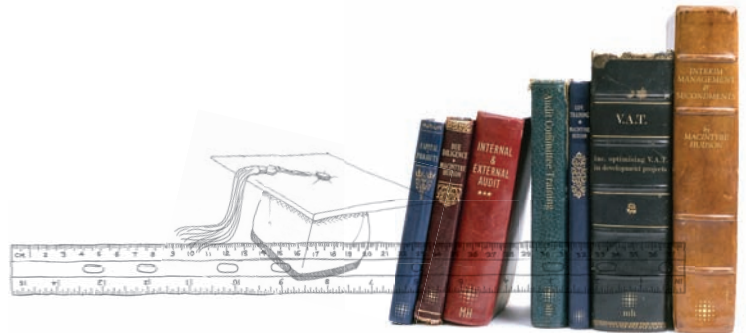




FE Digest

Summer 2010



FE Digest is an occasional review of press articles and other documents. Its purpose is to advise MH staff of current issues of importance or interest which may affect their work. It is also circulated to MH clients for their interest. **This edition makes reference to publications up to 30 June 2010.**

1. The oversight of FE

On 1 April the Learning and Skills Council (LSC) was replaced by two bodies: The Young Peoples Learning Agency (YPLA) and the Skills Funding Agency (SFA). Almost coincidentally the House of Commons Business, Innovation and Skills Committee published a critical report of the change finding itself:

- Having grave concerns regarding the likely effectiveness of having two organisations overseeing FE
- Unconvinced how long-term cost savings could be achieved by the replacement of one agency by two

and noting that

- The confusion over the reason for the reduction of 1.7% in the Adult Learning Responsive (ALR) budget, discussed in the April edition of the Digest, may be partly explained by the acknowledgement of Kevin Brennan, the former FE Minister that the restructuring of the LSC into two agencies was being paid for the “re-

prioritisation” of existing funds.

Prior to the election the Conservative Party, in the person of David Willetts, had declared an intention to replace both of these bodies by a Further Education Funding Council for England. The Liberal Democrats had also expressed a preference for different funding arrangements with the FSA being combined with the Higher Education Funding Council for England (HEFCE) to form a Council for Adult Skills and Higher Education (Cashe).

So far, no decision to pursue the matter seems to have been made by the new Government – although it could do so through the Public Bodies (Reform) Bill identified in the Queen’s speech. However, since the Academies’ Bill, also in the Queen’s speech, will retain the YPLA as the body which oversees the academies, at least the retention of the YPLA seems certain.

So, at least for the moment, **much of the funding for FE will be delivered through two agencies, which relate to two Government departments.**

Funding for 14-19 education will be overseen by the YPLA on behalf of the (new!) Department for Education and that for Adult Skills through the SFA on behalf of the Department for Business, Innovation and Skills (BIS).

The Secretary of State for Education is Michael Gove and Vince Cable is the Secretary of State for BIS and President of the Board of Trade. Key ministers in these departments relating to

the work of FE are likely to be Nick Gibb, Minister of State for Schools, and John Hayes, Minister of State for Further Education, Skills and Lifelong Learning – not David Willetts, which perhaps provides a clue regarding the lack of immediate action on the replacement of the YPLA and SFA!

Where funding arrangements will end up is open to conjecture. The BIS is said to be exploring options regarding the simplification of FE funding. Arrangements for the funding of schools and Higher Education (HE) will influence any decision.

2. The nature of this oversight

2.1 The National Commissioning Framework

The January 2010 edition of FE Digest noted the publication of a consultative document entitled the National Commissioning Framework (NCF). Following this consultation the final form of the document was issued by the YPLA in April – before the election!

The document confirms arrangements for the commissioning of education and training provision for 16-19 year olds, people up to the age of 25 who have been assessed as having learning difficulties and young people (10-18 years of age) in youth custody.

These arrangements do not seem to differ largely from those identified in the consultative document involving as they do

Local Education Authorities (LEAs), sub-regional groups (SRGs) and Regional Planning Groups (RPGs). However, the document does not make clear that the YPLA will:

- Aim to **redistribute funding** from providers which under-deliver on student numbers to those which can and do exceed on this indicator and
- Operate a **funding system which involves in-year adjustments.**

Providers (colleges) do not seem to have a formal role in the planning of provision. Perhaps unsurprisingly a paper written by Mick Fletcher on behalf of the 157 Group, and published in May, considers that they should have. The paper “Learning and Skills need local Leadership” refers to the intended operational arrangements of both the SFA and YPLA which **will restrict the ability of colleges to respond effectively and speedily to local needs.**

2.2 A new strategy for skills?

Greater flexibility for colleges to respond to learners and employers was promised by John Hayes, the Skills Minister, in June. Particular measures which he intends include:

- Greater powers of virement for most colleges over their funding allocations, which will make it easier to respond quickly to local demand
- Freedom from Ofsted inspections for “outstanding” colleges.

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These approaches to the provision of skills training are obviously much more to the liking of the 157 Group, and no doubt to most colleges.

Time will tell if this move for colleges to operate more independently will gain ground or if the very different styles of operation suggested in the NCF are to be the way of things for some time.

3. Funding: early government announcements

3.1 Initial cuts in government funding

FE did not suffer from the initial £6bn cuts made by the new Government: the money originally available to it remained in the system – although it may be redistributed.

3.2 Train to gain

John Hayes seems determined to reshape the use of the funding at his disposal. The whole Train to Gain initiative seems open to review. Already £200m of its funding (almost £1bn) has been reallocated: £150m for 5,000 new apprenticeship places and £50m for capital developments. The brokerage arrangements, costing £112m and frequently criticised, seem sure to come under scrutiny.

The National Apprenticeship Service (NAS) believes that there is demand for apprenticeships from small businesses – and this is to be encouraged by offering such employers £2,000 for each apprentice taken on.

3.3 16-19 funding

The department for education was required to find savings of

£670m as its contribution toward the £6bn reduction in overall Government spending. The good news is that the 16-19 allocation of £4bn is to remain intact. However, the savings which will be made include the **closure of a number of quangos**:

- The Qualifications and Curriculum Development Agency
- Becta, the Government agency promoting the use of Information and Communications Technology (ICT)
- Regional Development Agencies which were to be concerned with the development of skills strategies.

3.4 The impact of the June Budget

The Budget identified the intention to make substantial cuts in overall public expenditure. However, reductions seem unlikely to affect all Government departments equally. Whilst not “ring-fenced” it appears that education may well receive a more favourable treatment than some. More detail will not be known until the spending review in October 2010.

Other intentions outlined in the Budget either may, or will, impact upon the operation of colleges:

- VAT is to increase to 20% - which will increase the cost of most supplies and services
- Whilst colleges will not necessarily have to comply with the two year public sector pay freeze for 2011-12 and 2012-13 it is considered that the general environment of funding cuts will produce a similar effect
- The cancellation of the “academic streams” of the 14-19 Diploma (see also item 8).

4. Financial survival

The general expectation is that, in common with other sectors of the economy, FE is facing a period of considerable financial constraint. Grant income for existing levels of activity will decline. A KPMG report suggests that the financial health of the sector is, in general, deteriorating rapidly. It also foresees the possibility of 50 General FE colleges disappearing in the next few years.

Over time FE Digest has noted a number of responses to similar, although undoubtedly less severe, funding limitations. Staff costs are always at the heart of any need to reduce expenditure. The need for the introduction and operation of more efficient systems, together with some examples, has been noted. Merger activity which should facilitate the introduction of efficiencies has been recorded. And more recently radical suggestions, such as the introduction of company structures (Digest April 2010), have been observed. Federations of colleges are also conceivable.

An update relating to these approaches, and the recognition of some other possible moves to survive (and flourish) in the next few years, including involvement of the private sector, is attempted below.

4.1 Staff cuts

Colleges are already looking for savings in staff costs as a result of the allocations already made for 2010-11, in particular due to the reduction in ALR funding as recorded in the April 2010 edition of Digest.

The University and College Union (UCU) has suggested that some colleges are reducing costs by:

- Downgrading staff contracts

- Replacing lecturers with “associate teachers” on lower pay
- Making bigger cuts than necessary in order to build up reserves.

Unison, the union representing many support staff, has reported that 70% of colleges are planning to reduce staff numbers and the Association of Colleges (AoC) has warned of a possible 7,000 redundancies.

4.2 Pay

Despite the need to reduce staff costs there is still the possibility of the level of any pay award to consider and costs actually increasing. Unions have submitted a pay claim for 2010-11 of 3.5%, with a minimum increase of £1,000 per annum. (Effective for those earning up to £28,570 per annum).

The AoC has reported a “**strong view**” among colleges to freeze pay. However, many are said to be keen to offer some reward to staff – a non-consolidated payment of 0.2% being offered.

Unsurprisingly this was rejected by the unions.

Despite losing a recent ballot over the pay offer for 2009-10, the UCU membership has voted to begin preparations for a ballot in the early part of the next academic year. However, discussions will continue with the National Joint Forum scheduled to meet on 1 July.

4.3 Efficiency savings

Colleges spend their income with variable efficiency. A public-sector services company, Tribal, which has been measuring spending in colleges for 15 years, has reported recently that if the bottom three-quarters of colleges

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on a “spending efficiency” scale were to spend as efficiently as the top performers, **savings of over £200m per annum could be made.**

The company concedes that individual circumstances and policy decisions have to be taken into account but it does seem certain that **efficiency savings are still there to be made.**

4.4 Mergers

Larger colleges can generally achieve economies of scale. Since incorporation the number of FE colleges has been reduced from 492 to 350 through the implementation of 80 mergers. Recently there seems to have been an expectation that the immediate future will bring about more mergers, or at least some form of association of colleges.

Merger activity can also mitigate the “loss” of General Further Education Colleges predicted by KPMG: The college as an entity may disappear but the provision, and the students, may well not.

4.5 Private investment in FE

There have been reports of private companies and venture capital backers being keen to become involved in further education, perhaps even taking over colleges regarded as “inadequate” in a process which would mirror the establishment of academies taking over failing schools.

A complete take-over of a college does not seem possible under current regulations regarding college assets. Other issues which would need to be addressed prior to any private sector involvement are:

- The company’s ability to retain any profits
- The treatment of liabilities such

as existing debt, staff contracts and pensions.

Currently a college formed by a merger inherits the debt of the constituent colleges. Private companies may not be inclined to take on such debt. **The cost of the pension schemes** relating to college staff are also said to be a disincentive.

4.6 Conclusion

As observed in the January 2010 edition of Digest it is perhaps time, once again, for FE colleges, either collectively or individually, to decide what they really are and what they want to be. Responses relating to some of the items in this edition of Digest, such as the college’s emphasis on post-14 education, Higher Education and skills training for apprentices will fashion, to some extent, any decision on their way forward.

5. HE expansion through (lower cost) FE

FE Digest has followed various developments relating to the provision of Higher Education (HE) in colleges. In recent editions it has noted, inter-alia,

- That one in eight HE students receives their teaching in an FE college
- An initiative to develop two-year low-cost programmes leading to a Bachelor of Vocational Studies Degree
- A campaign for more colleges to receive their HE funding direct from HEFCE, rather than via franchise agreements with a university which involve a top-slice arrangement of perhaps 25%-30% of funding.

Direct funding would make for the possibility of providing HE places at lower cost.

The theme of lower-cost, or more cost-effective, HE was pressed by the AoC in its submission to the review of HE Funding and Student Finance being led by Lord Browne. This possibility also seems to have some appeal for David Willetts, the new Universities Minister, as a way of providing more HE opportunities in these straitened times. If pursued, this expansion would include direct funding from HEFCE but improvements in teaching quality, a widening of access and improvement in employment opportunities would also be required.

Watch this space

6. Training: responsiveness of FE

The last of the criteria to justify the expansion of HE in colleges mentioned above, that an improvement in employment opportunities should result, may seem particularly achievable by those in FE. It would seem that the FE tradition of close contact with employers, providing vocational courses and short bespoke training programmes would fit it well to satisfy this requirement.

However, a report of a survey by the Confederation of British Industry (CBI) sounds a cautionary note. The survey covered 694 employers of whom 43% were satisfied with the responsiveness of FE colleges in meeting their training needs. But the figures were 65% for private providers and, **perhaps most tellingly in this context, 48% for universities.**

7. Funding audits and success rates

If colleges are to receive a sympathetic hearing regarding future funding, whether this comes from the YPLA, SFA, HEFCE or whoever, it will need among other things to be confident of the integrity of its own financial systems and controls.

A little over a year ago there were reports of some colleges overstating their funding claims in respect of student success rates. It was believed that the problem was not widespread. New rules were set out in September 2009.

Disconcertingly a survey of colleges attending a conference organised by the Pearson Research Institute has shown that 60% of those present believed their colleges had not previously been reporting their success rates in line with the newly defined rules. **But most worryingly 20% appeared to have no intention to alter their existing practices.**

8. The 14-19 diploma

Recent decisions regarding the 14-19 Diploma include:

- The withdrawal of the three “academic” lines of study
- The removal of the entitlement of all 14 year olds to have access to all 14 of the remaining lines of study
- Following the closure of the Qualifications and Curriculum Development Agency (QCDA) **sole responsibility for the Diploma now rests with examination boards.**

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Mr Gove has made it clear that he does not believe that the development of the new educational programmes should be the business of the Government or any quangos.

9. ISA halting changes!

The Independent Safeguarding Authority (ISA) is a public body that is sponsored by the Home Office. They are responsible for updating and maintaining the lists that fall under the umbrella of the 'Vetting and Barring Scheme' (VBS) for children and vulnerable adults.

Their focus is to assess any potential risk or harm that an individual could pose should they be in close contact with

children or those that are classed as vulnerable groups. The information that is obtained by the ISA is sourced from the following areas: local authorities, current and previous employers and the Police National Computer.

Due to a recent change in government, it has been announced that the current VBS scheme and the intended registration phase of the scheme, scheduled to launch 26th July 2010, will no longer take place. The new coalition government has identified that it needs to be brought 'back to proportionate and common sense levels'.

Under the previous government late in October 2009, the ability to request the right to an 'enhanced' CRB check was granted to all employers who either employ or use volunteers

to work in 'Regulated Activity.' This entitlement is still in place and all employers should continue to ensure that they are conducting their pre-employment checks. These should be done in accordance with their recruitment policy and / or as required by law. The following still applies:

- The CRB is unaffected by the ISA's cancellation of the intended launch of the registration scheme
- The right to request an 'enhanced' CRB check via the VBS that was implemented by the previous government in October 2009 shall remain in place
- For those that are entitled to request CRB checks this facility still exists and it shall continue to provide on the terms as previously agreed.

10. President of the AoC

The new President of the AoC is Chris Morecroft, Principal of Worcester College of Technology. He takes up the post on 1 August in succession to Pat Bacon, Principal of St Helens College.

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