

LSIS Brief Guide

FE and Skills System Reforms: An Update



Introduction

1. This paper examines the Government's progress in reforming the FE and skills system, as described in *FE and Skills System Reforms: An Update*¹, a paper sent to FE leaders in December 2008.

Background

2. The processes described in *FE and Skills System Reform* stem from two key documents. The first, the Leitch Review, was published in late 2006. Its primary focus was on improving the skills system so that Britain could effectively compete in a world where the most profitable economic sectors required high levels of education. It called for a 'demand-led' system in further education, in which employer and consumer choice would determine, in most cases, what provision was offered. In this system, employers would play a central role in designing qualifications, and determining which would receive public funding. It also suggested the creation of personalised 'accounts' for learners, which would allow them greater control over how their training funds are allocated.
3. The second key document was *Raising Expectations: enabling the system to deliver*, a consultation document published in March 2008. The plans it contained have come to be known as the 'machinery of government' reforms. *Raising expectations* called for a split between the pre-19 and post-19 education systems. This split had already been presaged by the division of the Department for Education and Skills (DfES) into DIUS and DCSF in June 2007.
4. Under the machinery of government reforms, this division of responsibilities would be extended further down the chain of command. A pre-19 funding body and a post-19 funding body would be created in place of the LSC. The pre-19 funding body, the Young People's Learning Agency (YPLA) will distribute money to providers based on commissioning plans drawn up by local authorities (either alone or in partnership). The post-19 funding body, the Skills Funding Agency (SFA), will allocate public money according to providers based primarily on consumer and employer demand. Both agencies are scheduled to come online in 2010. A bill to create YPLA and the SFA is being introduced in the current session of Parliament.
5. *FE and Skills System Reform* deals with the progress currently being made in the post-19 system, as of December 2008.

Transforming FE and skills

6. The first section of *FE and Skills System Reform* briefly reprises the Government's actions on FE reform to date. These measures do not need to be reviewed at length, but the Government's own assessment of its record includes:
 - the creation of Train to Gain, '*the employer responsive service*';

¹ <http://www.dius.gov.uk/policy/documents/FE%20skills%20Reforms%20Update%20041208.pdf>

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- Sector Compacts, which are agreements with the Sector Skills Councils (SSCs) ‘to tailor the Train to Gain offer to respond to the strategic challenges of each sector’ (p. 9);
- the creation of the UK Commission for Employment and Skills (UKCES), which is currently re-licensing the SSCs;
- the establishment of the National Skills Academies (NSAs);
- the creation of the National Apprenticeship Service (which will become part of the SFA);
- the development of the adult advancement and careers services and Skills Accounts;
- the creation of the Foundation Learning Tier;
- the right to request time off for training, and;
- new measures to support redundant workers and small and medium enterprises (SMEs) during the economic downturn, including opening Train to Gain funding for courses that do not deliver full qualifications.

Making it happen – reforming the delivery chain

7. This section gives a detailed map to the post-19 system, listing each component part and its attendant functions and responsibilities. It also contains the ‘objectives’ of the demand-led market (see image on page 17).
8. The objectives for the demand-led system are divided into four categories: target outcomes for the FE market; objectives for the supply side; objectives for the demand side, and; market management objectives.
9. For the FE market, the target outcomes are:
 - *economic growth through global competitiveness;*
 - *reduced unemployment/unemployability*
 - *social inclusion and cohesion;*
 - *culture of life-long learning, and;*
 - *efficient use of public funds.*
10. For the supply side, DIUS’s goals are:
 - *demand-led, responsive provision;*
 - *more innovation and diversity of provision;*
 - *more self-direction and support;*
 - *higher quality and stronger reputation, and;*
 - *integrated, simpler interface with Government regardless of funding source.*

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11. Regarding the demand side, DIUS seeks:
 - *informed customer choice;*
 - *increase in employer-led demand;*
 - *greater alignment between individual and employer demand;*
 - *increased and more effective take-up by disenfranchised and disadvantaged groups, and;*
 - *increase [in] percentage of population with Leitch Level 2 and 3 qualifications and apprenticeships.*
12. In managing the market, DIUS aims for:
 - *light-touch regulation – risk based, low burden, limited intervention;*
 - *demand-led, real-time funding;*
 - *greater self-regulation;*
 - *support focused on Government priorities, and;*
 - *aggregation/co-ordination of mechanisms and interventions across Government and by target segments (FE and Skills System, p. 17)*
13. The paper then goes on to chart the responsibilities and functions on the various bodies within the FE system, and describes in considerable detail what the SFA will do and how. Below, I summarise each component's role in the system.

The Skills Funding Agency (SFA)

14. The SFA '*will underpin delivery of the demand-led system*', and '*will support the evolving landscape, including the sub-national review, Local Area Agreements and Multi-Area Agreements, and complement Regional Development Agencies and new local authority powers in relation to economic development and worklessness*'. Its main role will be '*to route post-19 funding to FE colleges and other providers swiftly, efficiently and securely in direct response to customer choice*' (p. 25). At the same time, it will '*ensure ... that public money is used effectively in delivering the Government's priorities*' (p. 25).
15. The SFA '*will oversee the whole FE service and its responsiveness to the strategic skills needs of employers and learners, working closely with the new Young Person's Learning Agency (YPLA)*' (p. 25). It '*will be an agency ... within DIUS which will ensure a stronger link between the development and delivery of policy*', and like the LSC and the forthcoming YPLA, it will be based in Coventry (p. 27).
16. The SFA will '*be a streamlined organisation and visible to customers only through its products*'. Its key products and functions include the National Apprenticeship Service, which '*will lead the development and delivery of the new apprenticeship programme*'; Train to Gain, and; the adult advancement and careers service (p. 24-5). It will also '*fund colleges and provider in responding directly to the learner*', through Skills Accounts, integrating employment and skills, and specialist areas such as offender learning and informal adult learning (p. 25).

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17. At a national level, the SFA's key functions² will be to:
- *set and publish skills funding priorities in the light of a grant letter from DIUS;*
 - *set funding rates and issue funding guidance;*
 - *manage the National Apprenticeship Service;*
 - *manage the National Employer Service, including Train to Gain;*
 - *manage the learner-responsive system – Skills Accounts, Offender Learning, Informal Adult Learning, Integrated Employment and Skills Services;*
 - *manage the raising demand side interventions – Skills Pledge, Sector Compacts, Sector Skills Councils' Agreements, agreements with Business Link on brokers, etc.;*
 - *manage the adult advancement and careers service and the national advice line;*
 - *manage the capital investment programme;*
 - *set up and manage an approved provider accreditation register;*
 - *design and manage the FE Information Technology architecture, and;*
 - *run the data collection service, including data exchange and reporting (p. 25).*
18. The paper *el who reach a minimum standard to enable them to deliver publicly funded learning'* (p. 22). The register will be available online. The SFA will *'share this approach [to accreditation] with other funding organisations contracting with these providers e.g. YPLA, local authorities and DWP'* (p. 22).
19. The SFA will also handle certain responsibilities through a *'college and learner provider business account management system'*, including the Skills Account process, the European Social Fund budget, the *'allocation and settlement system and 'the performance intervention system and re-allocation'* (p. 26).
20. At the regional level, the SFA will:
- *determine regional skills requirements in light of the UKCES analysis;*
 - *develop regional skills and employment plans through the regional skills partnership;*
 - *work with the central capital team to draft and publish the underpinning regional capital investment plan and infrastructure changes;*
 - *provide skills advocacy and build partnerships to determine strategic needs are met;*
 - *champion and deliver raising demand for skills initiatives such as Skills Pledges;*
 - *support the national provider performance function, and;*

² The full list is quite long – one or two functions were omitted or truncated to save space.

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- ensure skills are priorities in Multi Area Agreements and Local Area Agreements (p. 26).
21. In fulfilling its responsibilities at the regional level, the SFA will *'work closely with the YPLA, regional skills and employment boards and other local and regional skills bodies so that it is able to respond quickly and flexibly to regional and local skills needs'* (p. 26).

DIUS

22. DIUS will be responsible for the *'overall leadership of the system'* (p. 22). It *'is responsible for sponsoring FE'*, and in this *'will work closely with the Department for Children, Schools and Families (DCSF), the Department for Work and Pensions (DWP) and other Government departments to maximise FE's contributions to wider policy priorities and to represent FE's interests with them'* (p. 19).
23. DIUS will collate information on skills needs from UKCES, the SSCs, and the RDAs, regional employment and skills boards and other bodies to *'set a national strategy and targets and agree an investment strategy, working closely with DCSF (to ensure progression routes for learners and coherence across pre- and post-19 for colleges and providers) and DWP'* (p. 19).
24. DIUS, DCSF and DWP will be jointly responsible for performance management. *'The framework will be light touch and build around the Framework for Excellence (FfE)'* (p. 21).

The UK Commission for Employment and Skills

25. UKCES was established as a result of the Leitch Review. It is primarily composed of business leaders, and also has members drawn from the trade unions and local government.
26. UKCES's is *'responsible for advising DIUS on the skills needs of the country, including regional strategic needs'* (p. 23). The commission will also work on developing the National Occupational Standards and contribute to vocational qualifications reform, working in both areas with the Sector Skills Councils (p. 20).
27. The commission will also *'monitor and challenge [the] performance of [the] employment and skills system'*, oversee research in the FE and skills system, and manage the Sector Skills Councils, *'ensuring their effectiveness and advising on re-licensing'* (p. 23).

Sector Skills Councils (SSCs)

28. The SSCs are employer-led charities that set training strategies for particular sectors of the economy. There are 25 SSCs.
29. In the DIUS model, SSCs are charged with *'determining the skills offer for their vocational area'* (p. 22). They *'will have the lead role in determining the qualifications which deliver skills that add economic value and should be eligible for public funding'* (p. 20), giving them a key gatekeeper role in the skills system. They will also work with the SFA in *'raising employer demand for skills'* (p. 23). They also inform DIUS's overall skills and investment strategy.

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Regional Development Agencies (RDAs)

30. RDAs are Government agencies that craft or support development strategies in each of the nine English regions.
31. As key players in regional economies, they will inform DIUS's overall national skills strategy. They will also *'determine, with [the] SFA and Jobcentre Plus the regional skills strategy and manage the new integrated brokerage service that includes skills'* (p. 23).

Ofsted and Ofqual

32. Ofsted *'will continue to hold the remit to inspect and report on both pre- and post-19 provision. The inspection cycle will be informed by previous performance, so some colleges and providers with good inspection results will be inspected on a six-year cycle'* (p. 24). Ofsted published its proposals for a new, performance-based inspection system late last year in a consultation document.
33. Ofqual, the new independent qualifications regulator, will *'regulate the qualifications offer'* (p. 25). It will *'define and monitor the standards of the Qualifications and Credit Framework (QCF) and criteria for entering units and qualifications on the QCF, and accredit awarding organisations'* (p. 21). Criteria for the major qualifications (such as GCSEs, A-levels and Diplomas) will be developed by Ofqual's sister agency, the Qualifications and Curriculum Development Agency (QCDA), and then adopted by Ofqual (p. 21).

Colleges and providers

34. Individual colleges and learning providers are assigned key roles within the new FE system. They are responsible for *'meeting student and employer learning and skills requirements'* and working with *'local authorities, employment and skills boards and each other to address skills needs and provide a range of support services of their choice which could include peer assessment, staff development programmes, shared services and procurement'* (p. 25).
35. They will also be responsible for:
 - *co-operating with other colleges and providers, and with other, for example, employment and skills boards, to address employment and skills needs expressed locally, regionally or nationally;*
 - *determining their own development and improvement needs and commissioning LSIS to build capacity;*
 - *operating with grants and contracts that allow maximum responsiveness and flexibility to meet local need (multi-year contracts and framework agreements based on outcomes), and;*
 - *taking a leading role in the economic development and regeneration of the communities they serve* (p. 21).

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36. The new sector-owned improvement body will ‘*support college and learning providers’ performance, and facilitate self-improvement and self-regulation*’, as well as support ‘*innovative practice*’ (p. 23). It will also support individual providers in bettering their performance, and will help colleges and providers work on quality improvement plans in the event they are graded as inadequate by Ofsted (p. 22).
37. LSIS will be modelled on the three principles of civil service reform laid out in *Excellence and fairness*, the Government’s 2008 blueprint for rejuvenating the civil service. These principles are:
 - *citizen empowerment* (supporting public services in becoming more responsive to citizen desires and needs);
 - *new professionalism* (giving front-line professionals more autonomy and power to innovate and shape services), and;
 - *strategic leadership* (by Government, which will limit itself to a strategic role and leave operational matters to front-line managers) (p. 29).

Other bodies

38. *FE and Skills System Reforms* briefly touches on several other bodies that play a role in the FE system. These include
 - DWP and Jobcentre Plus, which provide training for those who are not in work;
 - Lifelong Learning UK (the SSC for further education);
 - the Institute for Learning (IfL), which licenses all FE teachers in publicly-funded provision;
 - Becta, ‘*the Government’s lead agency for improving learning through the effective application of technology*’, which is developing ‘*a national e-strategy for learning and children’s services*’ called Harnessing Technology 2008-14;
 - the Joint Information Committee for Higher and Further Education (JISC), ‘*which provides the national digital network and infrastructure for the whole education system, and also works with colleges and providers*’, and;
 - Standards Verification UK (SVUK), which endorses initial teacher training qualifications and specialist qualifications (for ESOL, numeracy and literacy education and so on) (p. 24).

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Making it happen – freeing up colleges and providers to respond locally

39. FE and Skills System Reforms states that *'the FE service will need to develop its capacity as well as sustain the significant improvements already made in performance'*. The paper notes in this section that *'self regulation remains an ambition for the FE service, both for Government and the service itself'*, and that *'LSIS will also play a key part in enabling a self improving, self regulated service'* (p. 29).
40. DIUS envisions the following as *'the major components of self-regulation'*:
 - *improving the quality of governance in FE at the individual college and provider level;*
 - *an increasingly sector owned LSIS with colleges and providers, individually and collectively, taking direct responsibility for the quality of the service they provide;*
 - *reducing substantially the prescription and specificity of the planning and funding methods used to administer the FE system as part of the formation of the SFA;*
 - *stripping out unnecessary regulation, particularly in the administration of apprenticeships, led by DIUS;*
 - *giving more influence to colleges and providers through the self-organised networks, and;*
 - *identifying opportunities to hand over functions to the sector where it is best placed to manage these* (p. 29-30).
41. Running alongside this will be the SFA's register of accredited providers, which will determine eligibility for public funding. This will ensure *'minimum standards'* across the FE system, and across DIUS, DCSF and DWP. It will also *'encourage new entrants to enter the market through accessible but sound, transparent, and simple to apply accreditation'*. The system will provide *'initial accreditation for market entry and the management of non-compliant providers'*. This system will be piloted in 2010, and will be fully operational from 2012 (p. 30).
42. DIUS also expects FE providers to form self-organised networks, *'to meet the needs of employers in relation to skills training'* (p. 30). It also recognises *'the potential [of an FE provider] to have a major impact on its local community and the regeneration of any pockets of deprivation'*, and the power of colleges in particular *'to play a part both in the strategic leadership of an area and in the delivery of a range of services to the community that capitalise on their position and premises and that go beyond the purely educational'* (p. 30).

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43. The paper also discusses the Building Colleges for the Future programme (BCF), as part of a commitment *'to renewing and modernising the entire FE estate'*. This programme, currently run by the LSC, will be incorporated into the SFA, *'including investment in new 16-19 learner places'*. DIUS expects the capital programme *'to support our skills priorities: e.g. Sector Compacts, increased specialisation ... NSAs networks [and] support for the expansion of apprenticeships'*. It also requires higher environmental standards, including a mandate that all new college buildings be zero-carbon by 2016. The programme compels *'all contractors working on college projects to have effective workforce development strategies'* as of 2008 (p. 31). DIUS is *'extending the eligibility of capital support to independent providers, including private and third sector providers'* (p. 31).
44. DIUS is also committing to improving efficiency savings, and *'improving the business performance of colleges is an essential step'* in freeing up more money for provision (p. 31). Becta is developing a *'national digital infrastructure'* to improve efficiency, and the LSC is working with providers on sharing procurement and support functions (p. 32).
45. The paper also calls for *'all members of the [FE] workforce to be fully qualified or working towards qualification by September 2010'*, and adds *'we wish to see a workforce that maintains professional standing by undertaking regular continuing professional development'* (p. 32).

Simplifying the System

46. The fourth part of *FE and Skills System Reform* contains a brief guide to DIUS's plans to simplify the system. This area of work includes:
 - the establishment of *'a single improvement body'*, LSIS;
 - the implementation of the Framework for Excellence³, which will apply *'to all publicly funded post-16 providers from 2010'*, with a full publication of rankings from the spring of that year;
 - *'streamlined and efficient data sharing'*, through the Managing Information Across Partners system, and other *'IT-enabled systems'*;
 - the YPLA and SFA *'outsourcing and sharing functions'*, including setting priorities, performance management, provider accreditation, funding and settlement, information management and corporate services such as finance and HR, and;
 - reducing bureaucracy (p. 33-34).

³ In a February 2009 letter, DIUS and DCSF announced that *'ministers have agreed to a revision of the current Framework structure'*, due to *'concerns about the current model and questions about the appropriateness of the current structure; given the changed context in which it will be operating'*. They added that *'this is especially important as we explore the development of the FfE in school sixth forms and the need to consider carefully the fit with the proposed Schools Report Card ... as well as the appropriateness of the indicators'*.

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Conclusions

47. The main value of this document is that it clarifies how DIUS sees the operational environment for the whole of FE. It delineates the responsibilities of the SFA, DIUS, and the inspectorates, LSIS, individual providers and all the other components of the FE system. Although these issues have been discussed in other documents, especially the machinery of government reforms⁴, this is the first paper in which DIUS has set out its view of the whole system in such detail.
48. It also restates the Government's commitment to increasing self-regulation in the further education sector and reducing unnecessary regulation, and makes it clear what DIUS broadly expects a self-regulating sector to do, such as improving performance and governance.
49. The commitment to a more self-regulatory model will lead to questions and negotiations about how that model fits with the institutional framework that DIUS envisions in this report. A self-regulating sector will want to design, or at least consent to, any standards to which Government intends to hold it to account. For example, a more self-regulating sector is likely to want a say about the criteria for the SFA's list of accredited providers. The sector might negotiate the standards for inclusion on this list with the SFA, creating a set of rules that the sector owns and accepts, although the SFA would continue to enforce these rules.
50. The paper also acknowledges FE's key role in community leadership and development (see paragraph 42) alongside its role in support individuals, business and the economy. The importance of engaging within local authority arrangements is also illustrated in the reference to SFA having a role in ensuring that skills are prioritised within Local Area Agreements (LAAs) and Multi-Area Agreements (MAAs), the structures that have been set up in the locality over recent years of local government reform.
51. *FE and Skills System Reforms* also highlights the role of LSIS, both in supporting improvement within the sector and building the self-regulation proposals. LSIS is expected to become 'increasingly sector owned'.

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⁴ See *Raising expectations: enabling the system to deliver*. <http://www.official-documents.gov.uk/document/cm73/7348/7348.pdf>

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