

The new state we're in

Agenda item 9

LSIS Council – 15 July 2010

For discussion

Confidential – until disclosure status confirmed

Introduction

1. This paper seeks the views of Council members on a forthcoming LSIS publication with the working title, *The world we're in: autumn 2010*. Specifically the paper seeks the Council's views on:
 - the proposed purpose of the paper, its form and content;
 - how members can support its development and dissemination;
 - the initial analysis of the new context facing the sector and LSIS, the opportunities and challenges.

Background

2. Last September, LSIS published *The world we're in – a stock-take of the policy context for the learning and skills sector*. Its purpose was to review the policy environment and stimulate discussion about the developing context in which the learning and skills sector and LSIS were operating and to draw out the implications for LSIS's services.
3. With the establishment of a new coalition government, with new policies and priorities, a new analysis is needed. The intention is to develop this over the summer period with a view to launching it during September.

Purpose, form and content

4. The purpose of *The world we're in: autumn 2010* will be to analyse the new context in order to:
 - Enable the sector and LSIS to make sense of changing policies and priorities;
 - Empower the sector in reviewing future strategic directions, understanding the leadership and governance challenges of the new environment, and building capacity to both respond to and shape the future; and

- Ensure that LSIS services are shaped to provide maximum support to the sector in stepping up to new challenges and opportunities.
5. The report will be designed for the website, providing access to linked documents and source materials, and seeking to promote dialogue and web-based debate. This will also allow for updating and nuancing as government strategy unfolds.
 6. Our initial thoughts are that the new publication will include 5 sections:
 - broad systems changes and shifts in the context and environment – ie structural changes, new approaches to performance management, new themes of public sector reform, etc;
 - policy priorities and developments facing providers – changing areas, organisational changes, funding priorities, etc;
 - current performance of the sector in relation to the new priorities – ie identifying where substantial shifts or changes will be required, with links to LSIS services where appropriate;
 - implications for the sector – ie what are the major challenges from this new environment;
 - how LSIS services will support the sector – what we are already doing, where we are making changes, scaling up or down; implications for research priorities.
 7. In addition we will aim to:
 - draw out messages, implications for different audiences (governors, SMTs, curriculum teams, HR managers, etc), and appropriate stimulus questions to encourage debate;
 - use the report as the basis for discussion at the 7 regional policy seminars planned for the autumn – running up to the AoC conference;
 - ensure that LSIS colleagues contribute to the report, drawing on their learning from delivering LSIS services, and that it shapes LSIS services;
 - plan press items related to themes and priorities identified in the report to promote understanding and dialogue;
 - launch further research activity identified through the analysis process, working with key partners; and
 - gather systematic feedback from discussions to provide updates on the website as policy and its implications become clearer.

Council involvement

8. We are keen to involve Council members at a formative stage in developing the paper, to inform and verify our analysis of policy and its implications for different groups of provider in the sector and for our services. The Policy, Research and Strategic Intelligence team will be co-ordinating the production of *The world we're in – autumn 2010*, and we would appreciate your help in the following ways:

- to provide comments and critiques on themes and drafts to make sure that the new analysis is properly informed by your understanding and experience as leaders in the sector;
 - to advise LSIS on how to ensure that *The world we're in – autumn 2010* will be useful to colleagues across the sector as the basis for strategic discussions with senior teams and trustees, and in promoting wide dialogue, awareness of change and action;
 - to promote discussion of the publication among your constituencies to help maximise their engagement and contributions; and
 - to lend your voice to the publication, through providing short paragraphs on issues you believe are particularly important. We plan to intersperse these attributed statements throughout the report.
9. Comment on these and other suggestions from Council members would be very welcome. The attached summary of themes and questions offers a framework for initial discussions.

Recommendation

10. Members of the Council are invited to comment on the proposals. In particular, views are sought on:
- the suggestions in paragraphs 4- 8 above; and
 - the early draft analysis of the context which is set out in annex A.

Disclosure Recommendation

11. It is recommended that this paper be published after the Council meeting.

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The world we're in: autumn 2010

Broad shifts in the context and environment – the high-level story

1. This paper is a first attempt to pull together a high-level analysis of how the policy narrative is shifting. It will evolve through dialogue and consultation. Alongside this analysis, we will also need to take soundings about areas where the sector feels confident or needs to develop capacity in order to meet new challenges.
2. Therefore this paper marks the beginning of a process of analysis and dialogue.

The Big Society - freedom, fairness, and responsibility

3. The new coalition government has set out its outline programme for a fixed term of 5 years, based on the high-level principles of freedom, fairness, and responsibility. How these translate into policy is still unfolding against a backdrop of significant public spending cuts with more to come in this autumn's spending review.
4. However, the concept of the Big Society can be seen to provide an overarching framework for these principles. It aims to '*create a climate that empowers local people and communities*'. The goal is to give citizens, communities and local government (to an as yet uncertain degree) the power and information they need to come together to solve the problems they face.

Freedom

5. The coalition has already demonstrated a strong commitment to reducing regulation and increasing operational freedoms for the public sector. Layers of government – including advisory bodies and guidance to and protection of citizens – are already being removed, giving greater responsibility to citizens individually and collectively to find their own solutions and take greater responsibility for their own destiny.
6. Greater freedoms have already been announced for our sector, for example in changes to enable virement of adult funding, the removal of the regulatory requirement for principals to undertake the PQP, reduction of reporting requirements and reduction in inspection. Ministers are urging the sector to identify where greater freedoms should be granted and there is a clear opportunity for the sector to shape and take greater control over its oversight and regulatory arrangements.
7. Greater freedoms should equip the sector more effectively to respond innovatively to its customers and to the challenges of budget cuts. However, research¹ indicates that leaders operating in highly regulated environments may lose the capacity for ethical decision-making since abiding by rules is the predominant culture. Equally they may have a very limited appetite for risk, having been accustomed to a compliance culture.

¹ See *Business ethics – the law of rules* by Michael L Michael, March 2006 http://www.hks.harvard.edu/m-cbg/CSRI/publications/workingpaper_19_michael.pdf

This would suggest that there may be a danger both that some providers in the sector will not have the experience and confidence to take full advantage of the new freedoms; and equally that others may not be practised in managing the levels of responsibility devolved. This suggests that there may be a range of different support needs necessary to enable the sector to operate to greatest benefit in a less regulated environment.

8. Behavioural economics – a means of devolving responsibility and shaping behaviour without regulatory intervention – is being adopted by the coalition government as part of an overall strategy for reducing regulation while achieving better outcomes for citizens, complementing more established policy tools and suggesting more innovative interventions. Consideration needs to be given to how behavioural economics might apply in our sector.
9. One potential area of exploration relates to the reaction to and value placed on information, dependent upon the source of that information. For example, information delivered by a perceived expert will be more highly valued, as will information from a source with similar demographic and behavioural similarities to the recipient. Applying such knowledge could help to ensure that approaches to empowering learners through data and information are effective.

Key issues and opportunities

- *How to exploit the additional freedoms fully in the interests of learners?*
- *How to extend, safely, the freedoms afforded the sector so that public confidence and legitimacy is enhanced, not jeopardised?*
- *What support is needed to ensure that leadership and governance are sufficiently robust to take ethical decisions in a less regulated environment?*
- *Is there a need for new approaches to risk management in a more de-regulated environment?*
- *How could behavioural economics be applied within our sector?*

Fairness

10. In one of his first speeches² David Cameron spoke of a ‘society, [in which]... those who can, should, and those who can't, we will always help – I want to make sure that my government always looks after the elderly, the frail, the poorest in our country’.
11. This principle of fairness is also reflected in stated intentions on a number of topics (most recently FE fees) to ensure that changes and cuts in funding do not have a disproportionate impact on people who are already disadvantaged. Stated priorities for this sector of apprenticeships, adult community learning (ACL) and young people not in education, employment or training point to a determination to address elements of the equalities agenda. The promise of a pupil premium and extension of the Teach First programme also signal some concrete proposals designed to address educational

² <http://www.timesonline.co.uk/tol/news/politics/article7123417.ece>

inequality.

12. The commitment to ACL is again not yet backed with a funding commitment, and it is not yet known whether the adult safeguarded learning (£210 million) will be extended beyond the planned end date of 2010-11. Given the history of adult learning, the focus on self-help may be seen as particularly relevant to adults other than those who meet particular policy priorities.
13. A particular spotlight has been focused on the lack of progress in changing the social profile of higher education entrants which offers particular opportunities for the college sector. In an early speech³, David Willetts suggested that students might, for example, study at a local further education college for an external degree from a university *'in order to broaden access'* while enabling them to achieve a *'prestigious degree'*. As in other policy areas, details are uncertain, and the funding and awarding arrangements will in this case be critical. However, this is an encouraging signal of an area for potential growth.
14. Another important dimension of the fairness agenda for the learning and skills sector is beginning to be elaborated through proposals for welfare reform described as an *'opportunity to tackle poverty and long-term worklessness.'* The announcements to date emphasise that the system will reward outcomes rather than inputs and the key outcome is described as *'getting people off benefits and into sustainable work. ... we care as much about your record of keeping people in work as we do your record of getting them there in the first place'*. Providers will be expected to support clients in their *journey into work and the early stages within a new job.'*
15. Government (DWP in this instance) will not interfere in how providers decide to achieve the outcome but will set out a pricing structure that reflects the cost of supporting different types of jobseekers. Delivery will build on the existing consortia approach, with encouragement to extend their scope and scale. Thus the approach will, as in other areas, devolve freedoms to frontline delivery partners, undoubtedly within very tight funding arrangements.
16. While these strands do not as yet add up to a comprehensive strategy, recent reports⁴ from the coalition have highlighted how social inequality persists and suggest that this is an area where the sector could be developing a more systematic approach to addressing inequalities and improving social mobility.

Key issues and opportunities

- *How to exploit the opportunity to demonstrate the sector's actual and potential contribution to equality and mobility?*

³ On 10th June 2010 - <http://www.berr.gov.uk/news/speeches/david-willetts-oxford-brookes-university-challenge>

⁴ [State of the nation report: poverty, worklessness and welfare dependency in the UK](#), June 2010

- *How to develop systematic approaches to addressing educational inequality and promoting social mobility?*
- *What preparation can colleges make to exploit the potential opportunity of increasing local HE delivery?*
- *What vocational pathways need to be further developed, including from apprenticeships?*
- *What further work is needed in relation to the priority of NEETs in particular?*
- *How will an acceptable balance be achieved between responsiveness to local needs and the need for baseline levels of service, recognising the need to avoid any increased disparity of opportunity?*

Responsibility

17. The notion of restoring greater individual responsibility implies an intention to re-orientate the accountability of public services away from government and towards customers and citizens. This adds urgency and a new rationale to the existing imperative on providers of public services to develop approaches to empowering their customers and citizens. For our sector this implies a stronger focus on enabling customers to shape their local learning offer, and on articulating and securing legitimacy for their services with local people and partners.
18. Moves towards greater empowerment and responsibility need to be underpinned by the provision of more and improved information on public services, making increasing use of technology to enable greater transparency. Providers will need to review and develop the information they provide to learners, employers and their local communities⁵. Learner accounts, by placing purchasing power in the hands of individuals, can also be understood as an element of the responsibility agenda. Increased responsibility is also likely to be reflected in future fees policy.
19. For the learning and skills sector there is a specific issue around ensuring that learners have the information advice and guidance (IAG) needed to use their increased responsibility and empowerment to best effect. The coalition government has not yet pronounced on policy regarding IAG, although the Conservative Party pledged to *'create a new all-age careers service so that everyone can access the advice they need'*.
20. New notions of responsibility are also likely to be reflected in new forms of performance and financial management. The abolition of PSA targets has been announced, with as yet no clarity about how accountability to Treasury and measurement of results will be managed in future. Thus while the additional flexibilities will be welcome, it is as yet uncertain how accountability will evolve. The promise of greater devolution from the centre is that public services will be more accountable to their localities and communities.
21. This has been a recurrent theme in LSIS policy seminars – characterised as the need

⁵ The notion of course labelling being developed by AoC and ALP and the community scorecard work that LSIS is developing both speak to this agenda of new accountability.

for less vertical and greater horizontal accountability. Vertical and silo-driven accountability to Whitehall was also identified through the Total Place experience as a brake on efficient delivery of services in the locality and there is a strong consensus that systems need to change.

22. LGA has recently put forward a proposal for area-based budgets⁶. They propose that commissioning responsibility for a set of local services would pass to 'a *locally accountable governance body*.' This would be a radical approach to reforming accountability arrangements, and although LGA is dominated by conservative-led local authorities, the potential for the proposal to be adopted is uncertain. However, such developments would have fundamental implications for our sector, and highlight the continuing imperative for providers to secure strategic relationships with their local authorities.
23. Moreover while there is a period of policy flux, there is an opportunity for the sector, to use its enhanced autonomy to develop its own proposals for effective performance measurement and accountability frameworks.

Key issues and opportunities

- *How to develop increasingly customer and citizen facing services?*
- *Should the sector be developing its own approach to performance measurement and accountability frameworks?*
- *Should the sector be engaged in prototyping learner accounts and modelling implications?*
- *What are the curriculum implications to develop more empowered learners?*

Public finance and the economy

24. The severe cuts in public services create a complex backcloth to this agenda of devolving responsibility. As suggested at a recent LSIS policy seminar, government could be seen as 'devolving the axe'. Public sector providers themselves will be in part responsible for determining how cuts are executed and will therefore be in the firing line for public controversy.
25. In our sector, providers will need to consider how they manage public relations, and how to conduct honest discussion in determining cost-cutting strategies which command as far as possible the support of local communities and partners.
26. The scale of public sector cuts is likely to have a profound impact on the landscape of the sector with mergers, federations⁷, and new forms of ownership – including co-operative and mutual models – advanced variously as means of securing economies of scale, creating a stronger market and bringing into greater play the contribution and capacity of the third sector. Public sector productivity is of paramount importance,

⁶ <http://www.lga.gov.uk/lga/aio/12294113>

⁷ It is interesting to note the increasing numbers of local authorities combining both internal and external services.

requiring leadership with the high-levels of financial literacy necessary to carry through innovative approaches to service delivery with less resource.

27. Financial austerity together with the coalition's focus on restoring individual responsibility is leading to fundamental reconsideration of what should be funded at public expense. There is a clear indication that self-help and volunteering are seen as a manifestation of the principle of a more responsible and empowered society. This may have substantial implications for the delivery of learning not deemed to be of highest public priority. The FE fees review begins the debate in our sector to be followed by the review of fees in HE. However, greater individual and employer contributions would appear to be inevitable.
28. On the positive side, learning and skills are essential to the coalition government's plans for sustainable growth and in the first round of cuts were privileged to some protection. In addition, ministers⁸ have made extremely positive comments on the importance of vocational and craft skills and their place alongside more academic study. Our sector is clearly recognised as having a major contribution in developing the skills and expertise needed to support economic recovery and address social challenges.
29. The strategy for economic growth under the coalition is described as re-balancing the economy towards private sector-led growth – not public sector-led growth. This is likely to reinforce the importance for the sector of focussing on relationships with employers, especially in an environment where customers will be expected to pay for provision. In addition it is clear that technician-level and apprenticeship training is seen as critical to this mission.
30. Another signal from the coalition is that they favour increasing marketisation of public services – an increasing role for the third (social enterprise and voluntary) and private sectors. An additional challenge will be to provide a coherent offer to a community in the context of increased competition and reduced resource.
31. Integrated delivery of public services in the locality (the Total Place approach under the previous government) continues to be seen as a means of achieving greater efficiency and effectiveness from public funds. By removing the 'stovepipe' accountability arrangements of PSAs to Whitehall, public services will have more flexibility and headroom to work together more collaboratively in the locality to '*deliver a genuinely joined up approach to multiple challenges*⁹'.
32. Thus the capacity of leaders in our sector to play their part within multi-agency and

⁸ '*There is another trap I wish to avoid as well – privileging theoretical over applied, cerebral over manual. Rigour and excellence are not confined to intellectual pursuits. They're just as evident and necessary in craftsmanship, in technical spheres, in manufacturing*'. David Willetts MP, 20th May 2010 - <http://www.bis.gov.uk/news/speeches/david-willetts-keynote-speech>

⁹ Francis Maud MP, minister for the Cabinet Office 'Leading your charity through a time of change' - 9 June 2010 <http://www.cabinetoffice.gov.uk/media/414453/charities-through-change.pdf>

public service coalitions in their localities will continue to be a major priority. The new freedoms from prescribed leadership qualifications open up opportunities for greater cross-public sector development to position the sector as a key strategic partner in local public service coalitions and multi-agency partnerships.

Key issues and opportunities

- *How to manage severe cuts while maintaining credibility with citizens and partners?*
- *How to operate within a stronger market with less resource and greater demand for services?*
- *What are the implications of the apparent expectation that an increasing volume of provision should be delivered in partnership with volunteers?*
- *Is more work needed to consider federal structures and new models of governance?*
- *Are providers sufficiently employer-facing in the context of the new market and need to increase fee income?*

Administrative and operational changes

33. The coalition government has so far been silent on possible changes to the planning and funding infrastructure – as yet the conservative party commitment to a single post-16 funding body has not been enacted, and policy is unclear on this matter. However indications are that both SFA and YPLA will be much less interventionist than the LSC, and that they will not have a significant planning role.
34. For 14-19 delivery the changes already signalled are profound. The provider partnership arrangements that have been constructed around the diploma entitlement are now effectively voluntary. Whereas the Gateway process made it a requirement to deliver in partnership, this appears to fall under current proposals. Therefore it will be within the power of local providers to determine whether they wish to collaborate to provide a comprehensive and coherent offer to their communities. The reduction in central support for the diplomas also signals the desire for the market to determine whether they have a robust future.
35. As well as the funding arrangements, the policy drivers for learning and skills also remain dispersed across several government departments – BIS, DfE, DWP and DCLG (although there is continued determination for BIS and DWP to increasingly work together to address unemployment, for example related to NEETs). The need for cross-departmental agreements on policy that crosses boundaries may slow the pace of policy development and the dangers of conflicting approaches remain under the new coalition, and the need for providers to make sense of policy at organisational level will remain a necessity.
36. In addition, the need to engage with and respond to policy emanating from multiple departments places significant demands on the sector, especially during a period of intense policy formation. Capacity to effectively shape and influence its policy environment will be critical to exploiting the promise of greater freedoms and flexibility.

37. Whatever organisational forms emerge, for adult learners learner accounts will be a key mechanism for funding learning and securing co-contributions. Alongside a business model that requires greater income-generation, all providers will need to re-orientate their services more clearly towards learners and employers as customers.
38. The corollary of the 'Big Society' is smaller government, both nationally and locally. The logic of smaller government and reduced intervention could be that the role of local authorities in commissioning 14-19 provision is short-lived. Local, sub-regional and regional arrangements will also be re-shaped as, for example, Regional Development Agencies give way to Local Enterprise Partnerships. Providers will need to review how to engage effectively with new strategic and operational arrangements.
39. There are plans to devolve power to the very local/neighbourhood level, with an enhanced role for the third sector and social enterprises. Learning and skills providers will need to consider how to engage with third sector and community groups in their areas, perhaps to explore opportunities for new forms of delivery partnership between professional teachers and members of the community.

Key issues and opportunities

- *How can providers work together effectively to safeguard choice for 14-19 year olds?*
- *How can providers position themselves as strategic partners in the new local enterprise partnerships?*

Questions for discussion

- Have we captured the policy priorities and developments facing providers?
- What are the key issues that you and your stakeholders face?
- Where are the opportunities, challenges and changes required, and how should LSIS be supporting the sector?
- What are the implications for the sector of the anticipated changes?
- What might be the priorities for LSIS research arising from this new context?
- What are the implications for LSIS services?