

*The FEFC's response to  
the review of local and  
national arrangements  
for lifelong learning,  
skills and workforce  
development*

**April 1999**

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## **SUMMARY OF MAIN POINTS**

### **Main objectives**

- 1 The Council believes that the proposals set out in this paper will deliver the government's agenda of skills; quality; participation and national learning targets, but will also be robust and flexible enough to be sustained in the longer term.
- 2 The Council believes that future arrangements should have the following key features:
  - the capacity to flow funding for individual students directly to a range of deliverers, including colleges, LEAs, school sixth forms, private training providers and employers
  - the ability to use information on market supply and demand to inform planning and funding
  - robust and objective quality assurance of all provision funded through the new arrangements
  - real opportunities for employers to influence the funding which will flow to deliverers, rather than detailed involvement in the administration of prescribed programmes
  - the capacity to deliver government policy effectively, rapidly and flexibly and to implement new policy over time.

### **Funding arrangements**

- 3 The Council believes that a national funding body will be necessary to flow core funds to a wide range of deliverers.
- 4 The national funding body, operating at arms length from government, would allocate funds to deliverers through two main funding channels; broadly, one for core-funding and one for local priority funding.
- 5 The core funding channel would allocate funding to all post-16 deliverers according to a common funding tariff. The great majority of funds would flow through this route. Some deliverers, such as colleges and larger private training providers, would be funded by the national funding body directly. School sixth forms and maintained adult education services, would be funded through LEAs; smaller private training providers might combine to be funded through managing agents or consortia.
- 6 The local priority funding channel would flow a relatively small proportion of funds from the national body to local partnership bodies to be allocated to deliverers. The purpose of this funding would be to enhance responsiveness to local priorities, such as emerging skills needs, to disseminate local quality improvement strategies or to improve the participation of local groups of excluded individuals.

## **Information on market supply and demand**

7 To inform funding, information on market supply and demand will need to be gathered more effectively and from a wider range of players than at present, and at a variety of levels.

8 Local partnership bodies will play an important role in identifying the skills needs of local employers, learners and the community and matching this against information on available provision. Market supply and demand information should inform the learning plan prepared by the local partnership bodies, and would also be passed up to the national funding body to influence the core funding tariff and objectives for local priority funding. It will also be important that the University for Industry, through Learning Direct, shares its database on market supply and demand with the local partnership bodies.

9 The local partnership would also have a statutory responsibility for advising the national funding body on whether local provision was adequate and sufficient, using a refined definition of adequacy and sufficiency. It would take on the labour market information and development role of current TEC best practice.

10 The national funding body would also gather market supply and demand information at the national level from sectoral bodies such as national training organisations, employers' representatives and national level employers, as well as aggregate information from the regional arms of the national funding body and the local partnership bodies.

11 Regional arms of the national funding body would have an important role in aggregating information on supply and demand from the local partnership bodies, regional employers and Regional Development Agencies. They would work strategically alongside the Regional Development Agencies to develop regional skills strategies. Regional arms of the national funding body would also be well-placed to shape post-16 provision, including rationalising provision where necessary.

## **Quality assurance arrangements**

12 The Council believes that there should be a single set of inspection arrangements across all post-16 provision. It will be important that there are sufficient safeguards to ensure that the inspectorate is able to make independent and objective judgements. It will also be important that strong links are retained between the inspectorate and the national funding body to promote quality improvement and to enable data held by the inspectorate and the funding body to be combined to produce a comprehensive picture of deliverers. This is essential to enable early warning and rapid funding body response to deliverers causing concern.

## **Structure of the national funding body and local partnership bodies**

13 The Council believes that there should be a single national funding body for all post-16 learning and skills, excluding higher education. It should have an overall Council board and a statutory committee sub-structure, to ensure that there is an appropriate policy focus on the separate areas of full-time 16-19 provision, skills and employment, and adult provision. It would also have regional arms, to articulate with other regional bodies.

14 The Council sees a need to create local partnership bodies which bring together employers, deliverers and representative organisations to assess the supply of post-16 education and training against demand in the locality. The Council envisages that local partnership bodies would be responsible for assessing adequacy and sufficiency of provision in a local area and for advising the national funding body of its assessment. The national body could have a reciprocal statutory obligation to take into consideration the advice of the local partnership bodies when setting its national funding tariff and determining the funding to be made available to meet local priorities.

15 The national body would also have specified relationships with the RDAs to ensure that their skills and economic responsibilities are supported.

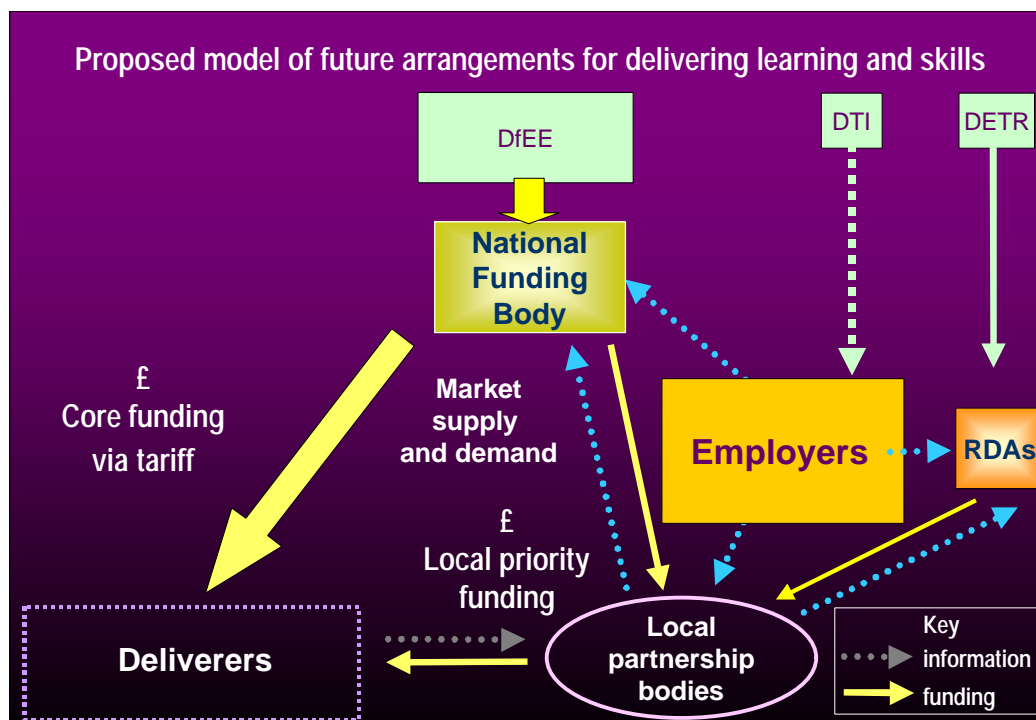
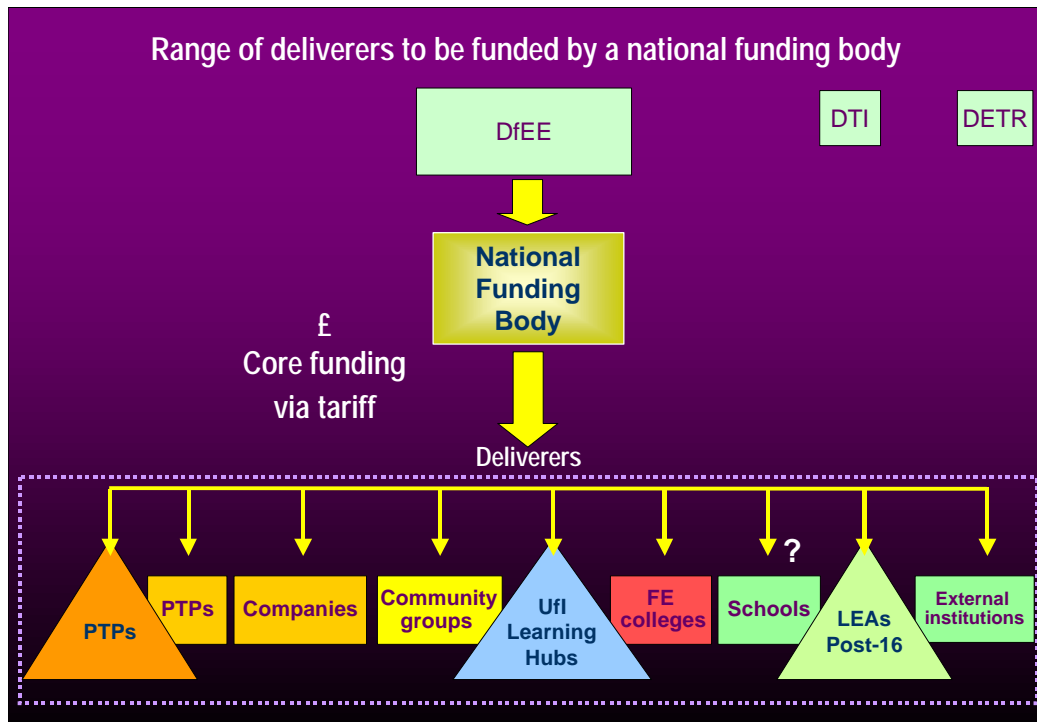
## **Conclusion**

16 In conclusion, the Council believes that the arrangements that it proposes would have the following benefits:

- funding would be delivered to all post-16 deliverers within a transparent, consistent and equitable framework
- rapid responses would be possible at local level
- funding could follow the individual in proportion to need and would enable a transition to individual learning accounts
- consistent quality assurance and quality improvement would be ensured across the range of post-16 provision
- the arrangements would address concerns about local democratic accountability, whilst enabling policy control at a national level
- the capacity to plan and, as appropriate, rationalise provision as well as to establish new provision where needed, and
- the capacity to enable the government to implement policy directly and introduce new policy over time.

17 A final important advantage of these proposed arrangements is that they build upon the existing strengths of current national and local arrangements.

18 The attached diagrams demonstrate how the proposed local and national arrangements might operate. The first diagram illustrates the range of deliverers that would be funded through the core funding stream. The second diagram illustrates the flow of funding and information on market supply and demand. Yellow arrows signify a flow of funding. Blue arrows signify a flow of information on market supply and demand.



# **LOCAL AND NATIONAL ARRANGEMENTS FOR LIFELONG LEARNING, SKILLS AND WORKFORCE DEVELOPMENT: THE COUNCIL'S VIEW**

## **KEY OBJECTIVES**

1 Future post-16 funding arrangements should aim to deliver the government's key objectives for lifelong learning more effectively than at present. These are: raising standards and quality; meeting the nation's skills needs; widening participation in learning; and achieving the national learning targets.

2 Future arrangements should:

### *Quality*

- improve the quality of provision and learner achievement across the range of post-16 provision to increase the choice available to all students
- encourage deliverers to be more responsive to the needs of learners, employers and their communities
- enable the re-configuration of deliverers through rationalisation and merger or the creation of new provision

### *Skills*

- meet the skill needs of employers at national, regional and local levels through appropriate qualifications and supply
- use information on market supply and demand more effectively
- provide employers with opportunities to influence funding

### *Participation*

- identify non-participants and develop ways of attracting them into learning
- tailor learning programmes to suit the needs of individuals and deliver high quality basic skills provision
- provide progression routes into work, further or higher education

### *Targets*

- enable the government to implement and monitor the national learning targets across the range of post-16 provision
- create powerful incentives to deliverers to recruit and retain individuals in education and training so that the targets may be met

3 Future arrangements must also enable government policy to be delivered rapidly and flexibly and allow the implementation of the new policy over time. For example, scope might be required to introduce individual learning accounts, fund schools sixth forms directly, fund 14-16 provision through a single funding body and move towards greater regionalisation.

## **KEY COMPONENTS OF FUTURE ARRANGEMENTS**

### *Quality*

4 To deliver the government's objectives for quality, the Council believes that future arrangements should:

- have common inspection arrangements and performance indicators for the entire range of provision funded by a national funding body
- ensure independent and objective inspection judgements
- incorporate regular monitoring, feedback and review, building on integrated inspection and audit and other best practice
- use inspectorate data to inform quality improvement strategies, including funding allocations and performance indicators
- combine inspectorate data with other management information on institutional health in order to assess the adequacy and sufficiency of provision in an area and take action accordingly
- empower the inspectorate to comment upon both the quality of post-16 provision and the impact of the strategies adopted by the funding body on the ability of deliverers to offer high quality provision, and
- build on the approach of external validation of internal self-assessment and engage deliverers with the validation process.

5 A number of current strengths might be built upon:

- a national funding method in which quality factors may be reflected
- robust inspection methods throughout the post-16 sector and, in particular, an integrated inspection and audit method within the FE sector
- accredited status and scrutiny in inverse proportion to success
- a means of combining inspectorate data with funding and other data through a triannual review process, which augments the quadrennial inspection and audit

- local scope for enhancing quality at local level.

6 A number of features of the current arrangements weaken the capacity to improve quality across post-16 provision:

- whereas two of the post-16 inspection regimes are broadly similar, the school and adult education inspection arrangements are significantly different
- different bodies are responsible for following up action plans
- there are relatively weak powers for intervening in the affairs of under-performing deliverers.

7 Given the importance to the nation of high quality learning opportunities, responsibility for ensuring the quality and standards of post-16 provision should remain at the national level. Both the inspection framework and the links between quality and funding need to be transparent, consistent and equitable. This would be difficult to achieve if a number of sub-national bodies were each to have discretion over the development of more localised quality and funding methods. The development of sector-wide performance indicators and benchmarks would also be made more difficult by the existence of a local or regional funding system, as would creating sector-wide understanding and confidence in the meaning of accredited status for deliverers.

8 The Council believes that there should be a single, coherent post-16 inspectorate which should develop a common approach to the assessment of quality based on best practices of the current inspectorates. The Council believes it has demonstrated the value of an inspection model based upon the external validation of deliverers' own self assessments.

9 Future inspection arrangements must have strengthened arrangements to ensure that judgements on the quality of provision are seen to be independent and objective. They must allow the inspectorate to judge both the quality of post-16 provision and the impact of the strategies adopted by the funding body upon the ability of deliverers to offer high quality provision. Future arrangements must also enable:

- quality improvement across all deliverers, through the preparation and monitoring of action plans to address identified weaknesses and rapid marshalling of funds to support the implementation of action plans
- the development of an ethos of continuous quality improvement within the post-16 sector and partnership between the government and deliverers in pursuing quality improvement
- the assessment of governance and management of deliverers, through the integration of inspectorate and audit information



- the ability to create a complete and comprehensive picture of institutional health and learner and trainee achievement, through the integration of data on funding, audit and quality assessment, and
- early warning of concerns and rapid response by the funding body.

10 In developing new inspection arrangements, the Council is keen that the government secures the independence of the inspectorate, but retains strong links with the funding body to ensure the necessary flow of information to achieve these objectives.

### *Skills and workforce development*

11 To deliver the government's objectives for skills and workforce development, the Council believes that future arrangements will need to:

- offer employers real influence over the core and local priority funding which will flow from the national funding body to deliverers, rather than detailed involvement in the administration of prescribed programmes
- encourage deliverers to be responsive to generic and specific skills needs identified by NTOs, RDAs and the Skills Task Force, as well as by employers, learners and the community
- gather information on market supply and demand at national, regional and local level; and
- provide opportunities for local deliverers to take the initiative in addressing skills gaps

12 The current arrangements have a number of strengths, which might be developed:

- a flexible, national funding formula in which national, regional and sectoral skills priority factors might be reflected
- the capacity to allocate local priority funding to complement priorities in the national tariff to promote rapid, locally specific responses to skills needs
- emerging local bodies which will gather local information on supply and demand to inform local learning plans
- TEC experience of working with local employers to identify skills needs
- regional arms of a national funding body, which could work with the RDAs to develop regional skills and enterprise strategies

13 However, some features of the current arrangements need to be changed:

- multiple funding streams, which may result in confusion about who funds what and potentially conflicting skills priorities
- different levels of funding for the same course or qualification
- different incentives arising from different proportions of funding allocated to output or achievement, and
- the allocation of TEC and LEA funding without reference to the Council's adequacy and sufficiency duty.

14 The Council believes that information on market supply and demand is currently inadequate and needs to be improved. It sees the Ufi, through Learning Direct, as having a key role in synthesising information on supply and demand and in passing this information to local partnership bodies. Funding for Ufi could also be delivered through the proposed dual system of core and local priority funding.

15 Employers and their representative bodies have a key role in identifying skills needs. They need to be able to articulate their views at a level which suits them, depending on the geographical area or sectoral interest over which they operate. They also need to be able to influence the core and local priority funding which will flow from the national funding body to deliverers.

16 Nationally-based employers and national training organisations will provide a national or sectoral view of skills needs and might best work with the national funding body to translate their views into policy priorities.

17 Regional employers and RDAs would work with the national body through its regional arms. Local employers might deal most effectively with local partnership bodies.

18 To assist the RDAs develop regional skills strategies, it will be important to develop effective links between the regional arms of a national funding body and the RDA. Creating a possibly contractual link between the funding body and the RDA will also be key to maintaining and enhancing the relationship between skills and enterprise developed by the TECs.

19 Local partnership bodies will play an important role in matching supply and demand and in taking action to address any gaps in supply. The Council proposes that responsibility for ensuring the adequacy and sufficiency of provision should rest with the local partnership body, as it believes that identifying gaps and stimulating provision will best be carried out at the local level. The Council believes that the definition of adequacy and sufficiency should be refined to encompass the views of employers and prospective learners as well as a measure of the volume of provision required in a local area.

20 A reciprocal obligation would need to be placed on the national funding body to take account of the advice of the local partnership body and RDAs when setting the national funding tariff and determining the funding to be made available to address local and regional priorities.

21 Taken together, the national funding tariff, local priority funding and local lifelong learning plans comprise a powerful set of national and local levers upon the behaviour of deliverers. The Council proposes that the core funding stream might incorporate a skills factor at national, regional or local level. The arrangements could, for example, ensure that local priority and capital funding reflect similar priorities to enhance the effectiveness of the core funding stream.

22 While responsiveness to skills needs is likely to be increased by flowing funds to a wide range of deliverers, quality and accountability may be more difficult to assure in relation to some smaller private training providers. However, it is important that significant numbers of smaller private deliverers are not excluded from receiving public funding for education and training, as many of these organisations play an important role in providing for young people under the youth guarantee, a particularly important element of the skills agenda. The national funding body would need to apply a threshold check of systems as well as quality to safeguard public funds. Smaller deliverers would need the option of working through a larger deliverer or agency which could take on these responsibilities for them.

### ***Participation and social inclusion***

23 To achieve the government's objectives for participation and social inclusion, any future funding arrangements need to:

- further develop strategies for recruiting current non-learners, including tailoring provision to specific needs, and 'join-up' the provision of services for excluded groups of individuals;
- create an explicit strategy for the delivery of basic skills provision;
- target funds on prospective students who need extra learning or personal support in a flexible way so that funding is allocated in proportion to need;
- track the progress and success of each individual student. This will also be important for monitoring the success of work on quality and standards and for the development of individual learning accounts;
- achieve a significant increase in the number of employees receiving job-related training or studying for a nationally-recognised qualification; and
- develop a coherent policy on the balance of contributions to the cost of learning expected from employers, individuals and the public purse.

24 The strengths of the current system are:

- individualised data collection;
- the Council's experience of developing targeted support for individual students through the widening participation factor and additional support;
- the knowledge of local people and their representatives of community needs;
- work-based training, including modern apprenticeships and NVQs strongly supported by the relevant NTO; and
- local learning partnerships and Kennedy partnerships with existing experience of widening participation for both adults and young people.
- a wide range of deliverers, including private training providers and voluntary organisations, which offer provision particularly for the youth guarantee group.

25 The Council believes that the widening participation/social exclusion agenda may be addressed most effectively at the local level. Success will depend upon integrating local learning provision with other related services such as careers advice and guidance, personal advisor support and support for making transitions into learning and work. Preventative approaches will also require the identification of alternative educational environments for 14-16 year olds. Success will also depend upon ensuring that student financial support and transport arrangements address local needs. In the Council's view, these are also best addressed at the local level

26 The careers service has a key role in providing young people with appropriate support and guidance to make the transition from school to work with training or full-time education. The careers service should develop close links with the local partnership bodies to ensure the strategic development of support and guidance in any local area. Moreover, to ensure that there is an effective national strategy for social inclusion, the Council believes that the national funding body should fund the careers service through a separate stream of funding.

27 Similarly, the Youth Service is central to linking disaffected young people into education and training. To make this more effective and in tune with national and local priorities, closer links will be required. This could be secured by the national funding body having a separate funding stream to LEAs for youth work which would ensure that the work of the youth service is considered as part of the overall strategy for young people.

28 Both the careers service and the youth service could also benefit from the local priorities funding stream.

29 To ensure transparency, consistency and equity of funding, financial incentives to recruit non-learners, such as the widening participation factor in funding, need to continue to be developed at national level. A national funding body would collate and analyse information on student progress (retention and achievement) and use the aggregated information to influence provider behaviour through national funding and provide benchmarking information to local learning partnerships, so that strategies might be developed to improve recruitment, retention and achievement rates.

## **THE NEW ARRANGEMENTS**

### **A national funding body**

30 A national funding body would:

- deliver a transparent, equitable and consistent system of funding nationally to *all* post-16 deliverers, including FE colleges, private training providers, LEAs and school sixth forms, and employers
- flow core funding directly to deliverers according to a common tariff in ways that are responsive to, and in proportion to, the need of the individual learner
- enhance the potential of the tariff to stimulate local responsiveness by developing a local priorities funding stream delivered through local bodies
- influence the quality and supply of provision through the core and local priority funding streams by using information on:
  - the key priorities identified by NTOs, national employers, RDAs and their representatives, local authorities, individuals and their communities
  - the quality of provision
  - participation, retention and achievement rates
  - other government priorities (eg widening participation)
- monitor and report on the extent to which the national learning targets and the government's priorities for lifelong learning are being achieved. Common post-16 delivery arrangements would make it easier to identify whether or not the targets were being achieved across the whole post-16 sector
- ensure quality improvement across the range of post-16 provision funded by the national funding body through the application of a range of quality improvement strategies and funding

- ensure adequate and sufficient provision on a national basis by taking advice from the local partnership bodies, and
- enable the government to retain influence over funding, policy and the strategic development of education and training, whilst enabling communities, stakeholders and elected representatives to influence the local development of provision.

31 The Council strongly believes that there should be a single funding body for all post 16 provision, except HE. To ensure a balanced policy focus across the full range of post-16 provision, the national funding body would have a statutory sub-committee structure, with separate committees to consider full-time 16-19 provision, skills and employment, and adult education. These committees would have a statutory duty to advise the national funding body on specified policy areas. The national funding body would be under a reciprocal obligation to take account of the advice of its statutory sub-committee in developing funding and allocating policy.

32 The national funding body would have regional arms, to enable it to gather information at a regional level on market supply and demand and to liaise with RDAs to secure regional skills strategies. Regional arms would bring coherence to post-16 provision, rationalising where necessary and overseeing mergers and stimulating new provision.

33 The Council also believes that, where possible, the funding body should flow funds directly to deliverers. It also considers that funding should be allocated through a funding methodology, based on a national tariff, rather than through contracting arrangements.

### **Local partnership bodies**

34 Local partnership bodies would:

- have responsibility for the adequacy and sufficiency of local provision
- gather local information on market supply and demand, taking particular account of the views of local employers
- prepare and implement local learning plans with a particular focus on addressing the 14-19 agenda
- stimulate local deliverers to respond to identified needs
- allocate local priority funds to address local needs
- access other funds such as Single Regeneration Budget Challenge and European Social Funding and deploy them to ensure a more coherent use of diverse funding sources
- help implement the quality agenda through the dissemination of good practice or mentoring initiatives

- work with the careers service to ensure adequate provision and personal support for the government's gateway for 16-17 year olds
- develop policy on the allocation and use of access funds and student support arrangements

35 The relationship between the local partnership bodies and the national funding body would need to be clear. The Council proposes that local partnership bodies should identify and deliver local priorities outlined in the learning plans, promote the local skills agenda and meet the national targets. It is likely that they will need to be given a formal status in order to deliver these tasks.