

The Lyons Review: Issues for 16 – 19 LSC funding

Policy briefing outcomes note

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The Campaign for Learning's policy briefings respond quickly to the publication of key policy papers and leading policy issues and offer essential information and analysis to inform the work of policy makers and practitioners. This paper provides a summary of a recent policy seminar on the Lyons Review: Issues for 16 – 19 LSC funding led by Mark Corney

Introduction

The Lyons Inquiry was set up in July 2004 “to consider the case for changes to the present system of local government funding in England and make recommendations including on the reform of council tax.” That remit was extended just over a year later to include looking at “the function of local government and its future role as well as how it is funded.”

In December 2005, the Inquiry published an Interim Report and Consultation Document and six months later in May 2006 a full Report under the heading '*National Prosperity, Local Choice and Civic Engagement*.' This identified the need for greater local choice as opposed to more central control and challenged both central and local government to set the conditions for this to happen. Central government should 'clear the space for effective place - shaping by setting fewer and better focused targets' while local government should pick up the mantle of such 'place - shaping' by 'ensuring stronger leadership, closer engagement with local residents, effective partnership working with other services and the business community, and a consistent commitment to efficiency and cost effectiveness.'

The Lyons Inquiry has not, however, been going on in isolation. Alongside it has been a number of other Treasury commissioned reviews including notably the Edington Review on transport, the Barker Review on planning and land use and the Leitch Review on skills. In December, the Chancellor and the Secretary of State for Communities and Local Government asked the Lyons Inquiry to pull together the implications from these other reviews and identify what impact if any they had for deliberations on local government in England.

On 11 December 2006, the Lyons Inquiry published a brief Consultation Paper. This recognised that the three reviews mentioned above presented a series of issues about the future governance, convening and funding of local services and posed a set of questions for stakeholders under each of these headings. Behind the specific questions lay two general issues; firstly whether Local Authorities have the powers they need to 'place - shape,' particularly in being able to pursue economic prosperity, and secondly, given that economic activity is no respecter of admin boundaries, what the implications might be in different parts of the country of some of the changes being proposed.

The closing dates for responses to this latest Lyons Consultation was 19 January 2007 – the very date on which this seminar was held. This was therefore a very propitious time to consider not just the Lyons Inquiry itself but also some of the other review activity going on such as Leitch and in addition currently, the Review of Sub National Economic Development and Regeneration and of course the Comprehensive Spending Review.

Amongst all these reviews, one question is concerning many people and that is where responsibility for 16 – 19 funding should lie; with the LSC, Local Authorities or perhaps even a newly constituted body yet to be invented? It was around this particular question that Mark centred his presentation and his summary of the Lyons Inquiry generally.

Mark Corney
Policy Advisor, Campaign for Learning

Mark's presentation was in three parts; an overview of the issues for 16 – 19 funding in the context of Lyons followed by an analysis of two specific issues, one looking at the specific relationship between Local Authorities and the LSC in 14 – 19 provision and the other at options available for redefining the relationships as a result.

I. Issues for 16 – 19 LSC funding. An Overview of the issues

Arguably there are four 'big ideas' for 14 – 19 education and skills at present being shaped in turn by four influencing themes.

The four big ideas include firstly the target set in the 14 – 19 White Paper and apparent as a key policy driver ever since, of a 90% learning participation rate by 17 year olds by 2015. This is a target that has moved up the political scale recently with, first the OECD revealing the enormity of the problem in the UK in comparative terms as against competitor countries and second official statistics revealing that, far from going down, NEET numbers have increased by 1% against a targeted reduction of 3% by 2010. The second big idea has been the Kelly style specialised Diplomas developed partly as a mechanism to encourage participation by young people. Third, and likely to form the basis of a Green Paper shortly, the proposal to raise the learning leaving age to 18, possibly by 2013 but as Leitch pointed out heavily dependent in turn on the Diplomas attracting interest as stepping stones to staying in learning. And the fourth big idea and the subject of this particular seminar was that of developing a coherent funding system to be able to support 14 – 19 provision and whether this should be managed by the LSC or by Local Authorities. Leitch had not favoured shifting 16 – 19 funding away from the LSC but the Lyons Inquiry might.

As to the four shaping themes, these include the Chancellor's commitment to close the capital funding gap between private and state education, the emergence of a diverse school sector but now with increased autonomy, the push towards more devolution and decentralisation and the growing interest in Commissions as model for managing public services and apparently in the Chancellor's mind at present.

All of these, the big ideas and their shaping themes, sit within a chronology that suggests the Chancellor potentially taking over as Prime Minister some time between the March 2007 Budget and the July 2007 Comprehensive Spending Review, leaving him two, or at best, three years to make his mark before the next election.

That at least is the wider context. For the present, the LSC funds 16 – 19 provision in cash terms to the tune of £6bn; this is spread fairly unevenly between three constituencies, schools sixth forms, 16 – 19 FE and 16 – 18 work based learning. Leitch has offered three steers; don't chop and change, modify but don't remove the LSC and where possible build on existing structures.

The Government seems to want the 14 – 19 agenda to be more closely integrated with the wider Every Child Matters agenda but this would require some redefining of the LSC – Local Authority relationships. This is where the Lyons Inquiry comes in. "I am interested" Sir Michael Lyons wrote in his most recent consultation, "in the nature of the Local Authority strategic leadership role and what it means for the relationship between Local Authorities and the LSC and how these relationships might develop in the

light of the Leitch Review recommendations.” He went on to talk of various possible options from leaving things as they are, to improved partnerships, to strengthened Local Authorities and even, enigmatically, to strengthened responsibilities “elsewhere.”

The key assumption for this seminar was that actually there was no where else to go, no new 14 – 19 Funding Agency, no new LSC funding arm and that this left the Local Authority as the likeliest option for 16 – 19 funding.

But it’s a complex area. At a Government level there are two different departments involved, the DfES and the DCLG, while at an institutional level we have Local Authorities with responsibilities for children’s services and Children’s and Young People’s Boards, the LSC responsible for Local Area Partnerships for 14/16 – 19 and now emerging and in different forms, 14 – 19 provider collaboration. On top of that there are over 5000 providers in scope, often very diverse and different by region, completely dominating some Authorities, for instance, but not all.

Current principles for public funding of 14 – 19 provision are threefold. Firstly an entitlement to free provision up to a first Level 3 by age 19 and from 2007/8 age 25; secondly for learning that takes place outside the school, typically on a college or work based premises, to be purchased by the school; and thirdly, for the state to provide some financial support for learning in the form of EMAs and Child Benefit.

At this point, Mark moved into parts 2 and 3 of his presentation which in each case took the form of a proposition followed by round table discussion about the possible ramifications.

II. Local Authorities, the LSC and 14 – 19 provision

The proposition here was that in the light of the questions in the Lyons Inquiry, there would be not one but two possible Commissions, one covering education ages 3 – 19, led by Local Authorities and incorporating the LSC 16 – 19 budget and the other covering adult employment and skills, fuelled through SSCs and Employment and Skills Boards and the LSC adult budget.

Such a proposition raised a number of questions, the first four of which were posed by Mark and the rest from round the table in wider discussion as follows:

- What extra steps need to be taken to ensure that there is greater co ordination of the children’s agenda and the 14 – 19 phase?
- Should Local Authorities rather than each secondary school act as the purchaser of provision for young people on other sites?
- Do Local Authorities require further powers over and above their strategic lead partner role in 14 – 19?
- What might be the relationship between Local Authorities/Local LSC Area partnerships and any proposed Commission?
- What is the job to be done by funding at a local level; is it to manage growth or to purchase allocations?
- A key issue, surely, is how to engage the disaffected; that must surely be one of the defining criteria – what would work best to engage them?
- A further key issue is clarifying who pays what and why; what should the balance be between the state, the employer and the individual?
- And another important key issue is that of local democracy and how to preserve that within a competitive climate

- The LSC's recent demand led funding Paper suggests that neither the LSC nor Local Authorities will have a great planning role – rather their job will be to ensure choice of provision is available and that funding follows the learner

III. Other Options

Under other possible options, one proposition has already been put forward and attracted considerable publicity and that was from the Think Tank IPPR last year in the publication *Choosing to Learn*. This proposed that funding should be transferred to Local Authorities not just for 16 – 19 provision but for provision up to age 25. This was to tie in with the fact that 25 was increasingly becoming the age when the state ceded financial interest and entitlements ceased, to be replaced by personal responsibility. The Local Authority would remain as strategic commissioner for learning up to that age with a statutory responsibility for learners aged 19 – 25 with disabilities.

Such a proposition would have the effect of bringing together a number of streams of activity from young people's services, to apprenticeships to career guidance within a single funding agency in turn linked to a single inspectorate. It has the virtue therefore of simplicity and neatness.

However there would be downsides. It would need to bring together two different funding methodologies, the DSG for schools and the LSC for post 16. Secondly it would create difficulties for FE in that the sector would need to deal with two different funding councils, one for below 19/25 and one for learning above that age. It would also split FE capital budgets and run the risk of creating further instability in an already complex and diverse sector. Thirdly, it could create a similar range of problems for work based learning in that this too would be spread across two separate regimes. One possible solution to this might be a 14 – 25 funding agency, one that could pick up work based, apprenticeship and 19 – 25 FE provision; a proposal that had been floated by Chris Humphries when he had chaired the Skills Task Forces under David Blunkett.

All such proposals impact on Local Authorities in some way and could have unintended consequences such as an historical bent towards schools at the expense of colleges. Three options Lyons might want to consider include establishing a dedicated 16 – 19 grant along the lines of the Dedicated Schools Grant, establishing a similar dedicated grant but split between three blocks of schools sixth form, 16 – 19 FE and 16 – 19 work based learning, and establishing a dedicated 14 – 19 grant with funding following the learner and overseen by an Education Commission.

Again, such a proposition raised a number of questions, the first three of which Mark raised, the remainder coming from around the table:

- Does the assumed Diploma entitlement in 2013 and assumed statutory learning leaving age in 2013 make the case stronger for Local Authorities to be the single 11/14 – 19 funding agency?
- Would such a proposal be good for local democracy but bad for education and skills?
- What role might an Education Commission play?
- Do we have a strong enough infrastructure to be able to determine national rates?
- Should we be thinking in terms of programme offer rather than individual learners?
- What value does greater devolution bring and how can that be used?
- It's important to remember that employers, like learners, do not work in set boundaries, they work across territories and boundaries
- How far will regional or local Employment and Skills Boards really reflect the voices of employers? What incentives will there be for them to get involved?

- The big need is to free up opportunity and access and an obsession with structural change and models may not be helpful in this regard because it starts at the wrong place, namely the model rather than the learning opportunity

Further Information

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