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Sector Developments

John Hayes' keynote speech at the Association of Colleges (AoC) annual conference

John Hayes, the Minister of State for Further Education, Skills and Lifelong Learning, made a keynote speech at the recent AoC conference. The main elements of the speech included the following:

- £25 million will be made available to 'improve the skills and employment prospects of the most disengaged young people'.
- The government will introduce a bursary scheme for initial teacher training in the further education sector similar to the one that exists in the schools sector.
- The government will implement the proposals in the strategy document, 'New Challenges, New Chances'.
- The Education Act 2011 will allow measures designed to further de-regulate the FE sector to be implemented more quickly.
- The sector is encouraged to 'establish the best practice for governance through collective action'.
- A review of the work of the Institute for Learning (IFL) will be conducted. Dawn Ward, principal of Burton and South Derbyshire College, and David Sherlock, the former head of the Adult Learning Inspectorate (ALI), will be members of the review group.
- BIS and AoC will organise workshops to 'put into practice Baroness Sharp's report on Colleges in their Communities'.
- Colleges will be put 'at the heart' of changes in the delivery of higher education. Mr Hayes added that 'we will deliver more higher education in colleges - the 20,000 new HE places is the beginning of this, and not the end'.

New Challenges, New Chances

The consultative document 'New Challenges, New Chances' was published earlier this month and contained government proposals for the reform of the FE sector. After taking into account the responses received during the consultation period, the government will implement the proposals set out below:

- The best interests of students will be placed at the heart of the reforms.
- Colleges will be given more freedoms and flexibilities. They will be 'freed from central government control and will be given the responsibility to ensure the provision of high quality, flexible courses to meet the needs of their local areas'.
- The sector will be streamlined, by scaling back the number of Government organisations involved with the FE sector. Processes will be simplified in order to reduce the time spent interacting with funding agencies and other government bodies.
- The National Careers Service NCS will provide the information needed for students and employers to compare training providers. Where possible information will be provided down to the level of subject or course.
- Following on from the above, 'provider funding will more closely follow informed student choice' in order to 'enable a contraction in the level of interaction needed between providers and government-based quality assurance agencies, including Ofsted'.
- Swift action will be taken in relation to failing provision. Failing institutions will be provided with intensive support and, if necessary, there will be intervention to ensure alternative delivery of provision.
- There will be more business engagement in qualification design. In early 2012, employers will be consulted on how they can become more fully engaged in the design and development of qualifications, and in the assessment process. Employers will also be encouraged to become more involved in the development of National Occupational Standards (NOS).

- A new independent commission on adult education and vocational learning will be established in order to define and develop best practice in teaching and learning. The commission will also explore how best to promote effective partnerships between colleges and employers.
- An independent review of professionalism in the FE and skills workforce will be carried out. This may impact on the current role and responsibilities of the Institute for Learning (IfL).
- Building on the success of WorldSkills 2011, the government will 'put together a package of education products and services that will be targeted at those emerging economies identified as the providing the most significant UK educational export opportunities'.
- Unemployed young people aged 19 to 24 will be able to access a full range of subsidised vocational programmes, including English and mathematics, to help them to enter employment.
- FE Loans will be made available to support those aged over 24 undertaking programmes of study at Level 3 and above, in order to assist them 'to re-train, up-skill, or progress to higher education'.
- Government funding will be used to support comprehensive vocational education and training programmes, including those designed to support 'thousands of Higher Apprenticeships' and to enable these apprentices to 'gain advanced skills'.
- In the 2012-13 financial year, £3.8 billion will be invested in post 19 further education and skills.

Education Act 2011

The Education Bill 2011 has now received the Royal Assent and has become an Act of Parliament. The majority of provisions in the new Act will come into force by the end of 2011/12 academic year. The main elements of the new Act include the following:

- The Training and Development Agency for Schools (TDA), the General Teaching Council for England (GTCE), the Qualifications and Curriculum Development Agency (QCDA) and the Young People's Learning Agency (YLPA), will all be abolished.
- Colleges judged by Ofsted to be outstanding will be exempt from routine inspections.
- Colleges will be able to borrow money without the consent of funding bodies.
- The duty on colleges to promote the economic and social wellbeing of the local area is repealed.
- The current powers of the YPLA, which is to be dissolved and replaced by a new Education Funding Agency (EFA), will pass to the Secretary of State for Education.
- The chief executive of the SFA will no longer have the authority to direct governing bodies to consider taking disciplinary action against senior post holders, nor to appoint up to two additional members of the governing body of a further education college.
- The local authority and the YPLA also lose the above authority in relation to sixth form colleges.
- The local authority and YPLA are relieved of the duty to notify the chief executive of the SFA of concerns about the quality delivery in a further education college.
- The Academies and Free Schools programme (including the establishment of specialist Academies for 16-19 year olds) will be extended.
- The government's commitment to increasing the participation age (RPA) to 17 by 2013 and to 18 by 2015 is confirmed.
- A new finance model for higher education will be introduced.
- Governors will be given the power to dissolve their own college corporation. This theoretically makes college mergers easier. (When colleges were incorporated in 1992 there were 492 colleges. This has reduced to 351 colleges today and vast majority of this contraction has been through mergers).
- College corporations will also be given the power 'to make donations to charitable organisations', which in a way I can't quite get my head around, theoretically means that colleges may be able to convert themselves into companies limited by guarantee.
- College corporations will be given the freedom to amend the college's Instruments and Articles of Government (outside the core requirements set out in the act, for example, the requirement for boards to have staff and student members and, in the case of sixth form colleges, for boards to have parent members).

New £1 billion 'Youth Contract' launched

The third quarter of 2011 saw unemployment amongst those aged between 16 and 24 rise by 137,000 to a record 1.16 million. This means that more than 1 in 5 young people are now classed as being not in education, employment or training (NEET). In response to this, Nick Clegg, the deputy prime minister has announced the launch of the new 'Youth Contract'. The new scheme comes with funding of £1 billion and aims to get all unemployed young people 'earning or learning' by 2015, and includes the following:

- 410,000 work opportunities will be provided for young people, including additional apprenticeships and work experience placements.
- Employers will be paid £2,275 (equivalent to half the minimum wage) for each young person they take on as a paid member of staff for at least 6 months.
- 20,000 extra incentive payments, worth £1,500 each, will be made to employers willing to take on apprentices. This takes the total number of such payments that has been made available to 40,000.
- An extra 250,000 work experience placements will be made available over the next 3 years.
- Extra support for young people will be given through Jobcentre Plus, with weekly, rather than fortnightly, 'signing on' meetings being required. 'Face to face' National Careers Service interviews will also be provided.

Participation in the new 'Youth Contract' is open to young people who have been on Jobseeker's Allowance for 3 months or more. Those who take up the work experience placements on offer will be allowed to keep their benefits. However those refusing to take up a placement, or who leave a placement early and then refuse to take up other work placement or training opportunities being offered, will lose their benefits. Ministers insist that that the Youth Contract is fundamentally different to the previous 'Future Jobs Fund' that was withdrawn by the coalition government on taking up office.

YPLA 16-19 2012/13 revenue and capital funding announced

The 2012/13 funding statement reflects the following themes:

- Supporting the drive to increase the compulsory participation age (RPA) to 17 by 2013 and to 18 by 2015.
- 'Rebalancing funding towards disadvantaged learners and those requiring additional support'.
- Protecting funding for learners with learning difficulties and disabilities.
- Managing the steps needed to achieve 'fairer funding'.

The funding statement shows that the government intends to fund 1,577,000 16-19. This is an increase of more than 30,000 on the previous year's 1,543,000 places, and is intended to help fund the government's RPA proposals.

The capital funding statement indicates that:

- £59 million will be allocated to the sixth form college Building Condition Improvement Fund (BCIF). All sixth form colleges will remain eligible for 'Devolved Formula Capital' (DFC) funding.
- £44 million will be made available to meet the need for additional 16-19 places 'where there are demographic pressures in schools, academies and sixth form colleges'.

(As a postscript, 16-19 numbers in colleges have fallen by an overall 3% this year compared to last year, and by 2015, the total numbers in this age group is expected to fall by 90,000).

Additional Skills Funding Agency (SFA) funding made available

Scott Adams (the creator of the 'Dilbert' cartoons) once said, 'Plans can get you into things, but you have to get out of them yourself'. Prior to the start of the 2010/11 academic year, colleges prepared contingency plans for dealing with lower levels of enrolment. This planning was in response to such things as the budget cuts announced in the coalition government's comprehensive spending review (CSR), the implications of students and employers having to pay much higher fees, reductions in levels of funding for many courses, the reduced eligibility for fee remission for others and in the case of some courses, the complete withdrawal of eligibility for any government funding at all. In short, colleges were gearing up for significant reductions in their SFA and YPLA income and were revising their planned programmes for 2011/12 downwards in response. However, things then seemed to change and an interesting trend seemed to emerge.

- Immediately before the start of 2010/11 academic year, colleges were told that eligibility for fee remission for some courses for the unemployed would, after all, be allowed (at each college's discretion).
- Then, at the end of the 2010/11 academic year, the SFA announced that there would be no YPLA claw back from colleges that had under achieved their 2010/11 16-18 funding target.
- Then the SFA announced that there would be no claw back from colleges that had achieved 97% or more of their 2010/11 adult funding target.
- Then, even where the 97% threshold had not been achieved, the SFA would look at performance against target in previous years before deciding whether to claw back funds.
- Then, even when it was decided that funds would be clawed back from colleges that had failed to achieve the 97% 'tolerance', they could be allowed to reduce the amount they paid back to the SFA by 're-basing' their original allocation downwards.
- Then the SFA announced that extra funding was available for colleges that had exceeded 100% of their 2010/11 targets.
- Then, more recently, the SFA announced that colleges that met or exceeded their 2010/11 adult funding target will be offered additional funds this year to provide additional support for adults who are NEET.

Employers to be given £250 million for skills training

The SFA appears to be maintaining its propensity to allocate significant levels of extra funding, and seemingly not just to the FE sector. A pilot scheme has been introduced whereby £250 million of SFA funding will go directly to employers over the next 2 years. The Prime Minister, David Cameron, said that the scheme is meant to be 'a radical approach to promoting business engagement and investment in skills and apprenticeships where public money is channelled through employers'. He went on to say that the new scheme will allow employers to 'design, develop and purchase the vocational training programmes they need'. The inference is, of course, that colleges and other providers will be bypassed in the process. In an attempt to alleviate fears that this may be the start of a funding regime in which colleges are effectively side lined, Vince Cable, the Secretary of State for Business, Innovation and Skills (BIS) said that the government 'was not trying to damage the relationship colleges had with employers'.

Growth and Innovation Fund (GIF) re-opened

Following on from the above, John Hayes, the Minister for FE, Skills and Lifelong Learning, and BIS Minister, Vince Cable, have jointly announced the launch of the second phase of the GIF. The fund is intended to 'support businesses in developing skills solutions tailored to their own needs and transforming growth in their sector'. BIS will be providing £34 million of funding in 2012/13 (of which currently, £29 billion is still available to be bid for). The GIF is expected to be increased to £60 million via matched funding from businesses. When projects have been identified as being eligible for funding, The UK Commission for Employment and Skills (UKES) and the SFA 'will work alongside applicants to make sure that projects have the very best chance to make a significant impact on enterprise, jobs and growth'. Whether this means that the SFA and/or UKES will be contributing additional funds from their own budgets, or not, remains unclear.

New UKES led Fund for Skills and Growth

UKES will also be administering a new £61 million investment programme to promote 'projects that will drive employer investment in skills'. The new fund is intended to support the 18 Sector Skills Councils (SSC's) to 'develop a range of employer designed and led skills solutions'. Projects will be targeted at a range of employment sectors, with the largest investment being in the manufacturing sector (£15 million), the service sector (£16 million) and the creative and digital sector (£13 million). Funding will run from April 2012 until March 2014.

19,000 new higher apprenticeships announced

Firms and training providers have been invited to bid for higher apprenticeship places from the new £25 million Higher Apprenticeship Fund (HAF). Vince Cable, the BIS secretary of state, has announced the winners of bids, who have been allocated a total of £18.7 million from the HAF for the delivery of 19,000 new Higher Apprenticeships. Of the successful applicants, more than 250 firms have been allocated funds, including Unilever, Airbus, Jaguar Land Rover, Burberry and Leyland Trucks. Successful bids from providers include the City of Bristol College, the Newcastle College Group, North West Kent College, Chesterfield College, Babbington Business College, Hull College, the Peter Jones Academy for Enterprise and Leeds College. We might perhaps call the successful candidates the 'HAF's' and the unsuccessful applicants, the 'HAF not's.

'A Dynamic Nucleus: Final Report of the Independent Commission on Colleges in their Communities'

The independent commission on colleges in their communities, which was sponsored by the 157 Group, the National Institute for Adult Continuing Education (NIACE) and the AoC, has published its final report. The key findings of the report include the following:

- Perhaps unsurprisingly, colleges are indeed located in their communities.
- If colleges are to do 'more for less', then they need to be free of excessive bureaucracy and control.
- The sector should consider establishing a centre dedicated to entrepreneurial college leadership, including, amongst other things, building partnerships and taking and handling risk. (Perhaps any such new facility that might emerge from this could be called, say, 'The Centre for Excellence in Leadership'? Or for those of you with very long memories, perhaps 'The Further Education Staff College'?).
- Colleges should work closely with employers to 'upgrade skills and create jobs'.
- More should be done by colleges to 'reach out to small and medium sized enterprises'.
- Colleges need to be more proactive in 'building partnerships with local authorities, health providers, the police, youth offending schemes, charities and the voluntary sector'.
- Colleges need to do more to ensure that their voice is heard on local economic and social planning partnerships.
- Colleges should do more to develop 'a more flexible and innovative curriculum, making full use of the internet and social media'.
- Colleges need more flexibility to allocate funds as they see fit, but this needs to be combined with new types of governance, including social accountability to local stakeholders.

International activity given the 'green light' by BIS

In the past, overseas recruitment activity has led to increased tuition fee income for colleges. It has, on occasion, also led to undue scrutiny from funding bodies, college unions, national and local press and, in extreme cases, the National Audit Office and the police. However, overseas activity has now been given the 'thumbs up' by both the FE minister, John Hayes, and the BIS minister, Vince Cable. Mr Cable has confirmed that 'it is a legitimate goal for colleges to extend their influence internationally', and went on to say that 'building on WorldSkills and other activities, the government is stepping up its efforts to support education as an export'.

Ofsted Annual Report

Ofsted has published its annual report outlining the key findings from inspection visits conducted between September 2010 and August 2011. With reference to colleges inspected the key finding is that less than half of the 84 colleges inspected in this cycle were judged to be good or outstanding. (2 colleges that were previously judged as 'good' were judged as being 'inadequate). Concern was expressed that 16 colleges had achieved an overall satisfactory in each of their last 3 inspections. Many of the colleges inspected that had previously been graded overall as 'outstanding', or 'good', were awarded lower grades. Whether this is because the inspection regime has become more demanding, or because standards have deteriorated, is unclear.

Colleges bracing themselves for future reductions in student numbers

BIS estimates show that over the next 2 years, around 1 in 7 adult learning places in England will 'disappear'. The numbers of adults in publicly funded learning is predicted to fall from 3.28 million this year down to 2.82 million in 2013/14. Cash spending on adult learning and skills in England will fall from £3.92 billion this year down to £3.67 million in 2013/14. The proposed new FE loans totalling £129 million for students age 25 and over will be introduced in 2013. David Hayes, the FE and skills minister argues that FE loans will be a 'status symbol' for colleges, and will give them 'the same status as universities'.

At the same time the number of academies and other schools with sixth form provision appears to be increasing exponentially, when by 2015, the numbers of 16-18 year olds will fall by 90,000. This has given rise to allegations of 'cut throat' competition between schools, and between schools and colleges. Examples of this competition include colleges being denied the opportunity to provide information on college courses, the replication of vocational provision in schools, heavy pressure being placed on year 11 pupils to stay on in the school sixth form, and an increase in recruitment incentives such as iPads, iPods and enhanced bursary payments. There have also been examples of private trainers 'poaching' students both from colleges and school sixth forms.

Learner Information Suite is 'not functional'

The College Management Information Systems Managers' network has concluded that there are so many errors in the software that drives the Learner Information Suite (LIS) that it is simply 'not functional'. The LIS is used to validate the Individual Learner Record (ILR) and to calculate funding generated. The ILR is passed to the Data Service and is then used by the SFA as a basis for making payments to providers. Because of the endemic errors in the LIS, it has apparently become very difficult for colleges to accurately predict funding streams and to identify their progress in reaching their funding targets.

Valued Added Tax (VAT) exemption for the supply of 'shared services'

In an attempt to encourage the further development of 'new business models' and more collaboration between colleges, the government has announced that services supplied to colleges via collaborative arrangements (e.g. two or more colleges sharing the supply of 'back office' functions) will be exempt from having to pay VAT. In order to be compliant with European legislation, colleges claiming VAT exemption must be part of a 'cost sharing group' (CSG). Currently, around 100 colleges (out of a total around 350 colleges) are engaged in some form of collaborative activity as members of a CSG. Colleges are currently exempt from paying VAT on the education services they deliver, however they currently pay around £200 million each year in unrecoverable VAT on purchases. The Association of Colleges (AoC) has estimated that exemption from VAT in respect of CSG activity is expected to save the sector between £15 million and £30 million per year. VAT exemption on shared services has been welcomed by sector colleges, and also by private sector firms that are providing (or hope to provide) college consortia with outsourced 'back office' services.

Mergers and all that

- Stroud and Filton Colleges will merge with effect from 1 February 2012. The new college will be known as 'South Gloucestershire and Stroud College'.
- The planned merger of Northumberland College with the Newcastle College Group (NCG) has collapsed. The Northumberland College Corporation reversed its earlier decision to agree to a merger with NCG, despite offers made by NCG of investment of up to £25 million in Northumberland College over the next 4 years. NCG includes Newcastle College, West Lancashire College and Intraining, (the earthly remains of Carter and Carter).
- Almost, it seems, by way of a consolation prize, and subject to SFA approval, NCG will absorb Rathbone into its portfolio of training companies. Rathbone is a UK wide voluntary sector charity involved in providing education and training to 14-24 year olds who are NEET.
- The Boards of South Birmingham College and City College, Birmingham, have submitted merger proposals to the SFA which, if approved, will be followed by a period of public consultation.

Progress on bids for new HE places in England

In October, the Higher Education Funding Council for England (HEFCE) invited bids from universities and colleges charging £7,500 or less in annual tuition fees for the 20,000 new HE places mentioned above. This measure, combined with a contraction in applications, will undoubtedly have contributed to around one fifth of universities (mainly 'new' universities) revising their fees downwards to £7,500. 202 bids have been received for a total of 35,811 places. Of these, 34 bids were from universities and 167 were from FE colleges. HEFCE will inform applicants of the outcomes of their bids by February 2012, taking into account an assessment of 'demand, quality and average fee'. If, after the assessment process, bids exceed the 20,000 places available, HEFCHE will make an allocation to universities and colleges on a pro rata basis.

£3.6 billion support package for university students in Wales

While universities in England have been busy raising and lowering their tuition fees, and the Office for Fair Access (OFFA) has been trying to convince people that they are actually interested in the arrangements that have been put in place to encourage applications from poor people, the Welsh Government has announced a student support package worth £3.6 billion for the period 2011/12 until 2016/17. This includes:

- £1.044 billion for tuition fee grants (to cover the difference between the £3,465 annual tuition required to be paid by Welsh students and the £9,000 annual maximum fee that can be charged by universities).
- £1.85 billion for tuition fees and maintenance loans (i.e. to cover the £3,465 annual tuition fees above and any other costs to be paid up front by the student).
- £777 million for means tested maintenance grants of up to £5,000 per year.

Residency checks to be conducted in Scotland

Meanwhile, Scotland appears to be bracing itself for an influx of economic migrants from England. The Scottish Government has recently announced that it is proposing to carry out 'residency checks' to ensure that people 'are legitimate residents and are not attempting to exploit the more generous funding system north of the border'. The checks are apparently in response to fears that people from England may be moving across the border in order to take advantage of free university tuition and the significant range of other benefits currently available in Scotland, but not in England. The Scottish Government has expressed concern that 'if people did this in large numbers, it could have a distortive effect on local economies and housing markets'.

It is likely that in order for a person to be eligible for free university tuition in Scotland, a residency period of around 3 years is likely to be required. If proof of residency cannot be established, Scottish universities will charge university applicants a flat rate £9,000 per year. Commenting on this, a spokesperson for the Student Awards Agency for Scotland said that 'each application will be considered on a case by case basis'. For example, the children of newcomers who have recently moved to Scotland for 'genuine career reasons', and can demonstrate that they are helping meet to skills shortages in Scotland, may be eligible for free tuition. However, 'others will not'.

To be fair, should anyone from England be caught slipping over the border in the attempt to get free university tuition, or free care for their granny, I don't think that the Scottish Government has any plans to hold them in detention camps prior to deporting them back to England. Also, to the best of my knowledge, there has been no public outcry in Scotland about 'all those bloody Sassenachs coming up here and taking our jobs' etc.

And finally…….

I would like to wish you and yours a very merry Christmas and a happy Hogmanay.