

**department for
children, schools and families**

Department for
**Innovation,
Universities &
Skills**

To:
Chief Executive of the Learning and Skills
Council; Chief Executives of Local
Authorities; the Joint Chairs of the
Association of Directors of Children's
Services; the Local Government
Association; provider representative bodies;
learner/employer representative bodies;
providers

From:
Ed Balls, Secretary of State for
the Department for Children
Schools and Families and
John Denham, Secretary of
State for the Department for
Innovation, Universities and
Skills

27 November 2007

MACHINERY OF GOVERNMENT CHANGES: THE WAY FORWARD

Dear *Colleagues*

The creation of the new Departments for Children, Schools and Families and Innovation, Universities and Skills gives us a tremendous opportunity to develop new and innovative ways of tackling education and skills challenges and strengthen support for young people and adults. The achievements of the Learning and Skills Council and the broad base of post 16 providers in delivering for young people and adults provide a strong foundation on which to build this effort.

The Machinery of Government changes which announced the transfer of funding for 16-19 year olds from the LSC to Local Authorities signalling a fundamental change in the way that the 16-19 system will operate, also give us the opportunity to consider how the post 19 system could be further reformed.

It is helpful to set out our central purpose in making the transfer for 16-19 funding. We aimed to do three things:

Firstly, to place leadership of the system, accountability for outcomes, duties and the funding to deliver, at a local level. It is only locally that real effective planning to meet the needs of young people can happen. It is critical that Local Authorities are given the responsibility and duties to deliver for all young people 0-19.

Secondly, in the context of the Sub National Review of economic development and regeneration, to encourage a mixed economy of sub national and regional planning across the country providing for all young people moving across boundaries. This must

enable those Local Authorities who are already on a path to joint working, Multi Area Agreements or sub national commissioning structures to continue to strengthen these arrangements. And it must support those large counties who wish to deliver largely within their own counties. This must strengthen, not weaken, regional strategic planning linking with the outcomes of the Regional Development Agency.

Thirdly, there is undoubtedly a national role. For example, only at a national level can we deliver learner support, manage the data systems and administer funding. There is a quality and monitoring role which must be consistent with the National Indicator Set and the Local Government White Paper.

We are delighted to be working so closely with the Learning and Skills Council, with the Association of Directors of Children's Services and with the Local Government Association in planning and managing any changes.

Together, we have developed the principles which will guide our decision making about both the pre and post 19 systems and these are attached in the annex to this letter for your consideration. These principles are developed firmly in the context of the Sub National review.

We are determined that, in line with our shared commitment to the learning and skills agenda, in making these changes we will not detract from the need to deliver better outcomes for young people and adults in the system now and in the future. We have announced our intent to raise to 18 the age at which all young people must participate in education and training. In delivering this we will put in place a full qualifications and curriculum offer including an entitlement to all Diploma lines and to apprenticeships with support and information advice and guidance for all young people.

For adults and employers, the purpose of any change must be to enable more effective delivery to the benefit of employers and individuals. There are extensive changes planned to the Post-19 landscape including the establishment of the UK Commission for Employment and Skills and the reform and re-licensing of Sector Skills Councils. This is set alongside the rapid expansion of Train to Gain and Skills Accounts, a new adult careers service and the integration of employment and skills services. The post 19 principles reflect a position where the overwhelming majority of funds are routed through Skills Accounts and Train to Gain.

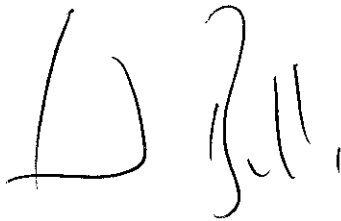
We have said that the Machinery of Government changes will be subject to full consultation. This will start early in 2008 and include regional events to make sure those who have a personal or professional interest will be able to participate fully. The joint consultation will be set alongside the review of Schools funding which is also planned for the Spring.

Both Departments will be working closely with the LSC to manage the transition period closely, in line with the outcome of the consultation document. Over this period we will want to retain the valuable expertise of as many LSC people as possible and the LSC will be communicating and consulting with their staff and their representatives. We strongly endorse the discussions already under way between the LSC, ADCS and LGA on a framework for effective transition arrangements, which will enable the LSC and Local Authorities to deliver on the policy intent of the 16-18 transfer, pending required legislation. We would want to see the DCS in each Region working with the LSC

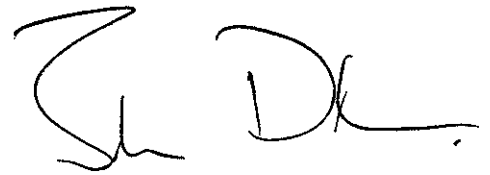
Regional Director to take forward how they will work even more closely together as we move towards the new arrangements, so that the staffing, expertise and resources of the LSC will support local authorities individually and collectively in building their capacity and taking on their new role.

We look forward to working with you and your organisations in continuing to make a world class education and learning system a reality for all young people and adults.

Yours

A handwritten signature in black ink, appearing to read 'Ed Balls'.

ED BALLS MP

A handwritten signature in black ink, appearing to read 'John Denham'.

JOHN DENHAM MP

Annex 1: Underpinning principles

Principles shared across pre and post 19 systems:

- Decision making, accountability and funding rules must be transparent and equitable;
- They must have a clear focus on quality and respect our aim that the quality of the learner's experience is our ultimate goal;
- They must make sure the funding follows the learner's choice;
- They need to respect our aim that providers of all types can benefit from processes which are as simple and straightforward as possible, and which provide coherence for providers which span different areas and age groups;
- They must secure for providers greater autonomy to act on behalf of learners within the national frameworks, and that any intervention is proportionate to under-performance; and
- They must secure good value for money in the allocation and use of public funds.

Principles pertinent to the 14-19 system

- It must link effectively to pre 14 and post 19 provision, providing clear progression, choice and an 'end to end view' for learners;
- It must secure delivery of the 14-19 entitlement, Apprenticeship entitlement, Raising of the Participation Age and September Guarantee in and across Local Authority boundaries;
- It must be able to target and support those Young People most in need;
- It needs to take account of the differing needs in different geographical areas, and areas should have a say in how this works for them;
- It needs to embody the principles of the Further Education Reform White Paper *Raising Skills, Improving Life Chances*, including comparable funding for comparable activity;
- It sees the Local Authority taking the overall strategic lead for the planning, commissioning and delivery of 14-19 education and training within a local area;
- It makes sure the Local Authority coordinates its activities with other Local Authorities and in relation to institutions serving two or more areas at a sub national level to enable delivery of cross border provision for young people;
- It applies a funding model based on where young people participate in learning, but also allows LAs to discharge their responsibilities under the Children Act;
- It needs to recognise the autonomy of all providers, a commitment to enable their greater self governance, and the development of the FE sector as a whole;

- It needs to provide a national accountability system and performance management regime and will operate a national, not local, funding formula.

How this might work in practice:

The expected broad shape of the system will be of a national commissioning framework, supported by a 14-19 funding system (to be considered within the Schools Funding review in the Spring).

It is expected that the Local Authority will need to manage the interplay between a coherent supply side delivering the range of curriculum offer to young people – Diplomas, Apprenticeships, general qualifications – and rigorous and challenging demand where young people are focused on participating in the right learning, in the right place for them.

A role for authorities working together sub-nationally and for regional and national functions is expected. The best spatial level for each element of the new arrangements will need careful exploration and we will wish to discuss specifically with Local Authorities which activities and services are best undertaken collaboratively.

The arrangements for managing the supply and performance will need to articulate across pre and post 19 systems.

Principles pertinent to the post 19 system

- Put users' needs first: The reformed Post-19 landscape must give priority to meeting the needs of learners and employers, consistent with the Government's establishment commitment to a demand-led approach.
- Focus on delivery: World Class Skills set out a very ambitious programme for adult skills policy, building on Government's Skills Strategy. Changes that are made to the post-19 landscape must improve – rather than hinder – the prospects for achieving the ambitions set out therein;
- Be simple and clear: The training and skills system is recognised to be complex and difficult for service users to understand. We will look for opportunities to simplify, while setting clear settled definitions of the roles and responsibilities of each body and ensuring these are clearly communicated;
- Be flexible and responsive: The landscape must be adaptable to future economic and social developments. Customer choice and feedback mechanisms from customers to providers and system leaders must be strong and have real impact in determining future funding allocations. The system must have flexibility built in, so that it can renew itself and not become redundant;
- Support and maintain services to deprived communities: As well as being responsive to changing social and economic demands, the post 19 system will continue to deliver services to deprived communities making sure they are able to participate fully in learning and skills activities for social and economic gain;

and will do this with due regard to Local Strategic Partnerships and the contents of Local Area Agreements;

- **Work in co-operation:** The bodies in the landscape must work together to deliver the skills employers need for productivity and the skills individuals need for employment and progression. There must be better integration of employment and skills programmes. The interface between FE and HE should be improved for the benefit of individuals and employers;
- **Be administratively simple and efficient:** The overall transactional costs – including the degree of bureaucracy and specification within the planning of provision – should see a net decrease and value for money must be protected;
- **Embrace self-regulation and governance:** The existence of strong, autonomous and self-improving FE providers should be supported; it is better that institutions self-regulate within a clear framework of national strategy and targets;
- **Make joined-up use of structure:** post-19 commissioning structures will be aligned with those for 16-19 arrangements;
- **Aid integration:** Apprenticeships must be fully integrated into both pre and post 19 arrangements; and
- **Ensure fairness:** There must be a level playing field for different types of provider of adult education and training programmes.