

2015/20

23 July 2015

Pocket Watch – Dog days for FE?

Introduction

It's been a tough week for FE with difficult questions flying around about its long-term funding and positioning. FE is nothing however if not resilient and as the Minister explained in his end-of-term letter to the sector this week, it has a major role to play in helping deliver a range of essential skills, the 3m apprenticeships, parts of the Productivity Plan and probably much of the anticipated L4/5 provision. That's as maybe but these are clearly difficult times. Here's a summary of what's been a potentially defining week for the FE sector.

What's been happening around funding?

As an unprotected area, FE has been pretty much under the funding cosh since 2010 if not before but there've been three major developments this week that have heightened concerns.

First the Funding Agency **announced** that it was going to have to introduce an immediate 3.9% cut in non-apprenticeship and discretionary learner support allocations and also withdraw funding from mandated ESOL provision. FE's not alone in having to take a hit, HE has had to do much the same as the Dept strives to meet the extra £450m demanded by the Chancellor from this year's budget allocation. Colleges have been granted a couple of months grace to assess the implications before submitting their latest financial plans but with 16-19 funding still facing difficulties, it could mean some deft footwork on institutional plans is needed.

Second, the National Audit Office published its promised **report** on the financial health of the FE sector and emerged shaking its head. Broadly, the financial pulse of the sector wasn't as sound as some forecasts and college plans had been hoping for, financial problems had been building up for some time, a number of colleges were struggling and the fear was that as many as 70 could be in dire financial straits by the end of the 2015/16 financial year. Most people familiar with the sector would recognise the scenario identified in the report: "*reductions and changing priorities in public funding, falling numbers of 16-18 year olds, and more competition from schools and universities have combined to create a challenging educational and financial climate for many colleges.*" The report clearly laid bare some of the issues and it was no wonder that the new Chair of the Public Accounts Committee described it as "deeply alarming."

Third, the Chancellor confirmed that he was looking for further cuts as he launched the process for the latest **Spending Review**, the outcomes of which will be announced on November 25. In essence, the government is looking for a further £20bn of cuts in public spending, some of which will come through the sales of public sector land, the integration and devolution of services and the ubiquitous 'efficiencies' but the rest from Dept savings. As with the 2010 Review, Depts have been asked to model best and worst case scenarios of 25% and 40% 'savings' respectively. BIS has already offered up HE maintenance loans and proposed an employer's levy for apprenticeships while the sector has taken a hit on non-apprenticeship adult skill funding and had to accept pay rises restricted to 1% for four years. The hope is that with more time granted for meeting the surplus target and the economy strengthening, the pain will be limited but it'll be well into November before the bargaining is complete and the results known.

So what did the Minister have to say in his latest end-of-term letter?

Three things stood out from this **letter**. First was the Minister's acknowledgement that the current cuts amounted to 13% of what was currently being expected from BIS, a sharp reminder of the bigger picture.

Second, he underlined the importance of the proposed new area-based reviews, launched in a short BIS **Paper** at the start of the week and likely to have significant impact on post-16 college provision in the future. The procedure is not new, it was used under the LSC and has already been applied to college provision in East Anglia, and once rolled out from September will apply

across all regions but is clearly being used to bring a sense of order and focus to what has been allowed to become a chaotic area of provision. As the National Audit Office noted in its report: "*many colleges are competing for fewer students against an increasing diversity of provision...for example, around 300 schools, including academies and free schools have opened new sixth forms in the past five years and many schools are trying to retain 16-18 year olds.*" The government is hoping that "*these reviews will provide an opportunity for institutions and localities to restructure their provision to ensure it is tailored to the changing context*" or in plain speak create: "*fewer, often larger, more resilient and efficient providers.*" The FE Commissioner's recent report provides a number of models, federations, partnerships, collaborations and so on, but it'll be up to local steering groups to determine best fit. The government wants to move fast and have the reviews completed by next March but this may be a tall order; the remit, framework and local structures required for carrying out such important reviews all need to be sorted first and there's a lot of local players and local agendas at stake.

And third a few interesting updates, notably for example the commissioning of further work on functional skills. This will be led by the Education and Training Foundation, will build on earlier reviews by both them and Ofqual, and aim to position functional skills as "*credible*" alternatives to GCSEs, something that will please many. That said, the government intends to align the new GCSE good pass in English and maths with the 16-19 English and maths funding condition over time. As for other things: the consultation on outcome based success measures has now moved to the autumn and a further update on the workforce strategy, especially the recruitment of English and maths specialists, is expected shortly.

What next?

It looks like a large chunk of colleges' time in the autumn will be taken up with the local area-based re-structuring process. Structures not standards? Perhaps but equally an opportunity to clarify and re-focus on who should be doing what at a local level and of course standards/quality expectations will never be far away. As the Minister put it, all colleges are expected to participate, not just those with financial or quality issues. The format and structure of these are not very clear at present and the government has promised more detailed guidance shortly but the issue will be how far school-based post-16 providers are involved in the process, only then can a genuine rationalisation occur.

Second, it's worth remembering that along with English and maths, funding for apprenticeships and traineeships remains 'protected' and what's called 'credible' growth numbers will be supported. The securing of apprenticeship numbers and the raising of achievement levels in English and maths remain important priorities for the government and if you factor in the growing interest in strengthening the higher-level technical route, the case for colleges with training providers, as all-through providers of skills solutions at both local and national level, becomes irresistible.

Third, we haven't even mentioned the social mobility agenda yet. It's the FE sector that provides much of the driving force for this, particularly for young people, as the current House of Lords Committee Inquiry is discovering. Pitch into that the latest earn or learn welfare reforms and FE offers a ready-made system for both social and economic recovery.

When you talk FE, you talk solutions.

Steve Besley
Head of Policy



Pocket Watches are intended to provide quick, informal updates on national developments. Information is correct at the time of writing and is offered in good faith. No liability is accepted for decisions made on the basis of information given.

Dog Days for FE July 2015