

The new world we're in 2011...

Strategic implications



Introduction

1. The paper pulls together the policy analysis, key propositions and challenges emerging from the LSIS national policy seminars held in the summer of 2010, from regional policy seminars held in the autumn 2010 and from discussions with our Board and Council during that period. These seminars and discussions spanned the period from the early days of the new Coalition government, the publication of the spending review, and through to the publication of the skills strategy in November. They provided the opportunity for us to talk through and reflect on the emerging policy context and its implications for the further education and skills sector and for LSIS services.
2. The stimulus for these discussions was provided by an initial analysis drafted by LSIS entitled *The new world we're in..*¹, slides² based on the analysis and materials from the national policy seminar series³ including video clips as well as reports on a website designed for the purpose⁴.
3. The purpose of the paper is to draw on those discussions to provide a strategic view of the shifts in priorities and the implications for LSIS and the sector. It supports the strategic planning process for LSIS services and we hope that it will also be useful to further education and skills organisations in considering their responses to the strategic challenges they face.

Overview

4. The current economic context and the government's strategy for growth mean that the contribution of the further education and skills sector is fundamental to economic recovery and future prosperity. This creates both opportunities and responsibilities for the sector. In particular, the well-being of individuals and communities and the financial health of individual businesses and of the economy depends upon the capacity of the sector to set and meet high expectations. From our discussions over the period of the Coalition government, we would summarise the key areas of opportunity and responsibility for the sector as follows:
 - A critical role in developing the skills and capabilities of the current and future workforce to deliver the challenges of the growth strategy;

¹ The updated version of this paper *The new world we're in 2011 – policy overview* is available here <http://www.lsis.org.uk/services/policy/LSIS-council-policy/Pages/default.aspx>

² Powerpoint presentation available here http://www.lsis.org.uk/Services/Policy/Documents/Regional_policy_seminar_1st_November_Salford.pptx.pdf

³ Reports and information available here <http://www.lsis.org.uk/Services/Policy/Policy-Seminars/Pages/Changingpublicservices-changingprofessionalpractices.aspx>

⁴ These stimulus materials are available here <http://www.lsis.org.uk/Services/Policy/Pages/LSISpolicyseminars-Exploringthenewworldwerein.aspx>

- A significant role in delivering the ambition of full participation in learning up to the age of 18;
 - A renewed focus on the wider benefits of learning for individuals and for communities (beyond what have been defined as economically valuable skills) that offers a new impetus for colleges and learning providers to take a strategic leadership role in the economic and social development of localities;
 - A central role in supporting equality, fairness and social mobility in an economic period where the vulnerability of the least disadvantaged individuals, families and groups in society could be further exacerbated. In particular the sector has a key role in enabling people to become engaged in education, training and work, and opening up access to higher education and the benefits it yields.
5. In addition, our discussions highlighted that this is a period of enormous change in public services. The sector needs to engage with the leading edge of thinking across the public sector in order to ensure that FE and skills practice is the best, that it develops its reputation with the public, and that further education and skills is central to the government's narrative about leading practice in public service and in the expert use of precious public resource.
 6. LSIS remit is to support improvement in the sector. We interpret this to encompass support to continuously improve the quality of existing provision; to support the sector to manage efficiently the strategic changes it faces; and to maintain an outward and future-facing approach that positions the sector at the leading edge of public service practice as that evolves.
 7. In addition, in the light of financial restraints facing the sector and LSIS, we will need to consider fundamentally how to use smaller investment to greater effect. Consequently we will need to understand better, by learning from the practice in other improvement bodies and public services in the UK and elsewhere, the most effective means of developing, spreading and bringing to scale strategic innovation and leading edge practice, including through use of technology.

The overarching story – the Big Society: *Society is not a spectator sport*⁵

8. The notion of the Big Society, based on the pillars of freedom, fairness and responsibility, is taking root in the Coalition government's policy narrative. There is a unique opportunity for the sector to engage actively in developing a narrative about its role in the Big Society that builds on the proud traditions of the sector, celebrates the powerful contribution of learning to civic life, and describes the role the sector might play in contributing to addressing the future economic, social and demographic challenges of our times.

⁵ David Cameron at the Conservative Party conference, October 2010

9. The evolving interpretation of freedom, fairness and responsibility in the further education and skills sector is not without controversy, largely due to its association with economic austerity. However, the emphasis on fairness plays well with the mission and values of the sector; and the promise of greater freedoms resonates with demands⁶ for greater self-determination and discretions to enable the sector to respond more innovatively and appropriately to local demands.
10. In our discussions, we have noted consistently the need for greater horizontal accountability to communities as distinct from the overwhelming focus of recent years on vertical accountability to Whitehall to give providers the flexibility to be truly responsive to their citizens and customers. The strong commitment to devolution and localism in Coalition policy is therefore welcome.
11. The Big Society concept depends on individuals and communities finding their own individual and collective solutions, doing things for themselves⁷ and for others. The concept has empathy and continuity with progressive thinking from recent initiatives such as the 2020 Public Services Trust on co-design and delivery of public services; and from opinion-formers such as Matthew Taylor, chief executive of the RSA, on pro-social behaviour. It also has resonance with traditions of self-help and mutualism in adult and community education. Nonetheless the austerity of current times makes the challenge of mobilising individual and collective civic contribution and of fostering high levels of innovation and enterprise in public services both more difficult and more controversial and could breed cynicism unless a clear story is developed to describe the role and contribution of our sector to its development.
12. In the following sections we examine the key challenges for the sector in two sections:
 - Big Society – which focuses on the implications of this new overarching approach for the way public services are delivered in future; and
 - Growth and new approaches to funding and administration – which examines the new priorities and changing systems for FE and skills.
13. In each section we aim to identify the potential issues that they raise for our sector and for the role of LSIS in supporting quality improvement.

⁶ For example in the policy seminar series *The importance of being local* – reports available here <http://www.lsis.org.uk/Services/Policy/Policy-Seminars/Pages/Policy-seminars-autumn-2009.aspx>

⁷ Referred to in our policy seminars as a 'DIY society'

Big Society

Shaping the 'Big Society' for FE and Skills

14. Have we seen the 'Big Society' before? The LSIS policy seminars considered how post-war Britain was characterised not only by 'big government', but also by big, active, collective movements. By comparison today, the focus seems to be on individualising services and as a result we risk missing out on the '*sensuousness of shared experience*'. Is the 'Big Society' simply a mask for individualised enterprise, in which 'freedom' stands out, to be balanced in some way by 'fairness' and 'responsibility'? And if that is the case, what role should further education play to avoid simply becoming '*an agent of an atomised society*'.
15. Some leaders in our discussions felt that they were *being exhorted to do what we do already* – for example, to use small public investment to lever private sponsorship; to use volunteers and seek contributions in kind. Others in our discussions felt that we must overcome this ambivalence to the Big Society concept, embrace and shape the concept; explore its implications for our 21st century lives – for example, how it can help us respond to the profound demographic shifts of an ageing society; and use it to showcase and build a more inclusive public understanding of the role of the sector in civil society. It provides a welcome platform on which to celebrate the breadth of activity and the many examples of initiatives that create wider social and public value than is commonly understood.
16. In order to provide a focus for discussion about the contribution of FE to the Big Society, the next LSIS policy seminar series will be focusing on that subject, to develop a full and ambitious vision for the FE and skills sector that holds faith with its values and purposes. In order to widen engagement in the discussions, we will consider the use of an on-line Delphi process to support the seminar discussions.

The fragility of fairness

17. The notion of fairness – meaning as Cameron put it that *those with broad shoulders should bear a greater load* – is vital in times of financial hardship given the evident danger that withdrawal of public funding will disproportionately affect those most reliant on public services. The extent to which Coalition policies will deliver fairness has been and continues to be highly contested in all areas of public service. In the FE and skills sector there are some clear priorities and initiatives that support the notion of fairness – the status being given to vocational learning and to apprenticeships; the pupil premium; the £150 million of YPLA funding re-directed to support disadvantaged young people; the emphasis on social mobility and fair access to HE; and the continued entitlement to literacy and numeracy.

18. Some of these priorities have been given additional profile through the departmental business plans published in October. For example, the BIS plan includes an impact indicator to be published annually at institutional level on *'proportion of young people from disadvantaged backgrounds who go on to HE by age 19'*; the DfE plan includes *'narrowing the gap in educational attainment: the achievement of children from different backgrounds or in different circumstances in comparison to the overall average (for example, children on free school meals, children with special educational needs, children in care)'*.
19. However other decisions have been challenged as seeming to be at odds with the pursuit of fairness. The most obvious is the proposed withdrawal of EMAs; and the lack of entitlement for level two provision beyond 25 appears to leave a vulnerable group unsupported. In addition, the goal of full participation to age 18 may further stretch resources for learning and learner support as institutions work to support those young people at risk of disengaging with a smaller enrichment curriculum. Commentators also point to the focus on institutional choice as being at the expense of value for money and curriculum choice – and unlikely to benefit the least advantaged families. However the impact of new levels of HE fees on students from disadvantaged backgrounds will be monitored through the BIS impact indicator.
20. In our seminars there was discussion about whether the intent is fair access or fair outcomes; whether fairness will be incentivised or monitored as performance measurement is simplified; whether simplification of funding systems will protect the interests of the most vulnerable learners – in short whether simplicity could be the enemy of fairness. In addition, in a highly devolved system, fairness is likely to become increasingly the responsibility of individual organisations rather than a matter of national prescription, creating strategic dilemmas for leaders and for trustees of public funding in times of fiscal austerity. As discussed below (see paragraphs 68-69), the tensions between widening access and maintaining standards of performance are likely to increase as efficiency savings are implemented.
21. Policy across government continues to evolve and we will continue to track emerging relevant thinking such as that emerging from the Centre for Social Justice through Brief Guides and Policy Updates. However the call by the prime minister for *a new conversation about what fairness really means* speaks to the values and mission of the FE and skills system and is one of the key areas where the sector can shape debate for wider public services as well as for our own sector.
22. LSIS will support the sector to deliver on the priority for young people to progress to higher education. We will also consider with partners how to monitor the impact of spending constraints on provision and outreach activities to engage vulnerable learners. We will work closely with YPLA/DfE and SFA/BIS to discuss alignment of activity in this and other areas.

Freedom and responsibility: a new settlement?

23. The Coalition is committed to devolving control from central government to citizens, employers and communities so they can play a greater role in shaping services to ensure they meet their needs efficiently. The promise of greater freedom is being delivered through a reduction in central control and prescription including in relation to funding streams and reporting requirements.
24. The coalition government has from the start set its face against central targets as a means of holding public services to account. PSAs have been abolished and replaced by business plans⁸ for each department. These set out broad aims and priorities, input and impact indicators. While they do not set finite targets, they demonstrate priority areas for improvement. In line with their concerns about transparency to the public, the plans are intended to put power in the hands of the public to hold the Coalition to account for their delivery⁹.
25. In terms of shifts of emphasis in the departmental plans, the fairness issues highlighted earlier (paragraph 21 above) are significant, as are:
 - the BIS impact indicator (to be published annually at institutional level) on proportion of graduates and college leavers that go into employment or further training and are still there after 6 months; and
 - the DfE impact indicator (to be developed in consultation and published by local authority and nationally) on school choice facing parents which underlines their determination to promote new types of providers (UTCs, free schools, academies, etc).
26. It is becoming clear that while devolving some powers the government is nonetheless creating levers to deliver many of its priorities. The DfE impact indicator on choice is being incentivised by funding and additional freedoms; earmarked funding will incentivise the desired increase in apprenticeships, supported by a new responsibility with Skills Funding Agency (SFA); and SFA has now announced its intention to incentivise job outcomes through the funding system¹⁰ focusing on those on Jobseekers Allowance and the Employment Support Allowance. The SFA will also be consulting on how to intervene to ensure increased levels of income are secured from individuals and employers.
27. Uncertainty does remain as to whether the slimmed-down Ofsted inspection will report on the achievement of these new priorities and as discussed above, the extent to which 'fairness' will be achieved in the new system.

⁸ <http://transparency.number10.gov.uk/>

⁹ They will 'bring about a power shift in favour of increased government accountability directly to the public'; and are 'the key tool for ensuring that departments are accountable for the implementation of the reforms set out in the Coalition Agreement'.

¹⁰ £2.5% of the Adult Skills budget will be used for this purpose.

28. Thus incentives to achieve national priorities remain significant in this devolved system. However, by emphasising the need for providers to face their customers and meet their needs more explicitly, the priorities identified by government could theoretically become diluted. If providers can demonstrate that they are satisfying customers and citizens, what importance will be attached to the ambitions of central government if these diverge from the wishes of customers, particularly where both individuals and employers pay for learning in a new learning market? Over time will customers' wishes challenge national definitions of priorities and quality?

Greater self-determination and self-regulation?

29. The current context should provide increased potential for the sector to shape its future, albeit in austere times. The over-riding message emerging from discussions and analysis of the new policy context is that there is an extremely important opportunity for the sector itself to shape the future – *it is time for the sector itself to take the initiative to lead its development*.
30. Whereas two years ago the sector was exploring the concept of self-regulation in an unpromising environment where central control and prescription predominated, we are now in a context where the sector is being invited, indeed expected, to become rapidly and increasingly self-regulating, in terms of being responsible for driving its own destiny. The conclusion¹¹ in March 2009 from these seminars was that the sector needed a model of co- or shared-regulation that recognised the legitimate strategic leadership role of government in setting broad national priorities, but that it should step back from detailed prescription; that empowered citizens and customers should become more influential in shaping services and informing notions of quality; and that public sector professionals should be more empowered and effectively engaged as an essential source of expertise.
31. This work could provide a sound basis for the sector to reconsider how its regulation should develop in the new context.

Accountability through public information

32. With the shift away from central targets, the Coalition is promoting an approach which encourages citizens to hold public services and government to account through access to information. This is central to the concept of a Big Society where the public is actively engaged in shaping, monitoring and even delivering public services.

¹¹ This discussion took place through an LSIS seminar series developed in collaboration with the Single Voice for Self-regulation – papers are available here <http://www.lsis.org.uk/Services/Policy/Policy-Seminars/Pages/A-self-regulating-learning-and-skills-sector.aspx>

33. As described in the recent Framework for Excellence (FfE)¹² report the intention is that *'giving learners and employers better information will drive a 'step change' in quality improvement'*. The report describes the shift in the emphasis of accountability as being *'founded on the relationship between provider and customer rather than provider and government'*.
34. Work is going on across public services to determine what kinds of data should be available to enable citizens and customers to hold public services to account. The approaches being developed in the further education and skills sector suggest the need for a combination of greater local accountability devised at organisational level according to mission and context, alongside national quality benchmarks based on FfE.
35. The National Improvement Partnership Board¹³ is co-ordinating work to look at the data that should be made available to empower and inform the investment choices of individuals and employers, to be part of a new data set from 2012. In addition, LSIS in partnership with the UK Commission for Employment and Skills is carrying out an action research project to prototype approaches to a community scorecard as a means for providers to develop greater accountability to their citizens and communities.
36. The NIPB (to which LSIS provides the secretariat) will review the outcome of the current work to consider next stages of development and implementation in 2011.

Greater responsibility to citizens and civil society

37. In the context of greater freedoms, a reduction in central targets and control, and greater public access to information on public services, providers need to think afresh about how they gain legitimacy for their actions, and how to make a reality of the government's intention to shift accountability away from the centre and towards civil society – *from bureaucratic to democratic accountability*. Given the financial climate and difficult choices needed in relation to priorities, care will be needed to develop approaches that are open to scrutiny and which afford political cover for the decisions.
38. Effectively in a more devolved system, individual providers have a new responsibility for securing an appropriate settlement between different demands and between national and local drivers¹⁴. As they take greater responsibility for determining services in the context of limited central direction and prescription, providers need to be very clear how they gain legitimacy for action and how they demonstrate effective use of public money.

¹² FfE provides consistent management information on key Performance Indicators for all post-16 providers except school sixth form provision. The most recent report is available here http://readingroom.skillsfundingagency.bis.gov.uk/sfa/ffe_summary_statistics_2010.pdf

¹³ NIPB is a body hosted and serviced by LSIS which is responsible for influencing the development of collaborative working arrangements between agencies and provider representative bodies at national level.

¹⁴ The SFA's recent guidance note 6 states that *'Colleges and training organisations are given the freedom and flexibility to decide on the mix and balance of provision needed and demanded by the communities, businesses and learners in the market they serve'*.

39. With greater powers of determination in their own hands, how should leaders build consultative and deliberative processes with their customers, with their citizenry and with stakeholders and partners in their locality? How can they build a consensus that enables them to contribute effectively to local economic and social priorities and to work *with* and *alongside* citizens rather than *for* them?
40. The desirability of being able to demonstrate how communities and citizens as well as key strategic partners have been consulted and have influenced provision adds a further layer of complexity. As a result LSIS is developing further services related to partnership and collaborative working to support the role of providers in community development.
41. Furthermore, in the context of financial restraint, approaches to developing more cost-effective cross-sector strategies to address local priorities such as employability and prevention of NEETs will be critical. Under the Coalition this line of development is being taken forward through Community-Based Budgets (CBBs) which will involve '*pooling budgets at source*' in 16 localities '*to tackle families with complex needs*' with the intention that all areas will be able to take this approach from 2013. Collaborative approaches, while arguably more essential in times of reducing budgets, are also likely to be more difficult to sustain given the tendency towards retrenchment and protectionism when under threat.
42. In the context of the Big Society, it will be important that the sector flaunts the wider contributions it makes to society, including the capacity to foster community cohesion, social mobility and civic engagement as well as economic and social regeneration – the capacity *to improve peoples' lives* as it was described in one of our discussions.
43. LSIS is carrying out small scale prototyping work to develop understanding of effective multi-agency approaches and will support colleges to engage with the CBB pilots, building on work to support the engagement of colleges and learning providers in the Total Place pilots¹⁵ carried out in 2009/10. This will enable LSIS to support colleges and providers to step up to the challenges of more integrated public service delivery as practice evolves.
44. LSIS will continue to work with providers to help build their capacity to engage as effective strategic partners within new multi-agency arrangements, including developing approaches to enable providers to demonstrate the cost savings and improved social value that flow from involving FE and skills providers in local strategic partnerships and forums.

¹⁵ See the LSIS research report which includes case study reports of college involvement and makes recommendations about how engagement could be improved – available here <http://www.lsis.org.uk/Services/Publications/Pages/The-involvement-of-colleges-in-the-total-place-pilots.aspx>

45. At the time of writing, the roles of organisations within the local landscape are uncertain. In particular the role of local authorities in relation to both pre- and post-19 learners and provision is evolving and their appetite and capacity to take on the range of possible roles is likely to be variable given financial restraints. Their capacity to support quality improvement for example is uncertain. In addition LEPs also are at a formative stage and do not cover the entire country. Moreover, the imminent appointment of mayors in the 12 largest cities with responsibility to chair LEPs and take responsibility for skills, adds to the fluidity of the local arena for leadership and decision-making.
46. Therefore LSIS will, with the support of its Regional Development Managers, gather intelligence regarding the development of respective roles and responsibilities that affect the further education and skills sector and the distinctive patterns that emerge in a more devolved system. In particular we will be alert to the opportunities for the sector to exercise strategic influence in their localities.

Devolution in times of austerity...

47. The sector has for some time expressed concern that too much resource is expended on regulation, intermediaries and prescriptions and that this hampers strategic capacity, professional practice and innovative responses to the local context. Therefore, there is genuine support for the direction of policy towards restoring individual and corporate responsibility and discretion.
48. However, in our seminars, it has been the granting of greater freedoms and responsibility in a period of unprecedented 'fiscal restraint' that has caused most debate – such a shift in a period of affluence as opposed to austerity would have presented a less ambivalent response. The financial context presents significant challenges to the sector. It is feared that funding cuts will figure highly among the decisions being devolved, creating the impression that government is '*devolving the axe*' as it was described in the LSIS seminars, and creating the risk that sector providers will take the blame at local level for restraints initiated centrally. This provides another imperative for providers to be mindful of creating political cover for the increased strategic decisions that they will be expected to make.

From compliance to self-determination

49. Another consequence of the changes afoot is the challenge of managing a rapid shift from a culture of compliance to a culture of self-determination, enterprise and innovation. This shift is significant – from a highly regulated system in which compliance has been rewarded and where scope for strategic decisions by leaders – chief executives and trustees – has arguably been narrow; to a system where decisions are significantly devolved to the front line and where leaders are expected to engage their own capacity for making judgment calls and ethical decisions, is not to be underestimated.

50. Greater devolution of responsibility is of course consistent with and adds urgency to the approach LSIS has been developing with the sector for self-improvement through peer review and sector delivery. The willingness and capacity of providers to maintain their generosity to support peers within economically challenging times will be critical to our services and sector development in the coming period.
51. The shift to increased self-determination has implications for the whole further education and skills workforce, not just for leadership. Just as over-regulation of the sector as a whole saps resource and energy, so too does a culture of compliance within individual organisations. Organisational cultures too need to be developed to reward enterprise and innovation so that professionals committed to the vision, purposes and priorities of their institutions can operate more autonomously and without the comfort and costs of over-regulation.
52. Moreover, for the majority of adult further education providers, financial imperatives are necessitating radical strategic options to be considered across a spectrum of possibilities including federations, strategic alliances, shared services, sub-contracting and mergers. At the same time, spatial power bases and decision-making are shifting as local enterprise partnerships replace regional economic strategies, introducing new geographic patterns of engagement for many. The implications of these changes to funding and administrative arrangements in the sector are considered in more detail in the next section.
53. At one of our national seminars we were struck by the experience of regulation in urban streets¹⁶. Where regulation predominates – for example where there are delineated and unambiguous spaces for motorists and for pedestrians and where speed limits are clearly stated – motorists tend to assume that it is safe to drive on the designated road at the speed limit without serious engagement of their own judgment or powers of discretion; equally pedestrians assume safety if they comply with the rules. Where regulations are withdrawn or are ambiguous, both drivers and pedestrians are obliged to take responsibility for their own behaviours leading to safer conditions for both parties, and indeed better flow of traffic and pedestrians.
54. This illustrated the application of behavioural theory as well as highlighting the level of shift needed from a culture of compliance with established regulations, to one where we engage our own capacity for making judgment calls and ethical decisions¹⁷. It also made us consider where in our institutions we too are promoting a culture of compliance and rule-keeping at the expense of a culture that promotes individual and collective responsibility, and how behavioural theory might be deployed rather than regulation in achieving change.
55. Following the Strategic Review of Governance (2010) LSIS is providing a range of support and peer-led interventions to improve governance across the sector. We are working in conjunction with stakeholders such as BIS, AoC, ALP and NIACE to achieve strategic improvement.

¹⁶ The presentation by Ben Hamilton-Baillie can be viewed here

http://www.youtube.com/view_play_list?p=B3DF31E76BF6661A

¹⁷ See also the arguments below for the notion of *civic custodianship* paragraphs 66-67

Growth and new approaches to funding and administration

Growth

56. Further education and skills are essential to the coalition government's plans for growth. Within the Growth White Paper, there is a clear expectation that Local Enterprise Partnerships will *'develop effective working relationships with the further and higher education sector'* on a host of fronts, including:
- Business start-up and support, working with LEPs to 'promote a more entrepreneurial culture, for example through business engagement in schools and start-up training in further education colleges.'
 - Alignment of strategic priorities and associated delivery across a range of partners. Specifically for skills, 'Colleges and training organisations will be encouraged to form self-organised networks so they can engage more easily with LEPs to agree skills priorities and how they can best be delivered.'
 - Raising employer skills ambitions, with a commitment to 'encourage LEPs to develop effective working relationships with the further and higher education sector... in order to agree how to generate the demand for agreed strategic priorities locally...'
57. The strategy for growth is described as re-balancing the economy towards private sector-led growth – not public sector-led growth. This reinforces the importance for the sector of focussing on relationships with employers, particularly in an environment where customers are increasingly expected to pay for provision – in both further (aged 25+) and higher (aged 18+) education, and given the end of programme-led apprenticeships in April 2011. There is a particular emphasis in the government's plan on raising ambition and stimulating demand within the SME sector. This is an area on which limited public funding will be prioritised and may offer opportunities for independent and private training providers who have traditionally been more successful with this harder-to-reach group of employers.
58. Apprenticeships are seen as the key work-based learning route, with the importance of securing progression to higher level apprenticeships and other Level 4 provision stressed in both the Skills Strategy for the further education and skills sector and the Grant Letter to the Higher Education Funding Council for England. The flexibility and innovation being sought in higher education (two year degrees, other intensive forms of degrees and HE qualifications in the workplace) offers opportunities for the development of higher education provision in the FE and skills sector.

59. Ministers¹⁸ have made extremely positive comments on the importance of vocational and craft skills and their place alongside more academic study. With the high priority afforded to choice in the pre-19 system, and the encouragement to establish new academies, free schools, university technical colleges and studio schools, the efficient role that the FE and skills sector plays in providing practical and vocational pathways for young people and engaging those who are at risk of drop-out, it will be critical that the expertise of the sector is exploited. Critically this might be achieved through the active role of FE and skills providers in sponsoring¹⁹ new institutions and providing support²⁰ and strategic services in planning new local arrangements.
60. The outcomes of the Wolf Review of 14-19 vocational education are likely to inform a key plank of future policy for the sector, and with a review of the funding methodology for 16-19 learning due in its wake, more significant changes may lie ahead in 2012-13.
61. LSIS is developing a range of services to support the sector to support the growth agenda. For example, in order to support the priority for sustained employment, LSIS will work with providers to establish effective practice to enhance and monitor learner progression and destinations over time.

Devolution and planning

62. Devolution of responsibility is reflected in an increasing expectation that, in the absence of a planning role in the SFA or YPLA (or its successor Education Funding Agency), providers of their own volition will collaborate in order to provide a coherent and efficient local service avoiding duplication and ensuring needs are met efficiently and effectively.
63. There is a genuine concern in times of massive restraints in public spending that all resources are used to maximum efficiency, and that duplication or over-provision is avoided. Thus the recent skills strategy refers to the need for providers to act in self-organised networks and there is growing discussion about the most appropriate forms of alliances and federations. LSIS has only recently been asked to support curriculum collaboration in the 16-19 field.

¹⁸ *'There is another trap I wish to avoid as well – privileging theoretical over applied, cerebral over manual. Rigour and excellence are not confined to intellectual pursuits. They're just as evident and necessary in craftsmanship, in technical spheres, in manufacturing'*. David Willetts MP, 20th May 2010 - <http://www.bis.gov.uk/news/speeches/david-willetts-keynote-speech>

Speaking at the launch of the review of 14-19 vocational education on 9 September, Michael Gove said that the education system had failed to value practical education properly, placing a greater emphasis on purely academic achievements. He said that this has *'left a gap in the country's skills base and, as a result, a shortage of appropriately trained and educated young people to fulfill the needs of our employers'*. To boost vocational education, the government would focus on the *'quality of qualifications and courses as well as quantity and the prioritisation of clear progression routes to further education or employment'*.

¹⁹ For example, as stated in the Schools White Paper paragraph 5.26: *'Universities, colleges and businesses are forming partnerships to open UTCs'*

²⁰ For example we learnt of examples of colleges providing back office services such as HR for groups of academies and other types of providers

64. This notion that providers should effectively take on responsibility for the quality in terms of range of service in a locality as distinct from the quality of their own provision raises substantial dilemmas for governors and trustees. It could be taken to imply a notion of *civic custodianship* of public resource which is at odds with the duty of trustees currently to safeguard the interests of their institution, and arguably incompatible with a competitive market.
65. Addressing these broader issues in relation to public governance, LSIS chair, Dame Ruth Silver DBE has written powerfully about the need for a commission of inquiry to develop standards for public service governance with ethical judgment.²¹ As stated earlier (paragraph 57) LSIS will be exploring the challenges and opportunities that these changes present for sector governance with partners.

The new learning market

66. These expectations of collaboration raise interesting questions regarding the nature of the new learning market. Rather than relying on the market to deliver appropriately, the centre is encouraging providers to mitigate open competition and the danger of market failure by acting collaboratively to manage the market for the public good. This includes safeguarding the interests of the most vulnerable citizens who are seen to be at risk in a free market. Effectively the sector is being asked to balance ethical with market considerations and to act in the public interest.
67. Moreover, in times of unprecedented austerity the tensions between widening access and participation and maintaining reputation and standards are likely to become more difficult to handle. This is likely to be an increasingly live issue for leaders determining how to manage reducing resources while for example making a substantial contribution to increasing social mobility and delivering the Coalition's principle of fairness.
68. In addition to being urged to collaborate in order to rationalise, plan and protect provision, the SFA is urging sub-contracting and federation in the interests of efficiency through economies of scale and minimum contract levels. These drivers towards federal, collaborative and sub-contracting arrangements all imply additional responsibilities at the level of individual organisations – new and critical decisions about positioning and financial viability; the danger of added bureaucracy from sub-contracting; and the potential burden of new legal and operational partnerships.

²¹ See the article published in the Guardian on 21 September 2010 – <http://www.guardian.co.uk/education/2010/sep/21/further-education-governance>

Choice or efficiency?

69. However, the drive for scale by the SFA in the FE and skills sector is not shared by DfE for the schools sector where the desire for choice of provider appears to have pre-eminence over the imperative for efficiency. Thus new providers are being encouraged to enter the pre-19 market in the interests of greater parental choice. This has been criticised by FE and skills sector leaders on grounds of efficiency and as potentially sacrificing choice of provision in favour of choice of institution since curriculum choice is likely to be more restricted in smaller institutions. However, as indicated earlier (see paragraph 61), this new context offers many opportunities for FE and skills providers to sponsor and support new developments and to ensure in particular that their expertise in vocational learning and in supporting vulnerable learners benefits the pre-19 system.
70. LSIS will support and disseminate the role of FE and skills providers in sponsoring new forms of provision and in particular in supporting vocational learning and strategies for engaging vulnerable groups of pre-19 learners.

Achieving quality, inclusivity and range...

71. Although larger adult skills providers are being encouraged to consider sub-contracting with small providers with operating budgets below minimum contract values, any arrangement that might compromise performance measures cannot be contemplated. Currently institutional performance measures – critically retention, achievement and success rates together with minimum levels of performance – are vital to organisational reputation and therefore to viability. For trustees they offer a simple focus for monitoring performance which makes compromise in the interests of widening access and participation extremely risky.
72. Therefore, even the most niche social enterprise supporting the most disadvantaged learners in a neglected community could only be contemplated as sub-contractors if provision is good and poses no threat to the overall rating of the host organisation. Any risk to quality could not compete with the strongest arguments for social inclusion or diversity, since this could jeopardise organisational reputation and viability.
73. Thus, in a more devolved system which relies more heavily on self-organised networks and voluntary collaboration for planning, the pressure for scale (from minimum contract values) and for sustained performance (from rising requirements from minimum levels of performance) may have a negative impact on the range of provision and on widening participation.
74. LSIS will consider with partners how to monitor the possible consequences for range of provision and for widening participation of the drive for efficiency through scale of operation. In addition, LSIS's research and work in resource utilisation is revealing the crucial importance of effectiveness being the road to efficiency.

New business models

75. Financial austerity together with the coalition government's focus on restoring individual responsibility is leading to a fundamental reconsideration of what should be funded at public expense. There is a clear indication that self-help and volunteering are seen as a manifestation of the principles of the 'Big Society', which raises questions about the implications of the '*seriously shrinking state*' for the role of the professional public servant and how volunteers and professionals might work together in different ways in future.
76. There are significant implications for the way we organise learning infrastructures in future for efficient and effective learning and to create dynamic communities of learners: physical spaces need to be well designed to support technical and social learning; technology should enable people to learn 'anytime, anywhere'; and we need arrangements that allow professionals and volunteers to work together to enrich students' experiences and sustain a culture of lifelong learning.
77. A major element of the adult skills strategy is to rebalance responsibility between individuals, employers and the state in the further education and skills system. Thus responsible individuals and employers will invest in learning in the understanding that it will pay dividends, and learning accounts will provide a mechanism for promoting and stimulating individual investment and as a vehicle for public subsidy.
78. Funding will therefore come increasingly via customers, whether by direct payment, learning accounts or loans, an approach that will be particularly pronounced in higher education. This is described as a mechanism for empowering citizens. Sector leaders in our discussions expressed concern around the pace of change and the level of risk to which providers are exposed in such a model.
79. This shift, together with other proposed changes to the funding mechanism – minimum contract levels, the intention that public funding will follow private investment; the intention to introduce outcome incentive payments that recognise longer term outcomes (such as sustained employment); co-funding support for SMEs and for some ESOL – will require all adult FE and skills providers to consider their business strategy and may create challenges to liquidity for smaller providers in particular.
80. A significant culture shift is needed to ensure that individuals and employers increasingly consider investment in learning to be a positive economic decision. Such a shift may be difficult to deliver on a devolved basis as it would appear to need national, sectoral and local dimensions to provide the evidence needed to create a new culture for investment in learning.
81. LSIS will consider with national partners how best an effective strategy and feasible timescale to bring about such a cultural shift and the implications of SFA proposals to reduce future years' allocations where there is non-collection of fees.

82. Such significant changes in the funding and administrative arrangements for FE and skills, together with the twin imperatives for growth and fairness in our society, calls for a step change in the sector's capacity to respond. To complement its programmes supporting continuous improvement, LSIS encourages and supports sector innovation through its Flexibility and Innovation Fund.
83. Over the next year we will be focusing in particular on incubating ideas which can illuminate providers' responses to the challenges the sector faces and understanding the tools, approaches and means that can bring small innovative approaches to scale in a cost effective manner for the benefit of the sector as a whole.

Curriculum design and delivery

84. There is a range of curriculum implications stemming from these changes. Greater freedom and flexibility to respond to learners' and employers' needs – particularly if they are paying – suggests the need for a stronger emphasis on curriculum design and development than has been the case in the last few years where providers have been focused on delivering programmes developed elsewhere.
85. The planned growth in apprenticeships is significant, in terms of working with employers, and developing new programmes in areas of economic growth – for example advanced engineering and manufacturing, low carbon and wind technology – which are expensive to run, in terms of equipment and in time spent in learning. With 75% of apprenticeships delivered by work-based learning providers and employers, there is scope for developing further the capacity of colleges, linked also to the development of pathways to higher level apprenticeships and other Level 4 programmes – perhaps as part of an innovative higher education offer.
86. The emphasis in the Schools White Paper on maths and science reflects OFSTED's recent findings that these subjects remain the weaker link in the STEM curriculum, and suggests the need to continue to strengthen teaching and learning in these subjects across the 14-19 spectrum. The continued uplift in funding for entry-level numeracy from the SFA reinforces this national concern. DfE's concern to reinvigorate modern foreign languages pre-16 is also likely to raise demand in this subject area post-16, even if not immediately.
87. Other known areas where curriculum design and development will be important include the need to develop opportunities that will facilitate achievement of the government's aim for full participation in learning up to the age of 18 and an increase in levels of participation in higher education by disadvantaged young people. These are areas where the further education and skills has substantial expertise to offer to the schools sector.

88. Proposed changes to curriculum and assessment pre-16 in the Schools White Paper may also be significant, linked as they are, to the coalition government's commitment to raise the participation age to 17 by 2013 and 18 by 2015. The renewed emphasis on core subjects and end of programme assessment at 16 may reveal alternative curriculum needs for some young people pre-16. Some young people are likely to have new and different transition support needs at 16, and perhaps a need for different types of programmes with a range of teaching and learning styles post-16. The continued eligibility of non-accredited foundation learning for YPLA funding in 2011-12 will help with this, though longer term, the prospects for vocational education post-16 are likely to be influenced by the outcomes of Professor Wolf's review.
89. These challenges provide the policy background for the direction of LSIS services in particular the thematic areas of curriculum development and teaching and learning.

Comments

We would be delighted to receive comments on the content of this document and on how it might be improved to be more useful to readers. Please send you comments to:

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