

20 May 2009

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## Skills Funding Agency

### Summary

Ministers are changing their approach to post-19 skills funding. The White Paper vision was of a light-touch Skills Funding Agency with few staff whose focus would be on paying the bills for a demand-led skills system driven by local learners and providers. The government is now anticipating setting up an activist agency with many staff and a remit to intervene on the ground. The original vision fitted well with our own approach to local decision-making and partnership. The new prospectus threatens to replicate most of the features of the Learning and Skills Council which brought it into conflict with councils. The LGA should highlight the risks to effective delivery that this would involve.

### Recommendations

We should continue to advocate for a sub-regional approach to adult skills based on strong partnership and caution against an overlarge, over-interventionist new agency.

### Action

Members and officers to put this case forward in discussions with the government and others.

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### Issue

1. Ministers are changing their approach to post-19 skills funding. The government is now anticipating setting up an activist agency with many staff and a remit to intervene on the ground. The original vision fitted well with our own approach to local decision-making and partnership. The new prospectus threatens to replicate most of the features of the Learning and Skills Council which brought it into conflict with councils. Should we be concerned?

### Recommendation

2. Initially, officers should make clear to DIUS at official level that we have grave concerns at the government's apparent change of policy. If this does not deliver a more acceptable prospectus for the new Agency, we should rapidly escalate our concerns to political level.

### Background

3. The government intends to abolish the Learning and Skills Council from April 2010. Its funding for 14-19 education and training will be devolved to councils working in sub-regional groups through a new Young People's Learning Agency. Its funding for post-19 training will mostly be delivered through a new Skills Funding Agency<sup>1</sup>. These arrangements are being set up through the Apprenticeships, Skills, Children and Learning Bill which received a Third Reading in the House of Commons on 5 May.
4. We are broadly happy with the YPLA model. Through the REACT programme, housed within LGA, we are working with councils to put in place new arrangements for pre-19 education and training. This commissioning will be done through sub-regional groupings of councils based on actual patterns of "travel to learn".
5. We were also initially content with the SFA model proposed by the government. This had the following features:
  - the post-19 skills model should be demand-led and based principally on Train to Gain – which funds training demanded by employers – and Individual Learning Accounts – which fund training for individuals;
  - the role of the SFA would be to operate those funding mechanisms;

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<sup>1</sup> Funding for informal adult learning will be devolved for local commissioning through LAAs. This was an LGA lobbying success.

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- at national level, forecasts of demand would be established by the national Commission on Employment and Skills;
  - at regional, sub-regional and local level, there would be the possibility of identifying demand through conversations with employers in Regional Skills Partnerships, Employment and Skills Boards (such as exist in London and Manchester and are proposed in several MAAs), and LAAs;
  - the SFA would have a light-touch role to intervene only where these mechanisms for matching supply and demand were not working.
6. The Bill provides for the SFA to be a named partner in LAAs, and for its functions to be carried out by sub-regional partnerships where the Secretary of State designates a partnership to do that.
  7. This model was acceptable to us because it ensured that decisions about intervention to match supply and demand locally – to the extent that any were needed at all – would mainly be made locally. It also suits the main providers, especially colleges, who are understandably keen to be freed from heavy-handed intervention from above.
  8. It has recently become clear, however, that DIUS and its Ministers are seeking a far more activist role for the SFA than originally envisaged. This in part reflects the government's desire to be seen to be intervening actively in response to the recession. It also, we believe, reflects reluctance by existing LSC personnel to see the agency's proactive local role reined in. The current proposals would see the agency employing a very large number of staff.
  9. This is worrying, as it reads like a recipe for conflict with existing local and sub-regional partnerships. The current version of the SFA's prospectus also significantly omits to mention the role of MAAs and LAAs, or any of the Bill's provisions which allow the devolution of the Agency's functions to sub-regional partnerships. Our concerns are, we understand, shared by many in the FE college sector who have been seeking a less interventionist approach from central government and are attached to a more demand-led model.
  10. We would find it very helpful to have members' confirmation that the LGA should continue to argue for
    - a light-touch SFA which does not see itself as a an active interventionist in local situations;
    - a clear commitment from government to the devolutionary model sketched out in the Bill and reflected in signed MAAs such as Greater Manchester's.

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