

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Economic Board
Date:	21 September 2010
Title:	Skills Commissioning and Funding Arrangements
Reference:	2036
Report From:	Director of Children's Services

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1. Executive Summary

- 1.1. The purpose of this paper is to provide the Board with an update on current commissioning and funding arrangements for the development of skills, how these are affected by recent and anticipated changes in Government policy and funding, and the likely impact for Hampshire County Council, local colleges and training providers, employers and the wider Hampshire community.
- 1.2. The position is complicated. The abolition of the Learning and Skills Council on 31 March 2010 and the redistribution of its responsibilities was followed by the General Election. The formation of the Coalition Government has led to further changes to the responsibilities of the various agencies, including those of the County Council. In the future the County Council will need to rely on its skills of influence and leadership rather than statutory powers.
- 1.3. Funding for skills development for people older than 19 has been cut while funding for those between 14 and 16, and 16 and 19, has been, to date, less severely affected, with some planned increases to support a growth in apprenticeships.
- 1.4. Performance on the key indicators relating to young people not in education employment or training (NEETs), and the proportion who achieve level 2 and 3 at 19, is strong but the Hampshire Economic Assessment shows that economic performance in some areas of the county is relatively weak. More work needs to be done to ensure that the right range of skills is available to the right areas of the county and the development of a Skills Strategy, more finely tuned than previous versions, is proposed, to involve all key partners.

2. Contextual information

2.1. The details of all the changes that have happened since the enactment of the Apprenticeships, Skills, Children and Learning Act in 2009 are set out in Appendix 1. This section provides a short summary of current roles and responsibilities.

2.2. The Learning and Skills Council was abolished on 31 March 2010 and its functions distributed between local authorities, the Young People's Learning Agency, the Skills Funding Agency and the National Apprenticeship Service.

2.3. The Coalition Government has made some adjustments to roles and responsibilities so that, as of August 2010:

- The Local Authority has strategic responsibility for commissioning places post 16 from providers and for ensuring that a broad and accessible curriculum is available for all students. The colleges and providers determine their curricula themselves and the local authority's role is to influence those decisions, not to make them.
- The Local Authority also has responsibility for planning, but not commissioning, provision for students with learning difficulties and/or disabilities up to the age of 24. It also has some responsibilities for the performance management of sixth form colleges but the details of that are still unclear.
- The Young People's Learning Agency has responsibility for the direct funding of provision of colleges and other providers for 16–18 year olds and for the providers' financial assurance.
- The Skills Funding Agency is a directorate of the Department for Business, Innovation and Skills and has responsibility for the planning, commissioning and funding of adult and employer skills provision, and for the performance of general further education (GFE) colleges.
- The National Apprenticeship Service is housed within the Skills Funding Agency and exists to increase the number of apprenticeships.

3. Funding

3.1. As is the case across the public sector, the funding landscape for post 14, post 16 and post 19 skills is being affected by reductions in Government spending. This is particularly the case post 19. The detail is set out in Appendix 2. This section summarises the funding position.

3.2. There have been some reductions in funding for post 14 students but the Local Authority has managed that reduction and still continues to target young people at risk of becoming NEET and those in care, as well as supporting work-related programmes and Skills Events.

- 3.3. Funding has been protected, to date, for 16-18 year olds and the total funding value for this sector is £198 million.
- 3.4. For adult students there have been reductions in 2010-11 and further anticipated reductions in future years. Across a range of budget headings the reductions have been generally greater than 10%.
- 3.5. However, the budget for adult apprenticeships is likely to rise with the ending of the Train to Gain programme and the shift of resources into apprenticeships.

4. Current Performance 16-18, based on Draft Strategic Analysis, 2010

4.1. In general, performance in Hampshire is strong. There is a lower proportion of young people who are NEET, larger numbers following apprenticeships and good results in terms of the percentages of 19 year olds who achieve level 2 and level 3. These are the key headlines:

- The proportion of young people who are NEET was 5.6% – 2,300 young people in December 2009, which was a 10% reduction on the previous year and lower than the South East regional average of 5.8%.
- The proportion of young people in employment without training is 4.9% – 2,030 young people in December 2009, the lowest in the South East region.
- Hampshire has one of the highest proportion of young people following apprenticeships in the South East region at 9.3%, 2% above the regional average. Success rates on apprenticeships are also above the regional and national averages.
- 79.7% of 19 year olds in Hampshire achieved level 2 in 2008-09, higher than the regional and national averages.
- 54.9% of 19 year olds in Hampshire achieved level 3 in 2008-09, again above regional and national averages.

4.2. The headline performance is strong but the Hampshire Economic Assessment gives a more complete picture. While greater numbers of 19 year olds in Hampshire do well compared with other places, the Hampshire economy is not always the main beneficiary. The skills are often deployed elsewhere, leaving central Hampshire and the New Forest with relatively poor economic growth.

4.3. Using the data within the Hampshire Economic Assessment, a skills strategy for Hampshire, more finely tuned than work done before, needs to be developed.

5. Future direction

- 5.1. Post 14, whilst they have developed at differing rates, much has been achieved through the development of local post 14 consortia. More young people are engaged in programmes that meet their needs and keep them involved in education and training. Funds are available for at least one more year to sustain consortia and they are crucial to putting in place a broad curriculum offer, post 14, that supports young people's progression, participation and attainment. Clearly a reduction in funding, as well as a change in emphasis from Government regarding collaboration – encouraged, but not prescribed or funded – represents a risk to the sustainability of post 14 consortia in the future.
- 5.2. More generally, the Government has yet to define the relationship between local authorities and schools but this is now expected in a White Paper in November 2010. The County Council will be looking closely to determine whether it still has a role in assuring the quality of schools or whether its role is merely exhortative and influencing. This is important because skills for the workplace and strong economic growth are as much affected by what primary schools do in basic skills as they are by what happens after young people are 14.
- 5.3. Post 16, Government policy aligns to that pre-16, in that the responsibility for decisions about curriculum to meet the needs of learners, employers and the wider community rests with institutions themselves, not with 'politicians or bureaucrats'. The Local Authority technically retains a commissioning and performance role but this is now redefined as a 'strategic commissioning' role, through which it seeks to influence providers and the shape of their offer to meet identified need. This will be sought to do through an enhanced Hampshire Post 14 Strategic Board and the production of an annual Priorities Statement developed and agreed with partners, which will also better reflect the economic priorities of Hampshire including the skills that are needed. The Local Authority is better placed than most to influence and to lead, but it cannot guarantee that all will follow.
- 5.4. Post 16 funding has, to date, not been subject to any significant reductions and it is not anticipated that significant reductions will apply in the future. However it is also anticipated that participation will continue to increase, so with relatively static budgets, the unit level of funding, which is currently set nationally, will 'float' each year to support the level of participation within the budget available. This is likely to have a direct impact on higher cost provision, including Learners with Learning Difficulties and Disabilities (LLDD) and foundation learning targeted at NEETs.
- 5.5. Post 19, the funding landscape looks particularly challenging, with the SFA modelling reductions of between 10% and 25% over the next four years. This is in addition to the reductions applying for 2010-11 which on average are 17% for Hampshire colleges and providers. At the same time, Government policy is seeking to free up colleges and providers and to allow greater

flexibility in the use of separate budget lines. This already applies to good and outstanding institutions. These flexibilities, however, will apply to a reducing budget overall.

- 5.6. The future impact on colleges and providers is anticipated to be significant, with an assumption that the sector will feature a greater number of providers facing significant financial challenge. More are likely to seek to form formal collaborative arrangements and merge. The Skills Funding Agency is already modelling such processes. This has not been a particular feature in Hampshire, where there has been one college merger since incorporation in 1992, but is likely to be more common in the future. This raises a concern regarding the Council's college and training provider base, which is likely to reduce.
- 5.7. The interdependency between each college's 16-18 and adult programmes is a particular issue. Few institutions run these programmes in complete isolation of each other. There are often shared facilities and shared staffing for example. A real reduction in funding post 19 is likely to have an impact on overall college staffing and resource budgets.
- 5.8. Within this context, Hampshire County Council retains a key role in driving forward the wider skills agenda, post 14, post 16 and post 19. Its strategic influence needs to be vigorously exerted through the emerging Local Enterprise Partnership, its position as a major employer and contributor to the local economy, and its role, potentially, as a direct provider of skills development.
- 5.9. Essential to the development of skills is a continuing dialogue with schools, colleges, other providers and business to develop a shared vision for a skills strategy for Hampshire. The Hampshire Economic Assessment is a very good starting point for discussion. It provides the baseline data for the development of a work programme that seeks to develop the right skills, including crucially entrepreneurial skills, in the right areas of the county. That programme needs to be jointly designed and implemented by key partners.

6. Recommendations

- 6.1. That the content of this paper and the emerging skills landscape, particularly in relation to funding, the impact on colleges and other training providers and on the role of the County Council be noted.
- 6.2. That the continuing dialogue between schools, colleges and other training providers, business and the County Council in the development of a skills strategy for Hampshire be supported.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	No
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Reductions in Government funding for post 19 skills development are likely to impact differentially. In particular, there are risks to the quality of provision for young adults with learning difficulties and/or disabilities.
- 1.2. It is also important that 14-19 consortia continue to make appropriate curricula available for young people so that they remain engaged in education and/or training. Failure to do so is likely to impact more on young people living in relative poverty.

2. Impact on Crime and Disorder:

- 2.1. There is a correlation between a well educated and skilled population and low crime rates. In that sense the development of appropriate curricula, skills provision and apprenticeships is important not only in the context of economic development but also in the context of reducing crime and disorder.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not applicable.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.

Roles and Responsibilities

1. The Apprenticeships, Skills, Children and Learning (ASCL) Act (2009) introduced a significant change in the national arrangements for the commissioning and funding of both post 16 and post 19 skills provision. It brought about the dissolution of the Learning and Skills Council (LSC) on 31 March 2010 and, as part of the Machinery of Government (MOG) programme, the transfer of responsibility for planning and commissioning 16-18 provision (excluding Apprenticeships) to Local Authorities, who are supported to deliver this new responsibility by the Young People's Learning Agency (YPLA), an Executive Agency of the Department for Education.
2. From 1 April 2010, the Local Authority has been responsible for the planning and commissioning of all 16-18 provision, excluding apprenticeship. As 'sponsoring agency' it is also responsible for the performance management, including the financial performance management, of sixth form colleges (of which the highest concentration in the country – eight – is in Hampshire), school sixth forms (eight in Hampshire from September 2010), and those 16-18 training providers offering post 16 Foundation Learning (formerly e2e) for which the Local Authority is the lead commissioning body (six in Hampshire). General FE Colleges are performance managed by the Skills Funding Agency and not the Local Authority. Where the Local Authority has concerns regarding the 16-18 performance of a General FE College, this is raised in the first instance with the Skills Funding Agency.
3. The Local Authority remains responsible for ensuring that a broad and accessible curriculum is available to all young people, and the Hampshire Post 14 Strategic Board has affirmed its commitment to improving young people's participation, progression and attainment. The Government has removed the entitlement to Diplomas which was due to be implemented from 2013, although schools and colleges are encouraged to offer them if they wish. Good progress had been made via the Diploma Gateway Process in Hampshire and this will continue to benefit young people, post 14, by broadening the range of vocational provision available at Key Stage 4. A number of Key Stage 4 alternative programmes continue in 2010 -11, including a Targeted Foundation Learning programme and an expanded Young Apprenticeship offer, which it is hoped will support progression to full Apprenticeship post 16.
4. Until Government announcements on 27 July 2010, the Local Authority was also responsible for the direct funding of colleges and training providers' 16-18 provision, passporting funds from the YPLA, and financial assurance. This has now reverted to the YPLA, meaning that the Local Authority will have no grant of contractual agreement with colleges and training providers for their mainstream 16-18 provision.
5. From 1 April 2010, the Local Authority also became responsible for the planning – but not commissioning – of independent specialist college placements for young people, 16-24, who have a learning difficulty and/or disability (LLDD) and who are subject to a Learning Difficulties Assessment.

The budget for this provision, about £4.4 million for Hampshire from a total £35 million budget for the SE Region in 2010-11, is retained by the YPLA who contract with independent specialist colleges, based on agreed Local Authority plans. It is worth noting that, whilst internally Children's Services are aligning processes, this process operates separately to that for post 16 placements for young people who remain subject to a Statement of Special Educational Needs until they are 18 and who attend a Special School Sixth Form, including those out county placements. These are funded via a YPLA direct SEN Block Grant, £3.5 million for Hampshire in 2010 -11. A Government review of all Post 16 SEN and LLDD processes and budgets is due in 2010. The figures quoted exclude the direct Additional Learning Support (ALS) allocations to FE Colleges to support young people who access mainstream FE provision and who have an additional learning support need, including LLDD, approximately £8.9 million in 2010 -11.

6. Post 19, the Skills Funding Agency (SFA) was established as a Directorate (ie not a Quango) of the Department of Business, Innovation and Skills (BIS) with responsibility for the planning and commissioning of adult and employer skills provision, including adult and community safeguarding provision.
7. The SFA also houses the National Apprenticeship Service (NAS), which was established on 1 April 2009. NAS has its own Chief Executive and a remit to affect the supply and demand for apprenticeships in pursuit of the Government's policy to increase significantly the number of apprentices, and reach the specific target set by the Leitch Report into Skills of 1 in 5 young people, 16-18, undertaking an apprenticeship. The current picture is closer to 1 in 15, and in Hampshire 1 in 10, although this includes MoD Apprenticeships. NAS does not commission or manage the performance of the provision for apprenticeships. This is undertaken by the SFA, direct.
8. As part of the MOG programme, ten staff transferred to Hampshire County Council's Children's Services Department – three based in area teams, two in Finance, one in Health and Safety, and four in the central Post 14 Learning Team. The SFA and NAS currently retain a presence in Hampshire and are based at the former LSC offices in Segensworth, Fareham.
9. The Government recently announced that, as part of a package of changes designed to simplify the post 16 landscape, it was removing the requirement for Local Authorities to operate in Regional Planning Groups. However, the South East is likely to retain some form of regional structure, particularly relating to LLDD. The Government also removed the requirement to have a Sub-Regional Group. Hampshire operated within the Hampshire, Isle of Wight, Portsmouth, and Southampton sub-regional group, which will be continued on a less formal basis to reflect historical travel-to-learn patterns, post 16.

Funding

1. As is the case across the public sector, the funding landscape for post 14, post 16 and post 19 skills is being affected by reductions in Government funding. This is particularly the case post 19.
2. Post 14 funds, such as the 14-19 Flexible Fund for which the original budget was £358,000 in 2009-10, and the Local Delivery Support Grant which was reduced from £863,000 to £685,000 for 2010-11, have been used effectively to support post 14 working in Hampshire, including the development of a vocationally-based curriculum and support to post 14 consortia. 14-19 consortia will also benefit from a further £140,000 funding from Schools Forum in 2010-11. Already reduced in-year, it is anticipated most post 14 grants and programme budgets will reduce further, if not be removed, from 2010-11, making it much more difficult for schools and colleges to provide the kind of curriculum that will meet all needs.
3. Post 14, a £574,000 Targeted Foundation Learning programme will target young people, 14-16, who are at risk of not attaining at the end of Key Stage 4, limiting their options post 16 and increasing their risk of becoming NEET. The additional funds will be used to provide an alternative skills-based offer. Also, an expanded Cohort 7 14-16 Young Apprenticeship programme, valued at £357,000, will run in 2010-11. This includes a new partnership offer in the New Forest led by Brockenhurst College, offering construction. Children in Care will also be targeted for the new offer.
4. Post 14, the Local Authority will commission a £880,000 work-related and enterprise education programme for young people at Key Stage 4. The majority of these funds will be used to offer the statutory work-related curriculum for young people that includes work placements and work experience blocks. Other activities include area Skills Events and employer engagement, working with schools to engage with employers to support awareness of the world of work, and the development of wider employability skills.
5. Post 16, for the academic year 2010-11, a total of 39,101 16-18 places have been commissioned in Hampshire. This includes 37,245 in colleges and training providers (note that some training providers deliver outside Hampshire also) and 1,856 places in Hampshire School Sixth Forms. The total funding value is £193.8 million. This includes £8.9 million Additional Learning Support and £8.9 million for School Sixth Forms. The figures exclude specialist LLDD placements and the SEN Block Grant and non-formula funding from the YPLA such as Young Apprenticeships and Education Business Link.
6. Post 19, the college and training provider sector, as well as adult and community learning providers such as Hampshire County Council, are facing reductions in their allocations from the SFA in 2010 -11. The Adult Learner Responsive (mainly accredited, skills-based provision allocations for

Hampshire-based providers) will reduce from £24.27 million in 2009-10 to £20.08 million in 2010-11, a reduction of £4.19 million, 17.3%. An immediate impact of this has been a reduction in the availability of post 19 specialist LLDD provision, as well as an overall reduction in the volume of skills provision offer.

7. Post 19, adult and community learning allocations (mainly non-accredited, community based learning) are reducing from £2.77 million in 2009-10 to £2.42 million, a reduction of £350,000, 12.7%. Of the £2.42 million, the 2010-11 allocation to Hampshire County Council (Hampshire Learning) is £1.81 million. The balance is shared between Basingstoke College of Technology, Brockenhurst College, Eastleigh College, Sparsholt College, Peter Symonds College, Totton College, and St Vincent's College.
8. Based on the latest information from the SFA (end July 2010), on a like-for-like basis, allocations for Hampshire-based providers of post 16 apprenticeships will increase from £9.87 million in 2009-10 to £11.19 million in 2010-11, an increase of £1.32 million, 13.4%. This is not a complete picture as apprenticeship allocations are not area-based and so the quoted figures will not include national providers operating in Hampshire, including the MoD, or Hampshire learners accessing apprenticeship provision outside the county. However, the increase in investment does reflect the increase in apprenticeship opportunities being made available.
9. Based on latest information from the SFA (end July 2010), on a like-for-like basis, allocations for post 19 adult apprenticeships and, for 2009-10, the Train to Gain programme, will reduce from £3.05 million in 2009-10 to £2.72 million in 2010-11, a reduction of £330,000, 10.9%. As with post 16 employer-responsive provision, this figure does not represent the full level of apprenticeship opportunities that will be available in 2010-11 as allocations are not area-based. It is also anticipated that the allocation for 2010-11 will increase, post 19, as a result of the ending of the Train to Gain programme and funds being switched by the SFA to Adult Apprenticeships.