- giving local authorities levers to expand strong provision and cease to fund weak provision; and
- requiring intervention in institutions where there is serious underperformance.

## **Informed learner choice will drive the system**

**4.4** In a demand-led system, where funding follows the learner, the choices young people make will be crucial in creating the shape of the system. We want to make sure that the choices young people make are as well informed as they can be, through making sure that young people have had access to good quality information, advice and guidance (IAG), so that they make course choices which work for them. This should include making sure that the online local prospectus in every area is available and effectively promoted to all young people and that it provides a good basis for decisions – including information about how well institutions do, how successful young people are on courses and the views of other young people.

**4.5** Where young people do not take up provision, of course, this will be reflected in plans as part of plan-led funding. In addition, local authorities will be expected to take steps to find out the views of young people, so that these can inform commissioning decisions. We also intend to explore with learners and parents how we can develop a system that is more customer responsive, where young people can register their views on the courses they take which can then be accessed by others as part of determining the quality of provision on offer at a particular institution.

**4.6** As now, we would expect that the national funding formula will include a factor reflecting success rates. The success rate reflects the proportion of young people starting a course who go on to complete it and achieve the qualification. Thus success rates are reduced both by drop out (where someone leaves a course part way through) and poor achievement. Where success rates are poor, this will lead to reduced funding – and likewise, good success rates will be rewarded through the system.

## **Individual institutions are responsible for their own performance and will be held to account through a common, transparent system**

**4.7** As well as the choices of young people and the effects of the funding formula, we want there to be a clear framework for assessing performance which is common across all providers of education and training for young people and adults. This will treat all providers in a consistent

way, make available a full range of reliable data which can accurately assess performance and therefore provide the single, transparent basis for making commissioning decisions, as well as underpinning information to young people, parents and employers.

- 4.8** We think that this framework will need to include information about the standards achieved and the quality of provision, about the views of young people and (where appropriate) of employers and the value for money achieved. It should include key performance measures of individual achievement at 19, which are now part of local authority performance indicators.
- 4.9** We believe that such a framework could build on the Framework for Excellence<sup>6</sup>, which has been developed by the LSC, to serve a similar purpose within the FE sector. It is currently being piloted with 100 providers including FE Colleges, work based learning providers and Sixth Form Colleges. The first Overall Performance Ratings will be published in 2010. In order to serve the purpose we will need it for in future, we will look to develop and refine the Framework so that it can include School Sixth Forms and other providers as part of the pilot process from September 2009.

#### Local authorities will be able to expand strong and cease to fund weak provision

- 4.10** Local authorities will be under a duty to ensure that there is sufficient provision for all young people in their area (including full participation of 16 year-olds by 2013 and 17 year-olds by 2015) and to ensure that they have access to the new curriculum and qualifications entitlements. They will then be under a duty when commissioning to promote high standards and ensure that the best quality provision is purchased. This will mean that local authorities should be working to ensure not that all young people attend provision in their area – but that the young people in their area have access to the best available provision within reasonable travelling distance, whether situated within or outside their own local area boundaries.
- 4.11** In practice, this should mean that local authorities should look through the commissioning cycle at where provision is strong and where it is weak, with a view to expanding what is strong and either improving or ceasing to fund what is weak. Of course, where there is no comparable provision nearby to expand, it may not be possible immediately to reduce funding of weak provision. Here, local authorities might choose to run a competition for a particular form of provision, to bring in a new provider, or to take improvement action.
- 4.12** The home local authority will have the lead responsibility for improving quality and raising standards in relation to School Sixth Forms and Sixth Form Colleges, but the local authority would need to work through the DIUS Skills Funding Agency in relation to FE Colleges. School Improvement Partners (SIPs) will continue to hold performance discussions with School Sixth Forms on behalf of local authorities as part of the ‘single conversation’.

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<sup>6</sup> *Framework for Excellence: Raising Standards and Informing Choice*, LSC, March 2007.

### Intervention will be rigorous in cases of serious underperformance

- 4.13** Where performance is inadequate, a formal intervention may be required. In the case of FE Colleges, the responsible local authority will notify the DIUS Skills Funding Agency which will then take further action as necessary. If a Sixth Form College is involved, the responsible local authority would lead, and would act on behalf of the Skills Funding Agency in relation to any concerns regarding the quality of post-19 provision being delivered.
- 4.14** Should the necessary improvements to an institution or a significant part of its provision fail to be made, a local authority may need to withdraw significant amounts of funding in order to purchase alternative provision to secure the quality required. Where there is an intention to withdraw a significant amount of funding from any provider, it will be necessary to give reasonable notice. Clearly, the effects of any such decision on the institution's long-term viability, provision for learners from other local authority areas, adult learning provision or provision of other courses will need to be thought through collectively in advance and managed carefully.

### Local authorities will have powers to re-organise 16-18 provision

- 4.15** To a significant extent, local authorities will be able to reshape the nature of provision without making major organisational change. Increasing the number of places available on popular and successful courses, removing poorly performing provision within a larger institution or commissioning an increased number of Apprenticeship places are all things that an authority will be able to do without changing the fundamental organisation of provision. Where an authority is able to meet the needs and aspirations of young people without re-organising provision, this is likely to be quicker and more cost effective.
- 4.16** However, there will be occasions on which this will not be possible. There are many patterns of post-16 provision across the country: in some places, all schools have sixth forms; in others, the system is organised on a tertiary basis, with 11-16 schools and Sixth Form or Tertiary Colleges; in others, most provision of all types is to be found in FE Colleges; in others still, there is a mixed economy, with some schools having sixth forms and others not. There is no single best model which can be applied in all situations, but it is clear that in some circumstances, some models limit some young people's access to good quality provision that is suitable for them. In these cases, it may be necessary for local authorities to re-organise provision in order to ensure that all young people have access to good provision meeting their needs.
- 4.17** It is clear that there are a few key things that demonstrate whether or not the organisation of provision in an area is effective:
- standards and quality: the provision available should be of a high standard – as demonstrated by high levels of achievement and good completion rates;
  - progression: there should be good progression routes for all learners in the area, so that every learner has a choice of the full range of options within the curriculum and qualifications entitlement, with institutions collaborating as necessary to make this offer;

- participation: high levels of participation in the local area; and
- learner satisfaction: young people consider that there is provision for their varied needs, aspirations and aptitudes in a range of settings across the area.

- 4.18** In practice, a range of organisational models can mean that provision is good on all of these measures. In some areas, all schools have sixth forms and they are working together collaboratively with a FE College, perhaps within a shared curriculum and timetable framework, to make sure that all young people have access to a full range of options in all the schools and the college. In other areas, a full tertiary re-organisation has created a system where young people have access to a very wide range of choices within strong Sixth Form, Tertiary or General FE Colleges. Where standards and participation rates are high in such areas, and learners are satisfied, there is not a strong case for change. However, in other areas, perhaps where some schools have sixth forms and others do not, the colleges have strengths in some areas but not others and collaboration is weak, opportunity at 16 depends greatly on where a young person went to school. Here, the case for re-organisation is strong.
- 4.19** In future, local authorities will be expected to lead change as necessary to create a highly effective system. We will therefore review the principles of 16-19 organisation published in 2004 in this context. We propose to bring 16-19 competitions into line with school competitions, managed by the local authority, and to make them more flexible. In this way the local authority will be able to use them more easily to meet the needs of the area – and take a more active role in changing organisational structures where necessary.
- 4.20** We will continue with a presumption that what is good should be able to expand – in schools and FE – where there is student and parental demand, in order to extend quality and choice. The sixth form and FE presumptions only apply to that minority of schools and colleges which demonstrate outstanding achievement, and we have always encouraged schools and colleges to consider their proposals in the context of local supply and demand and the need to work with other providers to raise standards across an area. There need be no tension between expansion and collaboration: presumption schools and colleges offer high quality places that should add to the ability of local partnerships to deliver the best possible provision to all local students.
- 4.21** But we recognise that embedding new presumption places within a local 14-19 delivery plan takes time. We propose to extend the eligibility period to allow more time for the expansion proposals to be considered within the context of local provision, and to introduce a requirement that there is evidence of local collaboration over the presumption proposal and a statement of how the new places will be integrated with the existing offer. We will amend the Decision Maker’s guidance so that statutory proposals to expand a school under the sixth form presumption will take account of the need for collaboration with local partners, the organisation of 16-19 provision in the local area and the need to ensure that the presumption leads to higher standards and better progression routes for pupils at the ‘presumption’ school. We will extend a similar requirement to the process of establishing all publicly funded schools

with sixth forms including Academies. Where a presumption is turned down on these grounds, the school will be able to appeal to the adjudicator.

- 4.22** The development of the new 14-19 entitlement needs to be supported by a strategic vision for capital investment led by the local authority. We are already investing in capital projects linked to the delivery of the new Diplomas, both in schools and colleges. It will be important to make sure that the funding sources complement each other to create world-class Diploma facilities.

### **Local authorities will be held to account for the outcomes achieved**

- 4.23** Local authorities will be held to account for the outcomes that are achieved, through the new local government performance framework. This framework is underpinned by the National Indicator Set (NIS) which contains a suite of 198 indicators that reflect priorities across Government. These include measures of the number of 16-18 year-olds not in education, employment or training (NEET), and measures of attainment of level 2 and 3 qualifications by age 19.
- 4.24** Government Offices will negotiate Local Area Agreements (LAAs) with local authorities, which include targets in areas of priority for the local authority, taken from the measures in the NIS. Comprehensive Area Assessments (CAA) will consider holistically the performance of all public service providers within a local area. Intervention is possible if these assessments show serious problems.
- 4.25** Clearly, we want all local authorities to be able to carry out their new roles effectively. In order to ensure that all authorities can have support for their commissioning role, they will be able to draw on support from Regional Improvement and Efficiency Partnerships. If there were ever serious problems in the operation of the system, the Young People's Learning Agency would be able to step in.

### **We will ensure that data is available to manage the system**

- 4.26** This system will rely on up-to-date and trend data and information in a wide variety of areas – including demand from young people, skills needs of the area, and patterns of provision and achievement, particularly in relation to areas of deprivation and poverty. We need to have a modern and integrated data system in place which ensures that the right data is available in a timely and simple fashion to all those who need it, and which avoids placing significant new burdens on providers. There will be both new users of data and changing requirements for existing users, and it is important that data are shared as effectively as possible.
- 4.27** We propose to continue to develop separate data services for schools, FE/work-based learning and Higher Education. This will ensure that each institution will provide data to only one agency. The separate agencies will then share data, in line with regulations, to allow integrated and effective use of information and reporting that cuts across different phases of education. The Young People's Learning Agency will provide collective data analysis nationally and

regionally to all those who need it (local authorities, regional groups) drawing together data collected by the three data services.

- 8. Do you agree with:**
  - a. Proposals to ensure that informed learner choices should be a key part of shaping the system?**
  - b. The proposed approach to a common performance management framework based on the Framework for Excellence?**
  - c. The local authority role in commissioning to improve quality?**
- 9. Do you agree with the proposals for managing changes to 16-19 organisation and adjusting the arrangements for 16-19 competitions and presumptions?**





# Chapter 5: Funding

## Summary

The commissioning process will drive funding. Once plans have been agreed, and with a national funding formula in place, funding flows according to the provision set out in plans. For the detailed operation of the funding system we intend to build on the current Learning and Skills Council (LSC) approach and principles set out in the *Raising Skills, Improving Life Chances* White Paper in 2006, ensuring that funding follows learner choice, institutions are funded equitably for comparable activity, and the funding system is straightforward for institutions to understand.

The Young People's Learning Agency will provide indicative budget allocations at the start of the commissioning process. Final budgets will be based on the commissioning plans agreed, and each local authority will receive a budget for the institutions, rather than the residents, in its area. Each year there will be a reconciliation between plans and outturn, with funding adjusted in the next year as necessary. We will provide the capital funding to enable local decision making.

We would like to extend the way that 16-18 learning provision is funded to the 14-16 age range, as this presents an exciting opportunity to drive a strong, sustainable 14-19 sector offering all young people good quality learning that prepares them for success in later life. We are consulting on this as part of the schools funding review.

- 5.1 The commissioning process of course drives funding. Once plans have been agreed, and with a national formula in place, funding flows according to the plan. However, the detailed operation of the funding system is important in achieving our policy objectives.
- 5.2 Our aim is to build on the current Learning and Skills Council (LSC) approach to funding, which is being extended across all providers for young people from 2008–2009. In the longer term, we are considering whether to extend the national funding formula to Key Stage 4, to create a 14-19 funding system. This would support coherent planning to deliver the 14-19 entitlement in each area, and facilitate progression. We are consulting on this change as part of our review of schools funding and would implement the change from 2011.

## The funding system will ensure that institutions are funded equitably

- 5.3 We intend to continue to follow the principles for funding set out in the *Raising Skills, Improving Life Chances* White Paper in 2006. We said then that we wanted a system where:
- funding follows the learner and young people's choices about the education and training route they follow drive funding allocations and not the other way around;
  - comparable funding is allocated for comparable activity, irrespective of the type of institution that is providing the education and training;
  - funding is transparent, simple for institutions to understand, provides stability and certainty for future planning, and avoids unnecessary bureaucracy; and
  - the funding methodology facilitates collaboration between providers, so that a learner's programme may be followed at two or more separate institutions.
- 5.4 In this context, there are important national and local roles.

## The framework will be set nationally

- 5.5 The responsibilities for securing and determining the total budget, managing its overall distribution to local authorities and supervising data collection will rest with DCSF and the Young People's Learning Agency, which will also be responsible for advising on funding rates for qualifications and on the national funding formula.
- 5.6 We do not propose fundamentally to change the current methodology. This assigns guided learning hours to each qualification and then measures the size of each individual's learning programme by aggregating the number of guided learning hours in the qualifications being studied. The total size of programmes in each institution is aggregated and institutions are then funded on the basis of this total programme size, the mix of provision within these programmes (some courses which require significant equipment levels, for example, are much more expensive to put on than others and therefore attract more funding), the characteristics of learners in the institution (if there are many learners from deprived areas, institutions attract more funding) and the success rates of the institution overall. This is the basis of the national funding formula.
- 5.7 The Young People's Learning Agency will provide indicative regional and local budget allocations at the start of the commissioning process. It will do so by analysing what happened in the previous year and what the data show about changes for the coming year. This provides a key initial input into the commissioning process.
- 5.8 Final budgets at local authority level will be based on commissioning plans. Each local authority will receive a budget for the institutions in its area rather than a budget for residents. This is the best way to avoid undue complexity since otherwise FE colleges and other providers would receive funding from a very large number of local authorities; or local authorities would have to manage a complex system of recoupment.

## The decisions affecting the funding levels of institutions are made locally

- 5.9** Each year, there will be an assessment of what is happening during the year and what that shows about what will happen in the next year. At institutional level, this will include matching plans with outturn – so that funding in the forthcoming year will need to be adjusted to reflect such differences. This information, together with the local authority's commissioning decisions, will form the basis for funding each year.
- 5.10** As part of the process of moderating plans between authorities, local commissioning plans will be aggregated in relation to each provider, so that it is clear what will be bought from each provider. Once final budgets are confirmed, they will flow to local authorities to fund the institutions in their areas as a 16-18 grant alongside the Dedicated Schools Grant.
- 5.11** As now, where a young person starts but does not finish their programme by their 19th birthday, funding through local authorities will continue for the full duration of their programme. Similarly, 16-18 year olds who are receiving training in employment through Train to Gain will be funded through work-based learning budgets. Local authorities will continue to fund learners with learning difficulties and/or disabilities (LLDD) for the duration of their learning programme, according to need, to their 25th birthday as is currently the arrangement with the LSC.
- 5.12** The funding methodology for learning for young people in juvenile custody will need to be slightly different. Young people tend to stay only for short periods, so there will need to be considerable flexibility and funding 'by course' is not possible. Nonetheless, it will be possible to develop a forward-looking funding approach, in which funding is based on the average number of places and the average number of hours of education to be delivered. We will develop a national funding formula which reflects the factors leading to the high cost of delivering education in custody: high needs; the need for learner support; small class sizes; diseconomies of scale; differing needs of young people held in the different types of establishments; differences in types of curriculum provision; and the number of hours to be delivered.

## Capital Funding

- 5.13** We want local authorities to ensure that capital plans across their area are coherent in developing the infrastructure that will be necessary to deliver the increase in the participation age and the full curriculum and qualifications entitlement to all young people. Central to this will be the Building Schools for the Future (BSF) programme, which is designed to ensure that local authorities develop a vision across the area of how provision will be organised, including in relation to the new 14-19 entitlements. We intend to bring Sixth Form Colleges within the scope of BSF, so that they can be part of securing the area-wide entitlement.
- 5.14** It is also important that local authorities use the very large amounts of devolved capital that they now have in support of these area-wide objectives and in support of their commissioning plan. Equally, we recently announced the allocation of some £600m to local authorities in later waves of BSF so that they could develop necessary 14-19 or special educational needs provision

in the short term. Local authorities will need to ensure that they use all of these sources of capital to best effect to deliver the pattern of provision that is necessary across their area – joining with other authorities in the sub-regional grouping as appropriate. Local authorities will also work closely with the Young People’s Learning Agency and the DIUS Skills Funding Agency, to make sure that capital funding through local authorities joins up with funding through the FE modernisation fund, which will be used for both adult and young people’s facilities in FE, to create a coherent programme overall.

**5.15** The Young People’s Learning Agency will hold the 16-19 capital pot in future. This resource will be deployed to create new 16-19 places in support of commissioning decisions, particularly 16-19 competitions, presumptions and reorganisations which are necessary to improve quality and outcomes. The regional planning groups will be a source of advice to the Young People’s Learning Agency on the priorities. We will ensure that all our capital funding coheres to support the new system.

**10. Are you content with the proposals:**

- a. To retain a national funding formula based closely on the existing one?**
- b. For funding to flow to institutions on the basis described?**

**11. Would you support a move to a single national 14-19 funding system?**

**12. Do you agree with the proposals for capital funding?**

# Chapter 6: Implementation

## Summary

**As we deliver this important change for the future, we are mindful of the need to deliver the best outcomes for those young people in post-16 education and training now. Success for them is our first priority, maintaining and building on improvement in attainment and participation rates in recent years.**

**We will work with the Learning and Skills Council (LSC) and local authorities, to move steadily to the new system, maintaining the expertise and skills in the system and considering carefully where our current resource can be used to best effect in the future.**

**Following consultation, we will make final decisions and then legislate at the earliest opportunity. Ahead of full implementation, we plan to move as far and as fast as we can within current legislative structures. We propose to implement a shadow structure nationally, regionally and locally, aiming to move with energy to prevent loss of focus but taking care to manage the change systematically.**

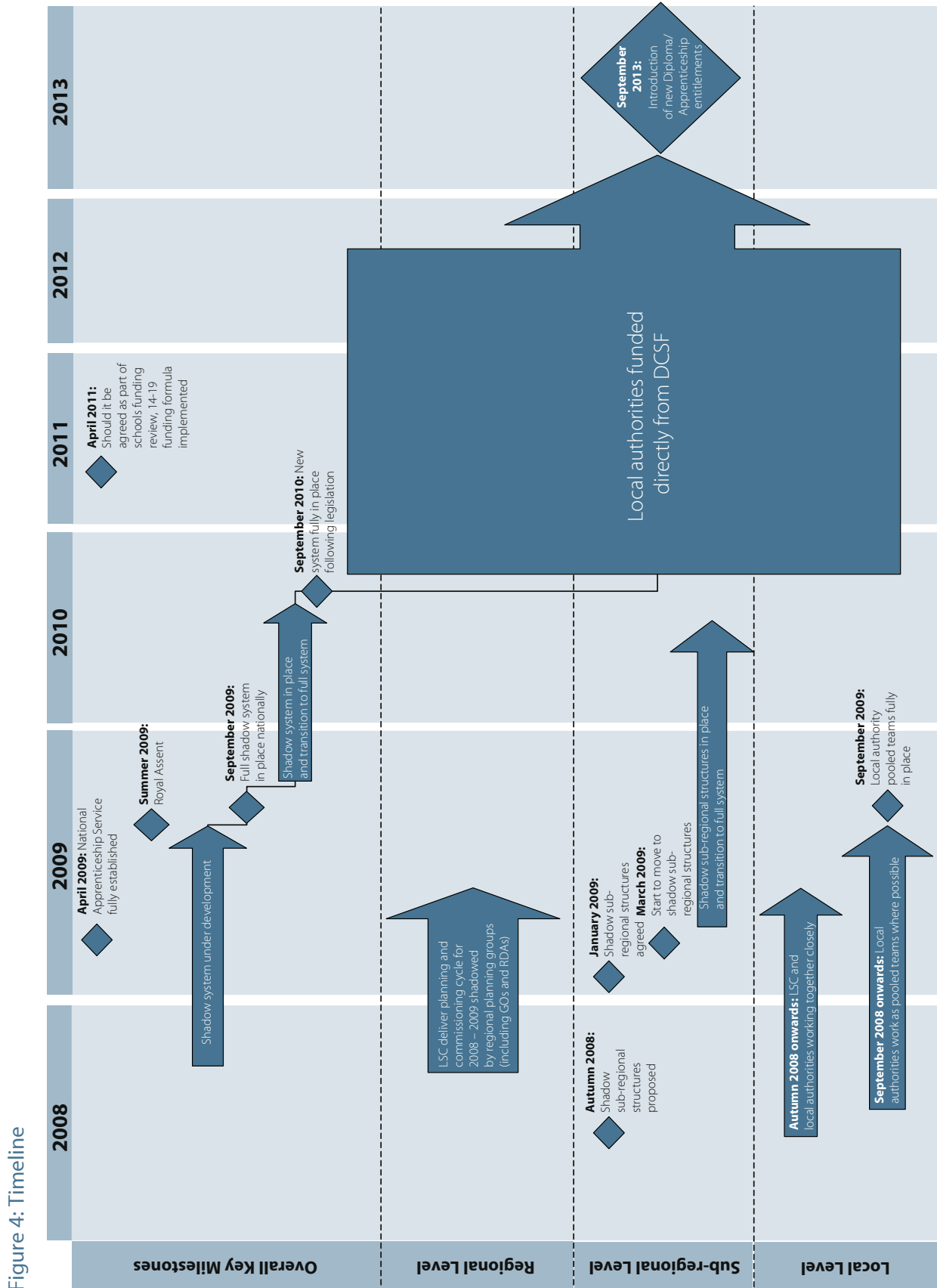
- 6.1** We will consider responses to this consultation carefully before coming to final decisions. Our plan is that having reached final decisions, we should legislate at the earliest opportunity so that we can implement the transfer of funding to local authorities in the academic year 2010/11, with the new system fully in place from September 2010. A move to a 14-19 funding formula, if agreed, would be implemented from the start of the 2011-12 financial year.

## **We will make early progress towards implementation**

- 6.2** Our ambition is to implement change as early as possible, having regard to best practice in implementing system change on this scale. As a first step, we want to put in place a shadow structure in which within the current legislative framework, local authorities take on greater responsibility and begin to lead the commissioning process locally. In so far as is possible, the other supporting structures will also be established on a non-statutory basis, so that the system can begin to work in the ways proposed here.

- 6.3 Of course, it will only be possible to make changes within the existing legislative framework, and therefore the powers and duties of the key actors will be unchanged and local authorities cannot formally become accountable for decisions. However, significant progress is possible:
- The Learning and Skills Council (LSC) is already moving to identify and will begin to separate the 14-19 and adult sides of the organisation, with National Directors appointed to lead these changes. This will make it possible to identify at local, regional and national levels the staff with a focus on the 14-19 system.
  - Locally, we want each local authority to take a lead in planning provision for young people. In practice, this will mean that the LSC will need to identify those staff in local partnership teams who work on 14-19 reform, so that they can begin to work closely with the relevant local authority. In the transition period these staff will remain part of the LSC and continue to report internally – but will work closely with the local authority, and may be co-located with local authority staff on local authority premises. They will carry out their existing functions, but with much more input from the local authority, and will work closely with other neighbouring local authorities. Local authorities may choose to operate with pooled teams. We want these arrangements to begin wherever possible from September 2008, and be fully in place by September 2009, with the formal duties transferring the following year.
  - Sub-regionally, we will ask local authorities to form suitable collaborative groupings. Local authorities will need to decide how they wish to operate, what the sensible planning area is, how they will manage and govern the grouping, make decisions, support FE provision and resolve disputes. Government will sign off plans to ensure that there is full national coverage and that no one area is disadvantaged by the actions of others. We would hope that shadow sub-regional structures can be agreed by January 2009, to allow a move to such structures to start by March 2009.
  - The LSC and the Association of Directors of Children's Services (ADCS) have already begun to establish shadow regional planning groups for each Government region. These will shadow the LSC's planning and commissioning cycle, which will take place in 2008/09 for the academic year 2009/10, and provide advice and direction regionally. They will begin to consider how best to carry out their functions in the long term alongside the regional leaders' forum proposed in the sub-national review. Regional LSC staff will support the regional groupings of local authorities and the sub-regional groupings in the shadow structure.
  - Under this model the Young People's Learning Agency will carry out the national functions that the LSC does now. Within the LSC the internal separation at national level of the organisation into adult and young people's structures will enable separate reporting of the 16-19 programme and funding directly to the DCSF, and the adult/employer skills programme to DIUS. The National Apprenticeship Service will be established from April 2009 as a joint programme reporting to both departments. This will mean that the national functions can begin to operate in shadow form at that point.

6.4 This means that the full shadow system will be in place nationally by September 2009, effectively managing the commissioning system for the academic year 2010/11. In practice, the LSC and local authorities are already working together and will do so even more closely from autumn 2008 in planning for the interim year of 2009/10.





## **We will manage the transition to the new system carefully**

- 6.5** The need to legislate for change and the time required to do that means that this period of transition is unavoidable. It is also, however, highly desirable – since it is clear that local authorities could not take on these new responsibilities immediately. They have not been accountable for provision in FE for over 15 years; they consequently have no staff or expertise in this area; and there is a need to establish new structures. There must be a period of time in which staff are transferred, new structures developed and capability built.
- 6.6** We will make sure that the process of transition is carefully managed and that local authorities are given time and support to prepare. This is particularly important for the creation of new sub-regional groupings. In due course, and as the legislation is passed, these groupings will often want to take on the full range of functions set out under model (b). In order to do this, the groupings will need to establish clear and robust governance and decision-making arrangements; effective operational procedures for agreeing plans (including in relation to young people moving across local authority boundaries), resolving disputes and working with the National Apprenticeship Service; a common approach to commissioning pre-19 provision from FE Colleges, so that colleges need to deal with only one commissioning body; and an agreed process for managing third sector contracts and specialist provision, including provision for learners with learning difficulties and/or disabilities (LLDD) up to the age of 25.

## **Our priority for the transitional period is that improvements in opportunities, participation and attainment should continue**

- 6.7** By 2011 three further cohorts of young people – nearly two million – will have reached the age of 19. We owe it to this generation to ensure that there is a continued focus on increasing participation and attainment and on offering more to each successive cohort of young people. The next three years are crucial for the introduction of the new qualifications and curriculum entitlement, with the first teaching of all the new Diplomas, and for increasing participation and attainment. We do not want there to be any loss of focus on achieving these goals.
- 6.8** We have set our sights high, with targets to:
- increase the proportion of young people participating at 17 to 86% by 2011, on course for raising the participation age in 2015;
  - increase the proportion of young people achieving level 2 by age 19 from 66.4% in 2004 and 73.9% now to 85% by 2013;
  - increase the proportion of young people achieving level 3 by age 19 from 42% in 2004 and 48% now to 56% by 2013; and
  - reduce the proportion of 16-18 year olds not in education employment or training (NEET) by two percentage points by 2010 from 10% in 2004.

- 6.9** It is important that both local authorities and the LSC should continue to lead and drive progress forward during the period of transition. We want local authorities to demonstrate effective leadership, make progress during the period of shadow structures towards the introduction in 2013 of the new Diploma and Apprenticeship entitlements and show that they can commission effectively to deliver improvements against these targets. This will be a key way of demonstrating readiness for the transfer.
- 6.10** During the transition, the LSC will retain its responsibilities to deliver enough suitable places at the right level in the right places for all learners in the system. Ongoing leadership and drive from the LSC will therefore be critical as well. The LSC and local authorities will need to work closely and effectively together over this period if continued improvement is to be achieved. And we need to make sure that the LSC is in a position to give all of its staff as much clarity as possible about their futures and how their posts will fit into the new system, as early as possible. Their experience and skill will be crucial to succeeding in our aim to raise the participation and achievement levels of all young people. We want to show them their future within the new system as early as possible.

**13. Do these proposals about timescale and transition appear reasonable?**



# PART 2: Reforming the post-19 skills system to secure better outcomes for adults

## Chapter 7: Rationale and Key Proposals

### Summary

**To achieve our policy aims as set out in *World Class Skills*, and our 2020 skills ambitions, we will need a strong, demand-led FE sector. We also must ensure that employers and individuals are able to easily access skills support through simple customer interfaces.**

**We propose to create a new Skills Funding Agency (SFA) to come into being when the LSC ceases to exist – expected in 2010. This will be a smaller, lighter touch body, focused on funding not planning. It will route most of its funding to providers in direct response to customer choices through Train to Gain and Skills Accounts.**

**It will manage the incentive structure for the FE sector to ensure that it is highly responsive to customer needs. It will be the intervention body where FE colleges are failing to deliver.**

**It will be a Next Steps Agency, accountable to Parliament for its expenditure and through the Secretary of State for Innovation, Universities and Skills for its performance and operations.**

- 7.1 In response to the independent Leitch Report<sup>7</sup> – the seminal survey of the UK’s future skills needs – we set out in *World Class Skills*<sup>8</sup> and related documents<sup>9</sup> how Government will work with our partners, employers, and individuals to rise to the skills challenges of the next decade.
- 7.2 The proposals for reform in this consultation document are designed to better support those policies and the Government’s goals on skills in England. This document does not deal with our policies on higher level skills, which will be set out in a forthcoming Higher Level Skills Strategy and which will be the basis for consultation.
- 7.3 The skills landscape has developed over the years. Some of its key features, such as the LSC, were created prior to the creation of the Government’s skills strategy<sup>10</sup>; and prior to the adoption of the current ambitious vision for World Class Skills.

7. Dec 2006 *Prosperity for all in the global economy – world class skills*

8. July 2007 *World Class Skills*

9. *In Work, Better Off* and *Ready to Work, Skilled for Work*

10. July 2003 *21st Century Skills*

- 7.4 Since its creation, the LSC has developed a more coherent and responsive FE system, with greater consistency between local areas and clearer progression routes. Working in partnership with colleges and other providers, it has delivered year on year improvements in participation and success rates, with more adults than ever before gaining the skills and qualifications that employers need and value. Over 2 million learners have achieved a first qualification in literacy, language or numeracy since the launch of the Skills for Life programme in 2001. We have also seen over 1.7 million more adults achieving a level 2 qualification since 2001, with almost three quarters of the adult workforce now qualified to at least L2 and over half qualified to level 3.
- 7.5 This continuing rise in participation and success rates has been a real boost to our strategies for vocational education and skills. But to achieve the step-change our targets require, the skills landscape too must be able to change, and be flexible and responsive in its form.
- 7.6 Two key features in particular of our ambitious policy programme dictate that structural change is necessary: the aim of a demand-led system, and the integration of employment and skills.

### **The evolution of a demand-led system**

- 7.7 Our skills targets – which will bring us into the top quartile of OECD nations in terms of the qualifications of the workforce by 2020 – are very demanding. We must ensure that public funding for qualifications and training does in fact deliver economically valuable skills. To do this, we must ensure that employers can get the skills they need on demand.
- 7.8 Train to Gain is the Government's single service to support employers of all sizes and in all sectors to identify and then meet the skills needs of their employees. We recently set out how we will continue to expand and improve Train to Gain, with Government funding routed through the service rising to over £1 billion by 2010–2011. We have also agreed that from April 2009 the skills brokerage will be integrated with general business support brokerage, delivered by Business Link and managed by England's Regional Development Agencies.
- 7.9 This model of funding, fronted by brokerage, needs less central planning. The model is demand-led and, as such, needs a particular type of expertise – with brokers able to translate business imperatives and colleges and providers responding to the needs of employers where and when they are required.
- 7.10 This is already having a major impact on our provider base – with most, if not all, requiring a significant transformation programme to help them change their business model. Many will require a different model from the predict, plan and adjust approach used until now, to a more responsive model that delivers more training in employers' own premises in a manner which they determine.

- 7.11** New Skills Accounts will give individuals greater ownership and choice over their learning. To bring Skills Accounts to a wide user group, we are integrating the advice and guidance services currently provided by learndirect and nextstep providers to create a universal adult advancement and careers service, working in partnership with Jobcentre Plus. We will trial universal Skills Accounts from the autumn in the South East and East Midlands, learning from their experience of Adult Learner Accounts.
- 7.12** The advent of Skills Accounts and the growth of Train to Gain both herald a radically different model of organisation of the skills system in the future, where the role of Government is to ensure that customers are empowered, well-informed and well-supported, so that demand can lead supply. In this world, a new kind of relationship between Government, colleges and providers, and customers is needed, and a different structural landscape to make that relationship work as well as it possibly can.

### **The integration of employment and skills**

- 7.13** There are currently 4.2 million people of working age without qualifications, of whom 1.9 million are inactive and 250,000 are unemployed. While the UK's employment rate is high, and has improved in recent years for all other disadvantaged groups, it has fallen for those with no qualifications. Those with poor literacy skills have an employment rate of 55% compared with around 75% for those with good literacy skills. Within three months of moving into employment from Jobseekers' Allowance, 21% return to benefits. A degree of churn is a normal feature of a modern labour market, but for too many people cycling on and off benefit is the norm. Enhancing the skill levels of this group will play a large part in ensuring they remain in work.
- 7.14** We are therefore creating a more joined-up employment and skills system to support low-skilled and unemployed adults to improve their skills, find work, and progress in their careers.
- 7.15** The integrating employment and skills agenda – which will strengthen and grow in the coming years, as the Government pursues its twin socio-economic goals of 80% employment and higher productivity – requires a refreshed structural approach. In particular, it will require ever-closer co-operation and alignment between the activities and agencies of the Department for Innovation, Universities and Skills (DIUS) and the Department for Work and Pensions (DWP).
- 7.16** New arrangements are needed to more strongly support the aims outlined in *'Opportunity, Employment and Progression: Making Skills Work'*<sup>11</sup> and the overall integration of employment and skills which is a key cross-Government agenda. A demand-led system will more closely align adult education and training with employers' needs, improving the employment and career prospects of individuals. The new adult advancement and careers service will support disadvantaged adults to be informed learners, whose needs and aspirations directly influence colleges and providers and the courses on offer. Again, these changes point to the need for a new approach.

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11. December 2007

- 7.17** A further significant new feature of the landscape is the UK Commission for Employment and Skills (UKCES), which will become fully operational from 1 April 2008. It will give employers a new and influential voice in shaping employment and skills services and encourage greater employer engagement and investment in skills development. This independent oversight role, performed on behalf of the four Governments of the UK, by an employer-led body and ranging across both employment and skills, could threaten to overlap with the current strategic role of the LSC, unless that role is now changed. A key principle of our reform is the simplification of roles and the eradication of overlap or duplication.
- 7.18** The UK Commission for Employment and Skills will be advising Government on how we can make it simpler for employers and individuals to access the welfare and skills system in England. We will ask the Commission to make recommendations on how the 'user experience' of the employment and skills system can be simplified, including by 'hiding the wiring' and creating clear pathways for customers.
- 7.19** We will also ensure that, in making the changes set out in this consultation, the principles of Business Support Simplification are followed. The main component of this is the incorporation of skills brokerage for the Train to Gain service within the single, integrated business support service operated by RDAs.

### **A new body for a new degree of challenge – The Skills Funding Agency**

- 7.20** To adapt the landscape to the challenges described above, we propose to create a new Skills Funding Agency (SFA). The LSC will cease to exist when the SFA comes into being, expected to be in autumn 2010.
- 7.21** The driving purpose of this new post-19 body is to meet the challenge of delivering the shared high ambitions for people and business skills; and to do so in a more streamlined way which makes it a simpler and more effective experience for individuals and employers. This simplicity is built upon clear sets of entitlements for learning, advice and financial support; services that are readily accessible and segmented to meet specific individual need; and innovative 21st century IT systems which enable individuals and employers to make informed choices and access high-quality services. This will create a smaller and more dynamic body responsible for post-19 skills funding, more responsive to the demands of users, joining up delivery of the system and services at every level.
- 7.22** The new body will be a focused, streamlined agency, close to Government and with an operational role. It will have national and regional presence.
- 7.23** The key role of the new Skills Funding Agency is to ensure that public money is routed swiftly, efficiently and securely to accredited colleges and providers following the purchasing decisions of customers. It will build on the success of the LSC.

- 7.24** Coupled with making payments, the agency will also manage the framework and the development of the FE service. This includes responding to strategic skills pressures and bottlenecks; securing dynamic market exit and entry; creating a funding and incentive structure that prioritises responsiveness to customers; and ensuring availability of good public information. It will be a funding body, not a funding and planning body.
- 7.25** The agency will provide a coherent structure for managing other key functions of the skills landscape. Principal amongst these will be the National Apprenticeship Service (NAS), and the adult advancement and careers service. It will also manage the National Employer Service (NES), which serves large employers (5,000+ employees). These services managed from within it each will have a strong, accessible presence targeted on their different audiences, and strong interfaces with each other, consistent with the Government's business support simplification programme.
- 7.26** Overall, the funding agency will be responsible for ensuring that public funds are best used to complement and leverage the much larger private investment which is made in adult skills and training. It will be responsible for ensuring the overall environment or 'trading conditions' in FE created by Government are highly supportive of upskilling to meet the nation's needs. This includes, crucially, ensuring that individuals have the information and support they need to be informed, empowered consumers; and colleges and providers have the freedom they need to meet the requirements of employers and learners, drawing down public funding as part of that service where appropriate.
- 7.27** The functions of the new agency are set out in more detail in chapters 8 to 10.

## Governance

- 7.28** The Skills Funding Agency will be a Next Steps Agency, giving it a closer relationship to Government than now exists between DIUS and the LSC, more analogous to the DWP/ Jobcentre Plus relationship, so as to minimise the need for sponsoring and oversight functions in DIUS, and get the tightest connection between policy and delivery.
- 7.29** The Chief Executive of the agency will be the Accounting Officer, and as such will be accountable directly to Parliament for the expenditure of the agency's budget.
- 7.30** The Chief Executive will be a member of the DIUS Executive Board, and as such will be accountable directly to the Secretary of State and the Permanent Secretary of DIUS for performance management purposes.
- 7.31** The Executive Board of the Agency will comprise the Directors of the NAS, the adult advancement and careers service and the NES, together with the Chief Executive. Other board members will be appointed as deemed necessary.
- 7.32** As a Next Steps Agency, the agency will have an operational remit, implementing the policy decisions made by Ministers. The overall strategic leadership role will rest with Ministers.



- 7.33** The Skills Funding Agency, like Jobcentre Plus, will depend on clear rules and operating procedures to give the necessary assurance that public money is being used equitably, according to national priorities as defined by Government. As now, there will be a national funding system, with consistent, transparent, national funding formulae, tariffs and subsidies.
- 7.34** The UK Commission for Employment and Skills will have the power to scrutinise the operation of the Skills Funding Agency on behalf of employers. All the normal procedures of Parliamentary scrutiny will apply, including through the work of the National Audit Office (NAO) and the Public Accounts Committee (PAC).

**14. Do you agree with the proposal to create a new Skills Funding Agency to replace the Learning and Skills Council post-19?**

**15. Do you agree with the proposed role of the Agency?**

# Chapter 8: Funding and Commissioning

## Summary

The Skills Funding Agency's core function will be to transfer funds to education and training providers. Increasingly, this money will be allocated according to the purchasing choices of customers, expressed through Train to Gain and Skills Accounts. The rates which colleges and providers receive will be based on a national funding formula reflecting delivery costs. Colleges and providers will be accountable for delivering the outcomes they are funded for, but will retain the internal flexibility to transfer funds between programmes.

The roll out of Skills Accounts, alongside the adult advancement and careers service, will incentivise individuals to take up learning, and enable them to drive the system to meet their needs. The expansion of Train to Gain will ensure businesses can also meet their training needs through a demand led route.

The Skills Funding Agency will continue to commission provision to support local, informal opportunities for learning, and for learners with learning difficulties and/or disabilities. The agency will work closely with regional and national partners to ensure capacity exists for providers to meet specific skills needs. It will not plan supply, it will support suppliers who respond to demand. In order to perform this role, the agency will have a regional structure, and the capability to operate at sub-regional level. The agency will work with the new Employment and Skills Boards where they exist, and with local partners to ensure that employment and skills commissioning is considered together within a local context. This supports our strategy to integrate Employment and Skills provision.

- 8.1 Payment of funds from the Skills Funding Agency to colleges and providers of skills, education and training for adults will be the core function of the new body. Over time, the portion of funding distributed in ways which follows the purchasing choice of customers will grow, until by 2015 it will form the large majority of the budget. The agency will allocate indicative budgets, on a regional basis, to ensure there is sufficient capacity amongst suppliers to meet employer and learner demand through Train to Gain and Skills Accounts.

**8.2** The funding which colleges and providers receive will be based on a national funding system, and this will reflect as closely as possible the actual costs of delivery of the best colleges and providers. For the Train to Gain programme, as happens now, colleges and training providers will earn funds by successfully winning business from employers up to an indicative budget ceiling. Colleges and providers will need to demonstrate they have delivered the outcomes that they have been funded for; however, it is recognised that colleges and providers need to have discretion over how they use funding to deliver the provision which has been commissioned, and that this has to be managed at an overall provider rather than an individual budget level. This means providers will continue to have ability to flex funding across the full range of their activity, including across the age range. These flexibilities will allow the Skills Funding Agency to have a light touch relationship with colleges and providers while still ensuring that they are delivering the necessary outcomes funded by public money.

### Demand-led funding

**8.3** Skills Accounts – alongside the adult advancement and careers service – will enable individuals to take control of their learning and use their own purchasing power to improve their skills to support sustainable employment and progression. We will roll out Skills Accounts for all learners nationally, building on trials which will begin in 2008. We are committed to an ambitious rate of growth for Skills Accounts, to ensure a truly demand led system, driving greater choice, purchasing power and investment by individuals and employers. By 2010/11, learners with Skills Accounts should be able to access around £500m of funding for learning, rising to nearly £1.5bn in 2015.

**8.4** In the period up to 2010/11, Skills Accounts will drive a demand-led funding system for individuals through the LSC's learner responsive funding model, which will ensure that money given to colleges and providers follows the choices made by the individual. Skills Accounts will drive this responsive system by giving individuals a greater sense of their own purchasing power, through offering a virtual "voucher" representing their entitlement, which can be taken to an accredited provider of their choice. This will give individuals greater incentive to take up and invest in learning, making them more informed and demanding customers who can drive the system to meet their needs.

**8.5** As the Prime Minister, Gordon Brown, announced on 31 October 2007, Skills Accounts will also provide individuals with access to the new Apprenticeships credit, which will motivate them and employers by highlighting the availability of funds for training, raising greater awareness of the value of an Apprenticeship.

**8.6** Under the new agency, Train to Gain will continue to be implemented in a way that increases the demand from employers for skills at all levels in their workforce, with the Government's financial contribution to the cost of training being focused mainly on Skills for Life and first full level 2, and matched funding for level 3.

- 8.7** From August 2008, employer-based provision delivered as Train to Gain and Apprenticeships will be funded through the “employer responsive model”. This includes provision arranged for larger employers through the National Employer Service. This means payments to providers will be made in arrears for the actual delivery of learning. This model reflects the principle that the amount of funding earned by providers is directly related to employer demand and choice.
- 8.8** In addition to making a reality of demand-led funding for employers, the employer-responsive model will make it easier to allow the best providers to flourish, freed from as much bureaucracy as possible (whilst protecting public investment), driven by their ability to engage employers, and working collaboratively with other parts of the skills system. It will also make it easier to bring in new providers to meet evolving employer demand, provided that they can meet the necessary quality threshold.
- 8.9** In order to ensure simplicity for employers and an effective transition for those under 19, the Train to Gain service (which is to be integrated with Business Link) will encompass those in employment under 19 who are not on apprenticeships, to ensure they have access to the necessary training.
- 8.10** From 2010, Skills Accounts and Train to Gain will work hand in hand to give both employers and individuals the seamless support they need to progress their business and their lives through better skills. We will roll out Skills Accounts to all learners receiving training through Train to Gain, linked to existing passport schemes where these exist, ensuring these individuals benefit from wider services in a Skills Account such as an online learner record on which to record their achievements over a lifetime. Their account will also show how much their employer and the Government has invested in their learning. Over time, this will ensure that all adult learners have a lifelong Skills Account.
- 8.11** Those who are unemployed will be expected, guided by advice from the adult advancement and careers service and their Jobcentre Plus Personal Adviser, to use their Skills Account to enable them to enter sustainable employment, with a particular focus on improving any identified literacy, numeracy or English language needs. In some cases they will be mandated to do so. Jobcentre Plus and the advancement service will both work together with the Skills Funding Agency to ensure that customer demand is met with flexible and high quality provision. For some of these people, Local Employment Partnerships will provide an overarching framework for skills improvement both prior to starting, then once in, work. An individual will access their Skills Account to undertake training identified as necessary to open the door to vacancies identified with a particular employer. Once employed, that individual can continue to improve their skills using Train to Gain.

## Other funding for adults

- 8.12** As described above, Train to Gain and Skills Accounts will become the primary funding routes for the great majority of post-19 education and training, focused strongly on enabling employers and individuals to gain skills and qualifications which have economic value. But in addition to this, we will continue to support a wide range of more local, informal opportunities for education and activity which does not lead to qualifications or employment, but is undertaken for personal enrichment and fulfilment. It will be the function of the Skills Funding Agency to support this range of local activities, using available public funds to leverage and complement the wide array of learning activities initiated and funded by others. We are currently consulting on the best way of supporting such activity, and will incorporate decisions on that within the new Agency's remit. The Agency will also be responsible for learners with learning difficulties and disabilities (LLDD) over the age of 25. The transition at age 25 will be closely scrutinised by the Skills Funding Agency and the Young People's Learning Agency to ensure that it works well for learners in all local authority areas.
- 8.13** The LSC is currently the primary co-financing body for European Social Fund with 65%-80% of all ESF in its individual regional co-financing plans and budgets covering the first 3 years (up to December 2010) of the new 2007-13 programme. ESF is now fully aligned and integrated with mainstream programmes including Train to Gain, adult Skills for Jobs and provision for the NEET group.
- 8.14** In the second phase of the new programme Train to Gain and Skills for Jobs will be a function of the Skills Funding Agency. Given the significant technical tendering and contract management support required for ESF and the strong linkage between NEET provision and apprenticeship programmes, the agency will make available its expertise to the Young People's Learning Agency when it is tendering and managing ESF for provision for 16-18 year olds.

## Dealing with strategic demand for skills

- 8.15** The Skills Funding Agency will work closely in each region with the RDA, the Regional Skills Partnership and other regional partners to ensure that the new integrated regional strategy sets the context for action on skills, in support of the shared priorities for economic development that the strategy identifies.
- 8.16** We need to ensure that we have the capacity within the FE system to identify and respond to strategic skills pressures and bottlenecks. These may arise from major projects such as the Olympics, Cross-rail, or large housing developments, from economic shocks (such as, for example, floods, and large scale redundancies), or from strategic change within sectors or regions.
- 8.17** Meeting these sorts of demand cannot be successfully done only through demand-led programmes that are aimed at individual learners and employers. Neither will single sector skills agreements, even if aggregated, suffice. We need a new mechanism to address these complex

problems. And there is a wide variety of partners with a legitimate interest in discussions about strategic demand.

- 8.18** Strategic responses will be of two types. The first will be about known projects, such as the Olympics, and will focus on solving known and predictable skills issues at a strategic level, across the whole project. The second type will deal with solving less clear cut skills issues associated with structural economic change in a sector or region, or with economic shocks. There are already mechanisms to tackle this in some regions and in some sectors.
- 8.19** The agency will work with Jobcentre Plus and with regional and local partners to further improve and expand these approaches: producing agreed strategies, tailored to the project or issue concerned, which uses funding from a variety of sources, including Train to Gain, to ensure that the right skills are available as part of an holistic solution where strategic projects or skills demands arise.
- 8.20** To aid its role of working with partners to respond to strategic demand and ensure an effective environment in FE at a regional level, the agency will have a regional structure. The regional roles relevant here will be:
- Oversight of the sufficiency of the colleges and providers to meet the region's needs in terms of range and pattern of service, in support of the choices made by individual employers and learners, and the priorities for economic development set out in the new integrated regional strategy. That includes sufficiency in the diversity of specialist provision and response to big strategic projects or developments.
  - Commissioning through competitive tender of new provision to fill gaps, where necessary, including active encouragement of specialisation. In identifying gaps, the agency will seek to identify not only places where supply falls short of actual demand, but also places where disadvantaged communities need better access to services in order to generate higher demand through stronger community involvement. Thus social equity must be one of the tests for intervention by the agency. The agency will not pursue an approach of competition for competition's sake.
  - Using capital funds to improve facilities for all learners, including better access for disadvantaged communities.
  - Working seamlessly with Business Link, the service managed by the RDAs to provide integrated information, diagnostic and brokerage to employers in support of business growth and improved productivity.
- 8.21** The Agency will have the capability to operate at sub-regional level. The definition of sub-regions is evolving under the terms of the Sub-National Review, but should map onto travel to train and travel to work patterns. It will include the areas covered by Employment and Skills Boards (ESBs), and areas covered by Multi Area Agreements. Local economic development and regeneration relies significantly on the right employment and skills activity in that locale. Therefore the agency will need an understanding of the particular circumstances and priorities

of each sub-region. There is no presumption that agency staff will need to be physically located in each sub-region, with the exception of the National Apprenticeships Service, which will have some staffing at a sub-regional level. But they will need the capacity to engage with partners at a variety of sub-regional and local levels.

**8.22** The core sub-regional roles of the Skills Funding Agency will be:

- Playing their part within local strategic partnerships in delivering local area agreements (LAAs) and multi-area agreements (MAAs);
- Supporting the Employment and Skills Boards (ESBs) – where they exist – and taking account of their assessment of how demand is likely to shape up sub-regionally;
- Ensuring the right skills capacity exists to help Jobcentre Plus manage the placement of their clients onto suitable training programmes, both before and after job entry.

**8.23** It is likely that this local and sub-regional engagement will become more important as the landscape evolves. The Government set out the wider strategy for promoting economic development at regional and sub-regional level in the Sub-National Review (SNR)<sup>12</sup>. Skills are an essential component of economic development, so it is important that the new agency and the overall pre-19 system are active partners in carrying forward that wider strategy. We shall shortly be consulting on the next steps in implementing the SNR conclusions, which we shall take forward consistently with the overall outcomes of this consultation exercise.

**8.24** Employment and Skills Boards (ESBs) will be established in city regions and sub-regions where the partners want to do so. They are normally partnerships at the sub-regional level, with a range of representatives from the private and public sector including Jobcentre Plus and local authorities. They will identify the employment growth opportunities arising in that sub-region, within the framework of the Regional Economic Strategy, and integrate local services such that Jobcentre Plus clients can access the training to gain the skills that local employers want to recruit. As the coverage of ESBs extends across England, and the supporting mechanisms of Multi Area Agreements become more robust, we intend that ESBs would take an increasing role in defining local training priorities that the agency would fund. The London Employment and Skills Board is a good model for this approach. In order for the agency to work with any given ESB certain criteria would need to be met, including that the ESB should correspond with a recognisable economic geographic footprint which is relevant for adult skills provision. Where no ESB exists we will encourage local and sub-regional partners to group together in a way which involves employers; in the absence of such a grouping, the agency would work with local and sub-regional partners to ensure that employment and skills commissioning are being considered together, within the economic strategy for the area.

**8.25** With DIUS spending some £1.6 billion each year on supporting individual adults to move into employment and progress through skills development, and DWP spending about £1 billion, there is a real opportunity to drive more efficiencies in the supply chains of both Departments

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<sup>12</sup> July 2007 Sub-national economic development and regeneration review

and to underpin the integration of employment and skills services through joint commissioning. We will progressively seek to converge our funding and management of those providers which offer both employment and training services. We have established a joint project that will create the basis for joint commissioning of employment and skills provision and set out the first steps towards these goals.

**16. Do you agree with the funding and commissioning role proposed for the Skills Funding Agency?**

**17. Do the proposals in this chapter reflect the right balance of strategic commissioning and individual customer service?**





# Chapter 9: Sponsorship of the further education system

## Summary

Sponsorship of the further education service, including general further education colleges and training providers, rests with DIUS. The Skills Funding Agency will be responsible for delivering key elements, such as taking account of the overall goals for the service and supporting strategies for meeting those goals. It will maintain oversight of the pattern and range of institutions, their performance and viability, covering their work with both young people and adults.

The Skills Funding Agency will be responsible for managing the performance of FE colleges and providers. The system will increasingly be self regulating, as funding will follow choices made by customers, but the SFA will be responsible for intervening where performance does not meet the nationally agreed minimum standards. A framework for such intervention has already been established, and in such a situation the SFA will be responsible for deciding the appropriate course of action.

The SFA will also identify issues surrounding the viability of individual colleges. In such situations the agency will call a “case conference” bringing together the Young People’s Learning Agency and the relevant local authority to determine the next steps, which could vary from issuing a Notice to Improve in cases of underperformance, to closing the college and identifying alternative sources of provision. Where the conditions of such a Notice have not been met, the procedures for intervening in the governance of the college set down in the Further Education and Training Act 2007 will be followed. Any decision to intervene will be considered in the context of the needs of the local community for a continuing FE service.

FE colleges are autonomous, and responsible for developing their own strategy to respond to Government priorities and other demands. This is likely to lead to the structure and composition of FE provision evolving as a result of strategic decisions taken by colleges and changing demand. The Skills Funding Agency will maintain an overview of the developing institutional pattern, will support colleges as they respond to change, and will ensure such changes take relevant interests into account.

- 9.1 DIUS is the sponsor department for the FE sector. This encompasses a range of responsibilities, all designed to secure the twin aims of (1) creating the right environment in which FE Colleges and providers can excel and prosper to the benefit of learners; and (2) creating the systems and structures to ensure Government can deliver its commitments to a skills strategy that meets national needs.
- 9.2 The Skills Funding Agency will be responsible for the performance management of FE Colleges and will also be the single point of intervention where either pre or post-19 performance does not meet nationally agreed minimum standards.

### A self-regulating sector

- 9.3 The Skills Funding Agency will work with local authorities and an increasingly self-regulating FE sector to pursue excellence and best practice. Confident and mature FE colleges will be driving up and maintaining the quality of provision and providing mutual support through mechanisms such as peer review.
- 9.4 The new Improvement Body for FE which is being formed by the merger of the Quality Improvement Agency and the Centre for Excellence in Leadership will be collectively owned and directed by the FE sector. It will oversee the delivery of the National Improvement Strategy and will secure delivery of support and improvement services.
- 9.5 The Skills Funding Agency will maintain the funding framework, manage the capital investment programme and act in the case of market failure to meet customer needs, by encouraging new providers and the development of consortia and other new ways of working between providers.
- 9.6 The Framework for Excellence will underpin self-regulation by informing customer choice. It will support institutional management and self-regulation by providing unambiguous and objective performance data and benchmarks for excellence.

### Performance management

- 9.7 Where colleges and providers are delivering the requirements of local authorities and of adult customers there is no need for performance intervention from outside. Funding will flow following choices made by customers and commissioners, and the sector is expected to use the tools available to it to achieve continuous improvement and innovation.
- 9.8 There will be occasions, however, when there are issues with performance of colleges and providers which self-regulation has not been able to address swiftly or effectively enough, and service to the community or Government objectives are in jeopardy. In such cases, intervention is necessary.
- 9.9 We have already established an approach to managing the performance of FE Colleges and providers which defines minimum acceptable standards, triggers action to support improvement and, where necessary, intervention to address inadequate provision. Examples of such intervention are a change of management, putting the provision out to tender, or

withdrawing funding. In determining the appropriate intervention, the Skills Funding Agency will take into consideration issues such as the availability of alternative provision and the likely impact of the intervention on the viability of other elements of provision available from that provider. This broad intervention strategy has been established by the LSC and will continue to be pursued by the Skills Funding Agency.

- 9.10** Where a local authority has a concern about the quality of a college's 14-19 provision, then this should be escalated to the Skills Funding Agency (via the local authority with the strategic commissioning relationship for that college) to form part of the performance reviews between the Skills Funding Agency and the college.
- 9.11** If there is an issue with college provision (either pre or post 19) not meeting the minimum level of performance then the Skills Funding Agency will issue a Notice to Improve. If the college provision fails to improve then the Skills Funding Agency will apply appropriate intervention action.
- 9.12** The Skills Funding Agency will need to identify at the budget aggregation stage whether there are plans to purchase provision from colleges and providers that do not meet quality requirements and work to understand why this is the case. In this scenario there would need to be an improvement plan put in place to ensure that quality does improve.

#### Case Conferences

- 9.13** Issues of viability of a college or a substantial part of their provision will from time to time be identified by the Skills Funding Agency. This could arise either as a result of poor quality leading to decommissioning, or because of changing patterns in pre or post 19 funding decisions unrelated to quality such as demographic changes or infrastructure needs. In these cases there will be no single right solution that will always apply. Instead, we propose a presumption that a "case conference" would be called by the Skills Funding Agency in order to determine the next steps. This would bring together the Young People's Learning Agency and the relevant local authority as core partners with the SFA. Potential options would include:
- an improvement plan agreed with the college in cases of underperformance, including the issue of a Notice to Improve, which sets out the conditions a college is required to fulfil within a set timescale, usually within 12 months;
  - decisions to close the college (or all areas of provision that are no longer viable) with agreements of how the provision would be replaced;
  - a mixture of these approaches, with some provision closed and an improvement plan for remaining provision; and
  - new local management arrangements such as a federation or merger with a successful college or provider.
- 9.14** Where conditions of the Notice to Improve have not been met, use of the statutory intervention powers contained in the Further Education and Training Act 2007 will be considered. If this is the

case, the detailed procedures under the Statutory Intervention Policy, as approved by the Secretary of State (DIUS) and laid before Parliament, will be followed. The intervention might include:

- replacing all or any of the members of the governing body;
- directing the governing body to make collaboration agreements;
- directing the governing body to consider dismissal procedures in relation to the leadership of the college.

- 9.15** Before carrying out these actions the Secretary of State will be informed, and in all cases the governing body will be given notice setting out details of the action, the rationale for being minded to exercise statutory powers and the relevant evidence.
- 9.16** In all cases a primary consideration would be the needs of the local community for a continuing FE service. The decisions taken in cases where colleges are no longer viable also need to consider the wider consequences. In these cases it will be important that clear decisions are made quickly and effectively.
- 9.17** It is critical to avoid one funding party creating extra cost for the other – e.g. the Skills Funding Agency could not oblige a local authority to spend more in order to keep provision going against its better judgement, but nor could that authority impose costs on the Skills Funding Agency in the form of staff redundancies at a college which had become unviable as a result of decisions taken by that authority.

### Structure and form of the FE Sector

- 9.18** FE Colleges are autonomous organisations, responsible for determining their future business models and strategy in response to Government priorities and as they respond to other business needs. This might result in several different models across the country, depending on local circumstances and the particular priority. We would expect the overall structure and composition of the FE service to evolve as a result of, for example, individual colleges and providers choosing to specialise in certain vocational areas including in response to National Skills Academy developments; colleges and providers choosing to extend their engagement with businesses in response to increased demand for workforce training; colleges and providers choosing to focus on young people rather than run a ‘mixed economy’ institution; and so on.
- 9.19** The Skills Funding Agency will have an important role in maintaining the overview of the evolving institutional pattern as these strategic responses are realised. It will have a role in supporting institutions as they develop new business models, for example by enabling colleges to establish new delivery models including undertaking statutory mergers. When this will have an impact pre 19, the commissioning local authority must be involved.
- 9.20** The Skills Funding Agency will undertake activities delegated to it by the Secretary of State for Innovation, Universities and Skills in relation to changes which are underpinned by statute, the most common being that of merger activity.

## Independent and third sector Training Providers

- 9.21** Some provision for both young people and adults is made through private training colleges and providers (both commercial and voluntary). They are extremely variable in size and nature.
- 9.22** There are currently a number of funding arrangements with third Sector organisations and employers that straddle the pre and post 19 divide. Some large commercial training providers which operate right across the country may find it most viable to operate through national funding agreements with the Skills Funding Agency. At the other end of the scale, small local voluntary organisations may welcome being able to have a single funding arrangement with their home local authority covering both education and other activities (eg relating to drugs misuse).
- 9.23** Information on the delivery related to these arrangements (e.g. the numbers of local authority residents engaged) may be available through the national data agency and so local authority plans will need to take account of this delivery.
- 9.24** Where single national or regional funding arrangements exist in future we will seek ways to bring the pre-19 and post-19 dimensions together in joint arrangements as far as possible.

**18. Do you agree with the proposals on performance management and the performance intervention role of the Skills Funding Agency?**

**19. Have we got the right approach to sponsorship of the FE sector as a whole?**



# Chapter 10:

## An integrated system: Other functions of the Skills Funding Agency

### Summary

The Skills Funding Agency will be responsible for managing some other key functions needed in the skills landscape. These will include the new adult advancement and careers service, which will bring together the services provided by learndirect advice and nextstep providers.

A new National Apprenticeship Service (NAS) will take overall responsibility for developing and expanding the Apprenticeships programme as set out in *World Class Apprenticeships*. The service will be accountable through DIUS and DCSF, and will be housed within the Skills Funding Agency. The service will be led by a Director who will report on progress to the Prime Minister. It will have a capability to work at sub-regional level, and will work closely with Train to Gain and the National Employer Service.

Once the current contract for the administration of learner support ends, the SFA will be responsible for delivery of all financial support to help adult learners and enable them to participate in FE. This will require it to work closely with the Young People's Learning Agency to provide a smooth transition for younger learners and to examine options for greater cohesion with support for Higher Education students.

The agency will manage the National Employer Service, which will enable large employers to have a single point of access to help them resolve their skills needs. The NES will integrate with and support the NAS and Train to Gain and will be responsible for coordinating the drive to support the Skills Pledge for large employers.

The SFA will work with the new National Offender Management Agency and take on responsibility for funding offender learning, ensuring that the Offenders Learning and Skills Service is integrated with the national skills system.



## A new adult advancement and careers service

- 10.1** In *'World Class Skills'* the Government committed to merge the learndirect advice and nextstep services under a single service in England, working in partnership with Jobcentre Plus. The Skills Funding Agency will manage the adult advancement and careers service, with a high profile Director responsible for ensuring the delivery against the vision set for it by Government. The adult advancement and careers service will have a strong public brand and national and local footprint. One phone number, one website and one high street brand will unify the service.
- 10.2** The new adult advancement and careers service will:
- drive progression in learning, work and careers; support the delivery of Skills Accounts and draw together a range of advice and support on jobs, skills, financial issues, childcare, housing and personal issues to address the broad needs of its customers;
  - support those in work and looking to progress in their careers as well as people out of work looking to move into sustainable employment; and
  - target intensive support on those who most need it.
- 10.3** This approach builds on existing services and the work of a cross-government review of adult information, advice and guidance. The adult advancement and careers service is an essential part of reform of the employment and skills system into a demand led system, supporting the development of Skills Accounts.
- 10.4** In order to drive progression and ensure people are in a position to make informed learning choices the new service will need to ensure people are fully aware of the long-term as well as the short-term implications of their learning choices. Taking courses at Level 2 or Level 3 that do not support one's long-term goals and ambitions is not only poor value for money but can be a significant barrier to progression.
- 10.5** The Skills Funding Agency will be responsible for setting targets and service specifications for the fully operational adult advancement and careers service to be delivered from August 2010. The nationally delivered services for web site development and telephone support are a crucial element of delivering a universal service. To ensure full integration of the services, the strategic and commissioning functions currently carried out by Ufi learndirect advice will be transferred to the funding agency. This will ensure the new service can build on learndirect advice's track record. The nature and design of the services to be commissioned and procured by the adult advancement and careers service are still to be determined and developed in consultation with key stakeholders. However, local delivery of information and advice will continue to be a vital part of the service, and closer working with Jobcentre Plus and joining up advisory services will significantly improve this, within a more integrated service delivery partnership, under clearer unified branding and with a more proactive approach to supporting clients through Skills Health Checks and other means.
- 10.6** Young people, especially those with low skills, must have a coherent experience through the teenage years and into adulthood. Most young people until age 20 will continue to use

Connexions, or alternative IAG arrangements for young people in future. But as part of the design of the new adult advancement and careers service, we will examine the option that 18 and 19 year olds using Jobcentre Plus would be referred to the adult service instead, unless there is an already established and well-functioning relationship between that person and Connexions.

## National Apprenticeship Service

- 10.7** As announced in *'World-Class Apprenticeships'*, the Government is creating a new National Apprenticeship Service (NAS) to take end-to-end responsibility for the Apprenticeships programme, including determining and publishing the strategy for expansion, and with ultimate accountability for national delivery of targets. In the immediate future the NAS will be formed as a separate and distinct service within the Learning and Skills Council.
- 10.8** In the longer term, the NAS will be a discrete service, led by a Director of national standing. The Director of the NAS will report to the Secretary of State for Innovation, Universities and Skills, as Minister with overall responsibility for the Apprenticeships programme, and to the Secretary of State for Children, Schools and Families who has responsibility for young people. Significant decisions affecting the programme as a whole will be joint between the two Departments. The Director will report to the Prime Minister, on a twice-yearly basis, on progress against targets. In addition to responsibility for delivery of the Apprenticeships programme, the Director will also lead on Apprenticeships policy and strategy within DIUS.
- 10.9** The NAS will be housed within the Skills Funding Agency, to reflect DIUS's responsibility for the overall Apprenticeships programme. The Director will be a member of the LSC's, and then the Skills Funding Agency's, senior management team.
- 10.10** The NAS will operate both at national and sub-regional level in a way that is consistent with the principles of the Government's business support simplification programme. It will have the following functions, which have been set out in more detail in *'World Class Apprenticeships'*<sup>13</sup> :
- overall responsibility for delivery of the Government's policy on Apprenticeships including achievement of the targets set by Government;
  - the co-ordinating of the funding of all Apprenticeship places across the age range;
  - national information and marketing services, which will work with the IAG being delivered through local authorities and the adult advancement and careers service;
  - establishing and maintaining a national 'Matching Service' for employers and would-be apprentices, to enable employers to advertise their positions and prospective applicants – anywhere in the country – to search for them and apply as appropriate;
  - ownership of the blueprint which specifies the scope and content of Apprenticeships programmes;

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13. World Class Apprenticeships: Unlocking talent, Building Skills for All, Jan 2008

- development of a model Apprenticeships Agreement (AA);
  - the specification and provision of all future management information, and dissemination to various partners such as the UK Commission for Employment and Skills;
  - promotion of Apprenticeships; and
  - a strategy to overcome low take-up of apprenticeships in some sectors and regions, (including special approaches eg in London).
- 10.11** The relationship between the NAS and Train to Gain – the skills brokerage service which will be managed by Business Link – is very important. The NAS will operate as a second-line service for employers, behind Train to Gain, except where (a) employers want to go direct to NAS or (b) there is a need – either regional or sectoral – for NAS to be boosting employer take-up.
- 10.12** Similarly, the relationship between NAS and the NES will be close, so that employers experience a ‘no-wrong-door’ service. Large employers which wish to deal with the Skills Funding Agency only for Apprenticeships will be able to do so directly with the NAS. But in all other cases Apprenticeships will form one, fully integrated part of the wider NES service.

### Financial Support for Learners

- 10.13** The new Skills Funding Agency will be responsible for the overall strategic delivery of financial support for adult learners in FE; including factors such as rates of support and eligibility criteria, and developing new financial support products.
- 10.14** In the long term, it will also take control of the front-end delivery of all adult financial support products. However, a single contract is currently managed by the LSC for front-end delivery of a range of financial products for young people and adults – including a single helpline, unified applications and payment systems. The contract will be kept in the medium term and will be managed by the Young People’s Learning Agency on behalf of both Departments.
- 10.15** We will also continue to use Directgov as the single point of explanation and application online for all learner support products.
- 10.16** In the longer term we will look at options for greater cohesion between our adult learner support systems and products with those for Higher Education students.

### National Employer Service

- 10.17** The agency will manage the existing National Employer Service (NES), which has, since 2005, provided a skills support service to those employers, public and private, with more than 5,000 employees. Able to agree contracts across the regions, the NES will enable employers to have a single point of access to help them understand and source solutions to their skills needs across their sites. The NES will be responsible for securing commitments to the Skills Pledge from large employers, as well as working with the NAS to increase the demand for apprenticeships within large public and private sector organisations. The NAS will support the NES by providing specialist advice and help to employers specifically on setting up and

delivering Apprenticeships. In this way, the NES will play a pivotal role in the Government's ambitions for Train to Gain, securing large volume gains in skills and qualifications as well as driving up employers' own investment in their workforce. By 2009, it will be working with more than 200 larger employers and with more than 300 by 2010. The NES will be the single point of coordination between the regions on behalf of the employers it is account managing.

- 10.18** The Government is committed to joining up services to ensure a 'no wrong door approach' to employment and skills. The National Employer Service will work with Business Link and Jobcentre Plus' National Sales Team to ensure that there is an integrated service for employers that meets their recruitment, pre-employment and in work support needs. An employer who accesses either service will automatically be able to access the full range of support available through Local Employment Partnerships and Train to Gain.
- 10.19** National employers can approach the NES directly, secure in the knowledge that they will be handed on to the NAS where that is appropriate; the NAS will 'come in behind' to offer a fuller service of client management on apprenticeships at the appropriate time. In the event that a national employer wants only Apprenticeships, and no other up-skilling or business support services, it can go direct to the NAS.

### **Offenders Learning and Skills Service (OLASS)**

- 10.20** A distinct learning and skills service for offenders has been in place across England since 2006, planned and funded by the LSC. *'Reducing Re-Offending through Skills and Employment: Next Steps'*<sup>14</sup> set out the policy framework, and the Government will publish plans for the next three years following the recent consultation in the autumn of 2007.
- 10.21** The Skills Funding Agency will take responsibility for funding adult offender learning, setting targets and monitoring performance. It will do this jointly with the new National Offender Management Agency. The two organisations will bring complementary roles to the delivery of learning and skills for offenders. Together they will ensure that the Offenders Learning and Skills Service is closely allied to, and draws on the services of, the new adult advancement and careers service. We shall ensure we take an integrated approach to young and adult offenders, with strong links to local authorities and the Young People's Learning Agency to ensure coherence of support and prevent duplication.

**20. Do you agree that each of the functions in this chapter should be performed by the Skills Funding Agency?**



# Chapter 11:

## An integrated system: How the Skills Funding Agency fits into the wider skills landscape

### Summary

The Government has taken a number of steps to reinforce the autonomy of colleges and providers through deregulation, with some gaining the ability to become their own awarding body, or to award Foundation Degrees. The challenge is now to ensure that the sector has the support it needs to continue to deliver high performance in the context of increasing self-regulation.

We are also taking forward proposals to create a new sector owned improvement organisation, bringing together the Centre for Excellence in Leadership and the Quality Improvement Agency. This organisation will work with a new representative body set up by the FE sector to engage in a strategic dialogue with Government on cross cutting issues.

A key priority for Government is to continue to simplify the experience of the employment and skills system for both learners and employers. One aspect of this is to integrate the commissioning of training provision currently undertaken by the DWP and the LSC. The Skills Funding Agency will work with DWP to take this agenda forwards.

### The ability to evolve

**11.1** The challenges brought by socio-economic change are only likely to increase; the pace only to accelerate. It is imperative that the new landscape we create is not only streamlined and effective but also adaptable, and in ways which cannot be predicted today. For this to happen, we must keep open various possibilities for further evolutionary change in the landscape. Three of the most important evolutionary developments will be borne in mind as we progress these proposals. These are set out in the following sections.

### Empowering the sector

**11.2** The 2006 FE White Paper<sup>15</sup> set out our ambition to develop a new relationship with colleges and providers which would reinforce their autonomy within a significantly deregulated operating environment. Since then we have reduced burdens and created savings to be put

15. Raising skills, Improving Life Chances

back to the front line as a result of: a reduction in audit, planning and reporting requirements on colleges and providers; a reduction in the number of intermediaries – the mergers of the Quality Improvement Agency (QIA) and the Centre for Excellence in Leadership (CEL) and Ofsted and the Adult Learning Inspectorate (ALI) – and greater clarity of roles and responsibilities; and proportionate external inspection based on performance.

- 11.3** The reductions in transaction costs are matched with greater freedoms to operate. Colleges are now able to offer their own qualifications and become an awarding body with some going on to award Foundation Degrees. The Qualifications and Curriculum Authority (QCA) is rationalising the qualification system through the introduction of diplomas and the Qualification and Credit Framework, the introduction of an on-line accreditation system and other actions to reduce the monitoring requirements. More functions that would otherwise be managed by Government or its intermediaries are now independent and sector owned including the FE Bureaucracy Reduction Group, Communications Gateway Panel and FE Information Authority.
- 11.4** Promotion of self regulation is centred on the development of a high performing, credible and organised sector. The FE sector has improved in performance significantly over the last 10 years, with achievements rates nudging 80%. It has a strong and credible local presence in communities, as well as operating nationally and internationally. Positive inspection ratings and rising success rates show that across the sector the quality of teaching and learning, and of management and leadership have been improving steadily in recent years. The challenge now is to ensure the sector has the support it needs for the next steps of its improvement journey, in the increasingly demanding environment of self regulation, cross-sector partnership and customer responsiveness.
- 11.5** Alongside deregulation there are two main sector owned elements. In November 2007 the Government, in partnership with the Centre for Excellence in Leadership (CEL) and the Quality Improvement Agency (QIA), published a consultative prospectus for a new sector owned improvement organisation to be created through bringing CEL and QIA together. The rationale was to bring together support for leadership and whole organisation improvement, simplifying the landscape and the services available to colleges and providers, and to support the sector's move towards self-regulation, giving it control over how core improvement funds are spent.
- 11.6** The proposals have been welcomed across the sector, and rapid progress is being made to establish the new body so it is ready to take on and reshape the functions of QIA and CEL. The aim is for the new organisation to be fully up and running by autumn 2008, and to become a major player in enabling a self-improving, self-regulated sector.
- 11.7** The consultation has raised important issues about the most practical ways the whole sector can be engaged and represented through the governance and funding arrangements for the new body, and how this should develop in relation to the emerging role of a new representative body, which has been set up as the second element of self regulation by the sector itself.

- 11.8** This new representative body is jointly owned and managed by the main organisations which represent further education colleges and providers. We expect that this body will come to represent the collective view of the sector on matters of interest that go across the breadth of the sector through strategic dialogue with Government and its agencies.
- 11.9** It will need to demonstrate the sector's greater collective ownership for raising the performance of the FE sector as it works alongside the new improvement organisation, which has the responsibility for development and improvement. This will include sector owned action to address provision which is either poor or satisfactory but not improving. As a cross sector representative group it will need to develop a strong, authoritative position and engage effectively with the Skills Funding Agency. To do this it will need to take account of learners of all ages and employers and have at its core the mission to build the sector's reputation based on excellence.

### **Towards joined-up national commissioning**

- 11.10** There is a powerful necessity for Government to continue to join up and ensure both individuals and employers, as customers of the employment and skills system, enjoy a simple and coherent customer journey, consistent with the principles of the Government's business support simplification programme. With new technology this becomes ever more possible. In the present landscape many colleges and independent training providers are funded by both the LSC and DWP. Often, DWP and the LSC are commissioning distinct but related provision, and often from the same colleges and providers.
- 11.11** We envisage a future evolution where commissioning processes could become increasingly unified. This could in time encompass commissioning from many parts of Government for skills provision, employment-related provision and all forms of Government-backed action to develop the human capital of this country.
- 11.12** The Skills Funding Agency will be established with these principles in mind, starting with the integration of employment and skills commissioning as first phase. It will take forward the shared outcomes from the project with DWP on joint commissioning.

### **Integration with HE**

- 11.13** Higher Education and Further Education are increasingly working together, with much HE already delivered by FE Colleges. Whilst they have distinct identities, they share a common goal of equipping young people and adults with the broad range of skills and knowledge required for their working lives. At the highest levels employers seek vocationally-specific and generic employability skills as well as the subject-specific knowledge often associated with HE. The forthcoming Higher Level Skills Strategy will emphasise the Government's determination that HE should become more responsive to employer demand in this way. Learners and employees at FE level increasingly understand that vocational training without thinking skills and theoretical understanding will not give them the adaptability they need to survive in a modern labour market.



**11.14** Student support must remain accessible and comprehensible for learners in FE as they cross the age boundary from 18-19 and into adult life. Another boundary that can create obstacles is moving from FE to HE. We have already announced one important integration measure in the form of the HE student support guarantee. The guarantee (of a certain level of maintenance grant) will support aspiration for higher education and provide certainty about the financial support available. Young people starting post compulsory education will see a clear route into higher education. Over time, it may be appropriate to consider further mergers of products and/or services in FE and HE student support.

## Data collection and use

**11.15** The three data agencies (schools, FE and HE) will continue, and the principle of one institution supplying to one data agency will be maintained and indeed strengthened. It will be necessary for those data agencies to have different responsibilities for collecting (on an institution basis) and reporting (on a phase of education basis) – and appropriate governance will be needed to ensure data can be shared to make that work effectively.

**11.16** The FE data reforms heralded in the 2006 FE White Paper have seen the introduction of the FE Information Authority and will see the establishment of a new FE Data Service. The FE Information Authority (which sets standards for data collection and reporting across FE) will be sponsored by the new representative body set up and managed by the main college and provider representative bodies. It will continue with its present governance arrangements, including an independent Chair, to give the necessary independence and transparency for all the parties which have an interest.

**11.17** The new FE Data Service will collect and report data to the standards set by the Information Authority. It will be housed within the Skills Funding Agency.

**11.18** To support the demand-led system in FE we will investigate a new payment system based on a 'shared platform', similar to systems that automatically manage payments and other frontline needs in other industries. Combined with the unique learner number (ULN) and the Learner Record (LR), such a system could offer very significant potential for a much improved set of personalised services to individuals.

**11.19** The Learner Registration Service (LRS), which assigns the unique learner number, is a post 14 service and will work through the lifetime of an individual, across FE and HE and UK wide. This number will be central to enabling key policies: 14-19 Diplomas, the Qualifications and Credit Framework and Skills Accounts. This service, along with the other Managing Information Across Partners (MIAP) services, could sit within the FE Data Service. The positioning of cross cutting information services such as MIAP will be kept under review to ensure that they are located in the best place to meet the full needs of the education sector.

**21. Do you agree that each of the functions in this chapter should be performed by the Skills Funding Agency?**

**22. Do you agree with this description of the wider skills landscape within which the Skills Funding Agency will operate?**

# Responding to this consultation

We will listen carefully to the views and comments made in response to this consultation. The closing date for this consultation is **9th June 2008**.

You can respond online at [www.dcsf.gov.uk/consultations](http://www.dcsf.gov.uk/consultations) or in writing to:

Consultation Unit (Raising Expectations: enabling the system to deliver)

Department for Children, Schools and Families

Area 1A, Castle View House

East Lane

Runcorn

Cheshire

WA7 2GJ

After the consultation period has ended we will analyse responses to these questions.

We will then publish this analysis and confirm our plans.



# Glossary of Terms

14-19 Partnership	14-19 Partnerships are partnerships formed between schools, work-based learning providers, colleges and other stakeholders to collaboratively plan and provide the full 14-19 offer.
Adult Advancement and Careers Service	This will be a new service set to be fully operational in 2010. It will give adults information and advice about skills, jobs and other matters to help them overcome barriers to success in work.
ALI	Adult Learning Inspectorate. This was a non-departmental public body responsible for inspecting the quality and education of training for adults and young people in England. In April 2007 it merged with the new OFSTED's (Office for Standards in Education, Children's Services and Skills) Learning & Skills Directorate.
Apprenticeship	A structured programme of training which gives an individual the opportunity to work for an employer, learn on the job and build up transferable knowledge and skills. A successful Apprentice will achieve an occupationally specific qualification alongside qualifications in basic skills and in a broader vocational area.
BSF	Building Schools for the Future. The major capital programme for renewing school buildings in England.
CAA	Comprehensive Area Assessment. This will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local taxpayers at the centre of a new local assessment framework, with a particular focus on those whose circumstances make them vulnerable. CAA will be managed by the Audit Commission with multi inspectorate involvement.
CEL	Centre for Excellence in Leadership. It works with existing and future providers to support leadership management, reform, transformation and quality to create world-class leadership in the learning and skills sector.

Connexions	The Government's information, advice and guidance service for all 13-19 year-olds in England (also provides support up to age 25 for those with learning difficulties and/or disabilities). Transferred to local authority control from 1 April 2008.
Dedicated Schools Grant	A ring-fenced specific grant, paid to local authorities for their maintained schools.
Employment and Skills Boards	Led by employers, Employment and Skills Boards are set up in local areas to encourage the involvement of local employers to decide what skills and resources are required to meet the local market needs, including what training support is needed.
ESF	The European Social Fund was set up to improve employment opportunities in the European Union (EU) and so help raise standards of living. It aims to help people fulfill their potential by giving them better skills and better job prospects. As one of the EU's Structural Funds, ESF seeks to reduce differences in prosperity across the EU and enhance economic and social cohesion.
FE College	Further Education College. This is an education establishment for post-secondary education. They offer anything from basic skills to A Levels, Higher Nationals and Foundation Degrees.
Foundation Learning Tier	This will replace and rationalise the current complex range of provision and qualifications below level 2 to create a coherent set of units and qualifications (drawn from the proposed qualifications and credit framework) that are easier for learners and employers to navigate, and are focused on skills for life and work, subject and vocational based learning and personal and social development.
Framework for Excellence	The Framework for Excellence is a comprehensive and new approach to managing performance of FE providers.
HEFCE	The Higher Education Funding Council for England is a non-departmental public body of the DIUS which is responsible for the distribution of funding to Universities and colleges of higher and further education.
IAG	Information, Advice and Guidance. This is the provision of impartial advice and guidance on learning and skills. IAG providers include the Connexions Service for young people and IAG Partnerships and learndirect advice for adults.
ILR	Individualised Learner Record is an aggregation of records about individuals' learning that is collected by UK education bodies in relation to the funding they receive from the LSC.

Jobcentre Plus	Jobcentre Plus provides an integrated service to people of working age. It offers help to people looking to move into work and support for people who cannot. Jobcentre Plus also provides a range of services to help employers fill their vacancies quickly.
Level 2	Level 2 is an educational attainment level, which is part of the National Qualification Framework. An example of a level 2 qualification would include GCSEs or National Vocational Qualification Level 2. A full level 2 is equivalent to 5 GCSEs at grade A*-C.
Level 3	Level 3 is an educational attainment level, which is part of the National Qualification Framework. An example of a level 3 qualification would be an A Level at Grade E or above, or National Vocational Qualification Level 3.
LLDD	Learners with Learning Difficulties and/or Disabilities.
Local Employment Partnerships	Local Employment Partnerships are a new collaboration between Government and business to tackle the increasing recruitment and skills challenges of the labour market and economy.
LRS	Learner Registration Service is an internet based facility capable of providing a Unique Learner Number. This will allow people to build a lifelong record of their learning participation and achievements (their learner record), which they can access and can choose to share.
LSC	The Learning and Skills Council is a non-departmental public body responsible for planning and funding high quality education and training for post-16 learners in England, other than those in Universities.
MAA	Multi-Area Agreements. These are cross local authority boundary arrangements to bring together key players in flexible arrangements to tackle issues which are best addressed in partnership at regional or sub-regional level.
Machinery of Government	This is the term used to explain the changes to established systems of public administration.
MIAP	Managing Information Across Partners is a programme designed to allow for the streamlining of the collection, handling and sharing of information on learning and achievement for education and training organisations.
NAS	National Apprenticeships Service is a customer-facing agency, which was announced in the Apprenticeships review, aimed at putting England's apprenticeship system amongst the world's best. NAS will provide a streamlined customer-facing service designed to meet the needs and expectations of learners, providers and employers and will have end-to-end responsibility for the entire programme.
NDPB	Non-Departmental Public Body. These are public bodies that are not an integral part of a Government department but are ultimately responsible to Parliament.

NEET	Not in Education, Employment or Training.
NES	National Employer Service offers a single interface for employers with over 5,000 employees, designed to meet all their skills needs.
OLASS	Offenders Learning and Skills Service. A service which commissions learning and skills provision for offenders on a regional basis
PAC	Public Accounts Committee. They examine the accounts of the sums of money granted by Parliament for public expenditure to ensure that it is being spent properly.
Provider	The provider is an institution or organisation that delivers training and education in return for receiving public and/or private funds.
PSA	Public Service Agreement. This details a Government department's aims and objectives for the next three years explaining how these targets will be achieved and how performance is measured.
QIA	The Quality Improvement Agency commissions quality improvement to improve provider performance within the learning and skills sector.
RDA	Regional Development Agency. This is a non-departmental regional body that promotes economic development and regeneration. Each of the nine government regions has its own RDA.
SEN	Special Educational Needs.
SIPs	School Improvement Partners. They provide professional challenge and support to schools to assist in evaluating their performance in order to identify priorities for improvement and plan effective change.
Skills Accounts	Skills Accounts enable adults to take control of their learning by accessing funds to cover all or part of their course fees. They put purchasing power in the hands of individuals to access learning with an accredited provider of their choice. They will help individuals develop skills for job entry and progression.
SSC	Sector Skills Councils are state-sponsored, employer-led organizations that cover specific economic sectors in the UK and have four key goals: to reduce skills gaps and shortages, to improve productivity, to boost the skills of their sector workforces and to improve skills supply.
Sub-National Review	<i>Review of sub-national economic development and regeneration</i> July 2007.
Targeted Youth Support	Coordinated delivery of action to help young people who have additional needs that cannot be met by universal services, and who are at high or growing risk of poor outcomes, such as substance misuse, offending or dropping out of education and training.
Third Sector	The third sector operates between the State and the private sector. Companies operating within the third sector generally have specific social goals.

Train to Gain	The Government's single service to support employers of all sizes and in all sectors to identify and then meet the skills needs of their employees.
Travel to Learn	This is a term used to explain the distance travelled to the learning establishment by each individual learner.
UK Commission for Employment and Skills	The UK Commission for Employment and Skills will ensure that employers have a pivotal role in ensuring the UK's employment and skills system responds well to the needs of business. Their aim is to increase employment and skills rates.
ULN	Unique Learner Number that will be allocated to every person undertaking education and training. The 10 digit number will remain with them for life and will not be recycled. It is designed to ensure that no meaning can be inferred from its structure.
WBL	Work-Based Learning. Learning which takes place predominantly in the work place. It includes Government Supported Training: Advanced Apprenticeships, Apprenticeships, Entry to Employment (E2E) and NVQ training.







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