



# GOING PLACES

Innovation in **Further Education & Skills**

# IN A CHANGING POLICY LANDSCAPE THE FURTHER EDUCATION AND SKILLS SECTOR HAS ALWAYS BEEN RESPONSIVE

This report looks at the inspiring innovation and leadership taking place in further education and skills across the United Kingdom. We highlight the best and make recommendations that would enable the best to become very best.



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# CO-CHAIRS' FOREWORD

The Skills Commission prides itself on producing reports which can be considered scripts for the future. Since our inception ten years ago we have brought together voices from across the education and skills sector with leading industry figures and parliamentarians to explore the big issues of the day and the challenges around the corner.



While much has changed over that decade, today the sector currently stands on the cusp of a period of transformative change. More so than that heralded by Incorporation in 1992, this phase of change – initiated by the Apprenticeship Levy, Area Reviews, and the Post-16 Skills Plan – will impact all FE and skills providers and significantly affect all partners across the wider skills system.

The acknowledgement that we are entering uncharted waters was the driving motivation behind this inquiry. The beginnings of any new phase can be painful and we are only too aware of the unease and uncertainties created by the social, economic, and political conditions in which we now find ourselves. However, with such challenges come opportunity, and changing times require visionary thinking and fresh ideas to be brought to the table.

To assist the sector in this task and to steer us in this endeavour the Skills Commission invited Neil Bates, principal and chief executive of PROCAT – the first FE college since Incorporation to move from independent status to join the public sector – to become its chair and to direct Commission Members in an inquiry into Leading Innovation in FE and Skills. The LIFES inquiry, as it became known, defined innovation not as invention but rather as ‘the season’s new growth’: how every new generation of leaders adapts and responds to their context. With this clear approach to examining innovative leadership through change we sought to step back and ask actors within the system what they were aiming for and how in a changing context they were working to arrive at this destination.

All too frequently change is responsive rather than mission led and genuinely innovative. The business of learning and the learning business is not the same. It is not just about managing market share, but delivering improved learning and teaching, and crucially building strong partnerships to ensure that the education and training on offer is the best it can be for learners, communities and employers operating at local, national, and global level.

There are obstacles to delivering positive change, some of which are discussed in this report. However, it is vital that we are not blown off course by these. Indeed, it is through offering a positive vision and by highlighting the possibilities, that we are most likely to secure the removal of these barriers. We must articulate what the sector can do at its best and how it can help central and local government in its ambitions. The FE and skills sector can play a key role in meeting the challenges of the day whether they be social inclusion, the implications of Brexit, national productivity, the housing crisis or rebalancing the economy.

The recommendations and examples of innovative practice featured in this report provide a guide for how the sector might play its role in meeting these challenges. In looking forward to the future we invite you to play your part in the ongoing discussion on how we can build a world class skills system that delivers for all and is fit for the age.

**BARRY SHEERMAN MP**  
**DAME RUTH SILVER**

Skills Commission Co-Chairs

# INQUIRY CHAIR'S FOREWORD

Over the course of this inquiry the Commission has travelled the length and breadth of Great Britain in search of the best examples of innovative practice in the further education and skills sector.



“We have engaged over a hundred individuals and organisations during the process.”

We have seen how long-term partnerships have laid the foundations for devolution in Manchester; the systematic approach being taken to the skills and employment agendas in Wales; and how ambitious colleges are collaborating with sector agencies to align provision with economic need and development goals in Scotland.

We have engaged over a hundred individuals and organisations during the process. Amongst those who provided valuable contributions and insights to the inquiry were employers, provider chief executives and principals, senior managers and teaching practitioners, elected officials and civil servants, sector stakeholders and thought leaders, and the learners themselves.

In our five Westminster inquiry hearings and our three regional and national evidence sessions the Commission considered the innovative approaches being taken to provider and group structures, specialisation, income diversity, and the use of digital technologies. In exploring these, the Commission saw many of examples of good practice and identified a number of areas where policy makers can better support these. What we are presenting here is a true snapshot of the sector at its best, and a series of recommendations and guidelines aimed at encouraging ambitious and innovative leadership.

A reoccurring feature that underpinned the examples of successful innovation we looked at was the clear articulation of a provider's mission. Understanding and articulating 'what one is innovating for' is crucial for securing buy-in from an organisation's members and stakeholders, and from there, aligning operational outcomes in line with one's aim.

With this in mind we present our findings around four broad areas which providers may seek to focus innovative change around. These include those aimed at serving the needs of learners, local employers and economies, and others with a specific focus on delivering higher level skills and employment in a changing labour market. In addition to these, we also frame our findings around innovations intended to ensure provision is fit for the digital economy, and those aimed at creating resilient providers for a sustainable, growing and vibrant system.

It is through this prism that we have explored a sector that has thrived through innovation, and must continue to do so to meet the challenges ahead. By developing provision that is genuinely responsive to employer and learner needs, and creating devolution that is owned and driven locally, we are optimistic that the sector can flourish.

Lastly on behalf of the Commission, I would also like to take this opportunity to thank FETL (the Further Education Trust for Leadership) for sponsoring this inquiry.

## NEIL BATES

Principal and CE of Prospects College of Advanced Technology,  
Inquiry Chair



“Innovation is change: adapting to pressures while understanding one’s purpose”

**STEWART SEGAL**, Director, 3AAA

(Session 1: Innovation and the FE and skills system in England)

# EXECUTIVE SUMMARY

This inquiry has been undertaken during a time of wholesale and substantive change in the further education and skills system.

The Apprenticeship Levy, announced in the Budget of 2015, heralds a new approach to employer engagement and training. City Deals and devolution, and a new Industrial Strategy, alongside departmental changes at the height of government – with further education and apprenticeships moving from the now defunct Department for Business, Innovation and Skills to the Department for Education – are also changing the relationship between the sector and Whitehall. In addition to these changes the Area Based Review process and the Government’s Post-16 Skills Plan are also set to bring significant reform, and all this before the skills challenges borne from the UK’s decision to leave the European Union become apparent.

Yet FE and skills is a resilient sector. Many of its component parts were born out of innovations responding to social and economic needs, and technological changes. Over time it has also become increasingly responsive to various government agendas, the recent access agenda being a particular area of success.

But while the sector’s adaptiveness has been a great asset, legitimate concerns may be raised around ‘what the sector has been responding to’, and the impact of keeping pace with policy changes. Many commentators and sector leaders have noted the disruption caused by constant changes to national bodies, funding conditions, curriculum, and qualifications. Capacity in the sector is limited and attention can be diverted from responding to the needs of learners, local employers, and wider trends in the labour market and within industry.

Here it is important to distinguish between innovation and responsiveness. As the Commission heard, innovation is when leaders are:

**“prepared to go beyond the obvious; a different and creative approach to solving problems, pushing boundaries to serve communities and businesses”**

Over the course of this inquiry the Commission spent a lot of time talking to a wide array of leaders from across the sector, and the UK, about what innovations they are championing, and what obstacles they face to achieve these. These challenges came in different forms. They varied between provider type, employer size and the nature of the region, with marked differences between rural and urban areas. These differences were also manifest when considering the difficulties of meeting national priorities and local demands.

Despite these differences, throughout our conversations we saw recurring themes emerge across the sector when considering how leaders lead and champion innovation.

These unifying themes started at the delivery level of providers of all types and were underpinned by a clear sense of mission and understanding of who the providers were there to serve. Each was working to deliver training that is responsive to the needs of learners, employers, regional and national economies. Whilst learners were a core stakeholder when speaking with witnesses, we repeatedly heard that employer engagement and ownership of provision was at the forefront of the sector’s approach to innovative practice and change.

With focus directed on innovating for learners and employers, the importance of collaboration and developing strong partnerships emerged as another key consideration. Here we heard that the devolution agenda presents a unique opportunity for renewed skills provision and planning which considers the different interests and views from across the sector. What is needed, therefore, is a form of devolution that encourages genuine autonomy and collaboration.

Beyond greater engagement of employers, and learners, through flexible and responsive provision and devolution, new digital technologies were highlighted as an exciting area where the sector can innovate to achieve these aims. Digital technology offers new approaches to the delivery of learning, economising back office functions and opportunities for providers to share best practice and collaborate.

By examining these innovations, we have seen how the sector is innovating in an effort to:

[Serve learners, local employers, and regional economies more effectively](#)

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[Deliver higher level skills and improved employment outcomes in a changing labour market](#)

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[Operate effectively in the digital world](#)

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[Create sustainable institutions and a thriving system](#)

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In chapter one, we examine how the sector can further innovate to serve the needs of their immediate stakeholders: their learners and partner employers. The chapter examines how flexibility and responsiveness is key to engaging learners at all stages of their lives, as well as employers, regardless of their size and reach. This engagement with employers is not an exercise that has a start and end time and we have seen evidence of providers who are collaborating with employers by physically bringing them into the learning space. The sharing of problems and solutions is central to successful engagement.

In addition, we examine how the devolution agenda, if adequately funded and responsive to the needs of the targeted region, can help to facilitate the collaboration between providers, employers and learners.

In chapter two, we move from considering the stakeholders the sector innovates to serve, and reflect on the wider agenda the sector aims to serve. The challenge of skills gaps faced in this country must be met, and the sector is uniquely placed to deliver the needed higher level skills and improved employment outcomes, and to be responsive to an ever changing labour market. By advocating for a more thorough evidence base, one that is regionally and nationally driven, we argue that such an evidence base can support adequate skills provision and planning for the future.

With a skills planning system that is genuinely reflective and responsive to need, the sector can better facilitate clear pathways with transferrable skills contained within programmes articulated to learners and employers. Specialisation is an area where we have seen the sector is innovating, and the principles that underpin this are being pursued by Government through the 2016 Skills Plan and recent announcements on Institutes of Technology.

In chapter three, we turn our attention to the innovative use of digital technology. The growing digital economy, and the disruption that this brings to the labour market and employment, is something that providers are actively engaged with. In terms of their own organisations, innovative providers are using digital technology to create more efficient delivery models and removing the need for physical facilities to make learning more accessible and attainable for employers and learners. Much more can be done by policy makers to support this, especially considering the initial cost and risk associated with investment in new technologies.

Finally, in chapter four, having looked at the wider questions of who the sector innovates for and why, we consider how the sector is innovating to secure its own future. Expanding providers, and group structures, are a method by which providers are trying to become larger and more efficient. Financial considerations, and reductions in funding from central government in recent years, have led to providers innovating to diversify their income. This is a positive way of securing both financial security, and engaging employers. Further, we consider how governance structures and rules shape the extent to which the sector can innovate, with witnesses advocating greater “freedoms and flexibilities”, and a funding model which promotes growth and shares the burden of risk. We also consider the Area Review process and the extent to which it has encouraged these innovative changes, and have found it lacking.

This report is about innovations that are taking place already, and seeks to challenge existing inhibitors to further sector wide innovation. Ultimately, if the FE and skills sector is to survive and thrive, it must continue to innovate further around its core mission objectives. Policy makers, both locally and nationally, must do more to support this.



# RECOMMENDATIONS

## 1

### CHAPTER 1: SERVING LEARNERS, LOCAL EMPLOYERS AND REGIONAL ECONOMIES

#### Recommendation 1

Provision needs to be flexible and fit around the needs of learners and employers. Providers must develop their offer in partnership with employers, either directly through LEPs or other employer and sector groups. Where funding conditions or statutory requirements limit the development of flexible and bespoke delivery models, the DfE, EFA and SFA should review whether exemptions could be made in cases where high standards can be maintained.

#### Recommendation 2

FE and skills providers should use their physical space and assets to become skills hubs for local businesses, and serve as incubators for their learners' next career steps. This should be considered in the commissioning and design of future building projects.

#### Recommendation 3

Devolution settlements should be 'full' and include additional powers across all areas of skills provision. They should encourage cross local authority and LEP collaboration.

#### Recommendation 4

Funding for devolution should be based on an area's capability and ambition, not solely on population density or the number of large businesses.

## 2

### CHAPTER 2: DELIVERING HIGHER LEVEL SKILLS AND IMPROVED EMPLOYMENT OUTCOMES IN A CHANGING LABOUR MARKET

#### Recommendation 5

Provider's boards should be made up of leaders from diverse sector areas.

#### Recommendation 6

Providers should future proof their staff, as well as their institutions, by guaranteeing ongoing industry experience. This should be partnered with employer engagement at all levels of the organisation.

#### Recommendation 7

Devolved authorities should generate business intelligence, and use that for adequate skills planning for the future.

#### Recommendation 8

The DfE should create comprehensive data sets across 16-24 years, similar to that of early years, to ensure that national policy is reactive to, and reflective of, the changing labour market.

#### Recommendation 9

LEPs and the Careers and Enterprise Company should work together to ensure that careers information advice and guidance is based on attainable employment opportunities. This should mean it is grounded in local and national skills needs, based on rigorous data sets, and reflective of genuine career options. This needs to be provided throughout the education and skills system, including mandatory advice in schools.

### Recommendation 10

Building on themes contained in the 2016 Skills Plan, each provider's offer should be built on clear pathways, with clear end destinations articulated to learners. Providers should have a pathway agreed with the learner.

### Recommendation 11

Providers, awarding bodies and employers should work to better quantify and clarify the transferrable skills contained within each programme.

## CHAPTER 3: OPERATING EFFECTIVELY IN THE DIGITAL WORLD

### Recommendation 12

To enhance provision, create more efficient delivery models and to reduce the need for physical facilities providers should invest in the digital capabilities of their staff and collaborate with other providers.

### Recommendation 13

Providers need to have the confidence to innovate digitally. In its annual report to Parliament on Education and Skills, Ofsted should highlight examples of good digital practice that have transformed outcomes.

## CHAPTER 4: CREATING SUSTAINABLE INSTITUTIONS AND A THRIVING SYSTEM

### Recommendation 14

Where institutions are embarking on a process of merger, or transformation, the blueprint for change should be grounded in the education and training needs of learners and local employers. Change should focus on cultural alignment and embedding cultural change, not merely structural or organisational solutions.

### Recommendation 15

Income diversification should be embedded in providers' strategies for growth. Commercial opportunities should be sought in line with the provider's mission statement.

### Recommendation 16

Providers should have more freedom and flexibility over their business models and structures. Providers and provider groups should be better able to use their funds to invest in the future. The SFA should review funding arrangements so they are less retrospective and can encourage growth, especially in apprenticeship provision.

### Recommendation 17

Lessons should be learnt from the Area Based Review process. All parts of the education and skills landscape must be considered in any future geographical review of provision.

# INTRODUCTION: INNOVATING FOR..?

A ‘Dual Mandate’, was how the former Business Secretary Vince Cable described the mission of the FE and skills sector in his similarly titled March 2015 consultation paper. Launching the paper, which called for employers and further education providers to look into how the vocational education system could to meet future skills challenges, Cable described his aspiration “for the country to have a world-class standard of vocational education that can meet the future skills needs of industry, which are rapidly evolving”. Added to this he called for debate on how this could be achieved and “how colleges can continue to provide core literacy and numeracy training and offer a second chance to adults who lack the core skills they need for the modern world of work”.

While the dual nature of this historic mission is one which many in the sector will relate to, its significance is increasingly being recognised beyond the sector as a growing national and political priority. Looking at the bigger picture, the country faces a series of major social, political, and economic challenges which the FE and skills sector must play its part addressing.

Looming large on the horizon is the question of how changes in the UK’s immigration policy, as a result of Brexit, will impact skills shortages. While in many areas there is an under utilisation of skills, the UK already faces acute skills shortages in key growth areas. Connected to this is the UK’s attractiveness as a place to invest if we are to leave the Single Market. Upskilling the nation is becoming an absolute imperative.

Brexit aside, the issue of Britain’s productivity relative to other advanced economies has also been a recent preoccupation for policymakers. Although we may be thankful that employment remained relatively stable in the wake of the 2008 global financial crisis, there are growing concerns around the numbers remaining in low paid and insecure work. Alongside forecasts of slow economic growth impacting upon employment prospects, automation and servicetisation will continue to render whole industries obsolete or completely change the skillsets required to work in them.

Amidst these economic challenges there are the social and political challenges, and the human costs of not meeting them. The Social Mobility Commission’s fourth ‘State of the Nation’ report describes the UK as having “a deep social mobility problem” and one that “is getting worse not better.”<sup>1</sup> Given deepening class, generational and regional divisions, a reaffirmed commitment to social and economic inclusion must be made.

For the FE and skills sector to meet its mission in this changing context, innovative approaches and solutions will be required.

Yet the sector faces its own challenges and innovation requires the freedom and flexibility to experiment and try out new ideas. Many sector leaders and stakeholders have complained of the ever-changing policy landscape in FE and skills. Leaders within the sector have been afforded very little space for thought leadership, innovation, and to offer their own best practices to the rest of the sector. Equally potential partners in industry and employment have been deterred from deepening their engagement with the sector. Indeed, the next 12 months in particular look to be the most significant period of policy change for the FE and skills system since the 1992 Act of Incorporation. With many of these policy changes already begun 2017 will be an important year for the sector.

However, despite the challenges the sector faces, policy changes offer much opportunity for sector leaders

to take advantage of. The Apprenticeship Levy will do much to engage employers in skills training. A new Industrial Strategy will give providers a chance to align their offer to support key industries. There has also been recognition in recent years of the need for greater autonomy, and the devolution of power to local areas could enable provider and employer partnerships to have real influence.

This report considers some of these opportunities and looks at how leaders across the FE and skills sector are working to fulfil their missions through innovative practice. It identifies the two key features of autonomy and leadership in enabling and encouraging innovation, and identifies various policy recommendations to aid the sector in meeting its mission and playing its role in the challenges that face the UK in the 21st century.

**TIMELINE OF RECENT POLICY CHANGES  
AND ANNOUNCEMENTS:**

**SEPTEMBER 2014**

Reforming the national curriculum in England sees new Study Programmes introduced

**FEBRUARY 2015**

The Government announces funding cuts in adult further education of up to 24% for 2015-16

**MARCH 2015**

Dual Mandate document released

**MAY 2015**

Majority Conservative Government elected

**JUNE 2015**

Alison Wolf's Heading to the Precipice report

**JULY 2015**

Post-16 education and training institutions review document announces five waves of Area Reviews from September to March 2017

**AUGUST 2015**

GCSE English and maths retakes required for students not acquiring a C+ grade

**DECEMBER 2015**

Announcement of Apprenticeship Levy

**MAY 2016**

Introduction of Advanced Learner Loans

**JUNE 2016**

EU Referendum

**JULY 2016**

Publication of the Sainsbury Review and the Government's Post-16 Skills Plan

**JULY 2016**

Theresa May becomes PM, DfE takes on FE, new Ministerial team

**MAY 2017**

Apprenticeship Levy comes into effect



“We are talking about all of our learners having opportunities and life chances and breaking that link between social class and education, which remains as stubborn as ever”

**NAOMI EISENSTADT CB**, Independent Advisor on Poverty and Inequality

(National Session: FE and Skills in Scotland)

# 1 SERVING LEARNERS, LOCAL EMPLOYERS AND REGIONAL ECONOMIES

The further education and skills sector emerged from social and economic communities co-operating together to equip individuals with the skills required to participate in local, regional, and national industry. It is a unique sector in that its mission objective, unlike other parts of the education landscape, was created in answer to this very clear question: how can we, as a community, develop our citizens and workforce to grow the economy for the nation?

Meeting this agenda has been a key tenet of the sector since the industrial revolution, when employers and industrialists, and later the state, worked to ensure economic development through improving the skills base. Since that time, much has changed but the sector's duty to provide for the education and training needs of individuals, local employers and economies remains, and as discussed in the introduction, is as pertinent as ever.

In this chapter we focus on the need for providers to develop a flexible offer that works around the needs of learners, employers, and the economic communities they operate in. We look at innovations in delivery, obstacles to encouraging more of this, some novel ideas to physically bring SMEs and learners together, and consider factors required to underpin successful devolution deals.

## 1.1 FLEXIBLE LEARNING THAT IS RESPONSIVE TO THE NEEDS OF LEARNERS AND EMPLOYERS

The sector's responsiveness to learners and employers is paramount. Offering flexible provision around the needs of these two groups is key to maintaining competitiveness and relevance in a changing environment. As one witness said, the FE and skills sector should embrace the 'anytime, anywhere' approach to learning.

However, when it comes to flexible learning models there is a prevalent perception that this is an area in which the sector could improve on, particularly the college sector. Indeed, reflective of this is the call to 'bring back night school' that has featured in several political campaigns from various politicians across the political divide the past two years.

When looking for examples of innovative practice in delivering flexible provision on a substantial and ongoing basis, rather than the smaller-scale and bespoke services offered by alternative providers, the Commission considered the London College of Beauty Therapy (LCBT) model. Established in 1995, the college provides a variety of courses in beauty therapy, health and fitness, teacher training, and employability training. It also offers apprenticeships. The delivery model was designed in consultation with employers, and with learner needs also at the top of the agenda.

As a result of this close engagement with industry, the LCBT offers monthly enrolment on all programmes; with flexible dates and times to suit learners. The College is open all year round, six days a week, plus evenings, and there are no term breaks, which leads to faster completion and fast entry into employment. Their average rate of progression into further training or employment stands at 90%. This flexible delivery model ensures learners, and employers, can fit their learning around their own time needs, and came about as a direct result of employer demand. The college is an example of the kind of learner and employer-led delivery of skills training, much championed by government.

As well as LCBT's flexible model, the Commission heard extensive examples of 'blended learning', where the blend of on-site classroom and online learning fulfils different learner needs. One provider and employer partnership described how it was using two online programmes to deliver greater flexibility across its courses, with the support of the Blended Learning Essentials course developed by Leeds University. The partnership is also promoting 'Citizen Maths' to help contextualise maths in the workplace and to support those undertaking Functional Skills courses.

## 1.2 HURDLES TO FLEXIBILITY

However, aside from examples such as LCBT's unusual roll-on roll-off model, and the growing use of blended delivery, widespread innovative practice in terms of flexible delivery was not to be found and contributors to the inquiry identified a number of hurdles to more flexible provision.

Many of these were bound in the performance measures of the sector and how at times these could drive behaviour in ways which negated the needs of learners and employers. One college leader told the Commission that "We have got some fantastic employers which want to work with us but if you look at our offer, it is often focused on Ofsted measures - what is the success rate, what is the pass rate - and if they are only focused on these measures the focus is wrong."<sup>1</sup>

Similarly, providers have seen a number of challenges posed by the changes to English and maths requirements which limit flexibility. As of August 2015, all students aged 16-19 enrolling on a Study Programme of 150 hours or more who do not hold a GCSE grade A\*-C, or equivalent qualification in English and/or maths, are required to continue working towards qualifications in those subjects. In addition to these funding conditions all full-time students enrolling on a study programme with prior attainment of a grade D GCSE or an equivalent qualification in English and/or maths must be enrolled on a GCSE rather than a stepping stone qualification.<sup>2</sup>

The trend towards shifting the post-16 literacy and numeracy offer towards more academic GCSE courses reduces the ability of providers to innovate through embedding literacy and numeracy throughout a learner's course of study or training.

Another unintended consequence of performance metrics and funding requirements has been to lengthen the time which a student may need to attain a vocational qualification and progress to a higher level before they are 18 and funding reduces. To achieve an NVQ level 1, 2, and 3, for example, could take 15 months, however in most FE colleges it would now take three academic years to complete. Funding based on the academic year does not reflect the kinds of delivery models that are utilised by alternative providers or desired by employers. Nor does it encourage short course provision.

## 1.3 RESPONSIVENESS TO EMPLOYERS

As well as responding flexibly to the needs of learners, providers need to fully integrate themselves into local economic life in order to be able to provide skills and training that meets the needs of local employers.

<sup>1</sup> Sally Dicketts, Group Chief Executive, Activate Learning, Session 2.

<sup>2</sup> Association of Colleges, English and Maths, <https://www.aoc.co.uk/teaching-and-learning/study-programmes-central/english-and-maths> (accessed November 2016).

The Commission heard that responsiveness to a changing labour market is not a destination that providers can aim to reach, nor is it something that providers ‘do’. It is a long and ongoing process based on building relationships between and throughout organisations. This relationship is built on the basis of the customer and the provider. The Commission found that for this to be successful, it needs to be worked from the customer’s perspective, not from defining costs and selling to break even or at a profit.

While FE and skills providers currently face many challenges, growing opportunities for engaging with local employers were identified by contributors to the inquiry. These included taking advantage of how the Apprenticeship Levy and the ability to transfer apprenticeship funding down the supply chain will drive employer behaviour. Devolution Deals and the growing experience of LEPs were also cited as areas of potential for providers.

In addition to these areas many witnesses told the Commission of greater potential for the sector to engage with the SME market, which in 2015 made up 99%, or 5.4 million, of all businesses.<sup>3</sup> The Commission heard there is a real opportunity for businesses to see their local colleges as the place to go for immediate solutions to problems. One witness spoke about an experimental model whereby the provider is actively canvassing industry for problems that they may be able to solve. Should an SME, or other business, need this type of solution they can go to the consultancy arm of the provider who then invite the employer in, or the provider travels to the business. This is not only good for the business, but is an opportunity for the college to build its wider reputation regionally and within the business’ sector.

Other witnesses told the Commission that there is an opportunity for lots more short term spending on training in colleges where short courses and evening courses are offered. The Commission heard from a leading figure in the world of SMEs who said:

“Training doesn’t have to be long term courses, where businesses ‘lose’ staff for long periods of time. Funding training and development for staff is even harder for SMEs who cannot afford the time or costs associated with training staff. There is an opportunity for lots more short term spending on training- for example, a 2 day training course on social media use for lower ranked staff would be a great hook for local businesses. Similarly, the concept of evening courses is one that we seem to have lost over time and businesses could be willing to support bringing this back.”<sup>4</sup>

Similarly, when speaking with a college group leader in Manchester, and another in Northern Ireland, the Commission heard how businesses, particularly small ones, are actively looking for flexible programmes which they know are delivering the skills they require. There is a genuine market for short term courses whereby employers pay for employee training, they leave the business for a short period of time, and return upskilled.

As opposed to a transactional relationship between employers and providers, providers need to be partners in workforce development and provide employers with a range of solutions for both their existing workforce and their future workforce. These solutions need to be flexible in delivery, bespoke and to a high standard.

## Recommendation 1

Provision needs to be flexible and fit around the needs of learners and employers. Providers must develop their offer in partnership with employers, either directly or through LEPs or other employer and sector groups. Where funding conditions or statutory requirements limit the development of flexible and bespoke delivery models, the DfE, EFA and SFA should review whether exemptions could be made in cases where high standards can be maintained.

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3 Rhodes, C. (2015) Business Statistics, Briefing Paper 06152, House of Commons Library: London

4 David Pollard, Education, Skills and Business Support Chairman, Federation of Small Businesses (FSB), Session 4.

## 1.4 BRINGING EMPLOYERS INTO THE LEARNING SPACE

A number of innovative ideas were presented to the Commission to bring providers and employers closer together by encouraging them to share the same physical space.

Many providers possess facilities that could be used by local SMEs. One witness told the Commission that there is a big market for office and studio space that doesn't require a 5 or 10 year lease and many colleges are not making full use of the physical assets especially during holiday periods. The office space, meeting rooms, workshops, reception venues, parking facilities, transport networks, and catering services of a large provider are often some of the best available, particularly in rural areas. Operating out of the local community skills provider may appeal to the CSR agendas of many local businesses and one could imagine providers showcasing their offer while hosting meetings of the LEP or Chambers of Commerce.

Making greater commercial use of these spaces could have transformational benefits beyond providing additional income for providers. By sharing the space, learners, particularly those not enrolled on apprenticeships, could get a better idea of the workplace through sustained interaction with business throughout their learning. Employers and providers would be less isolated from one another and could better understand one another's language and culture enabling them to build stronger partnerships.

There could also be opportunities for colleges to serve as incubator spaces, building on good practices developed in a number of providers. Learners could start their new business in the college, sharing the space with other graduates, and existing SMEs. Beyond the convenience of space as part of the learning programme, it would give students the opportunity to interact with one another in a shared business space - solving problems and launching their start-ups in this way.

### Recommendation 2

FE and skills providers should use their physical space and assets to become skills hubs for local businesses, and serve as incubators for their learners' next career steps. This should be considered in the commissioning and design of future building projects.

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“Training doesn’t have to be long term courses, where businesses ‘lose’ staff for long periods of time”

**DAVID POLLARD**, Education, Skills and Business Support Chairman,  
Federation of Small Businesses  
(Session 4: Income Diversity)

## 1.5 DEVOLUTION THAT SUPPORTS RESPONSIVE COLLABORATION

Building out from the employer and the learner, there have been calls from local authorities seeking devolution to incorporate skills commissioning as a central plank of their plans<sup>5</sup>.

The principle of devolution is for regions and localities to be more responsive to local need by increasing their autonomy, and the devolution of budgets and responsibilities is continuing apace across England, and the wider United Kingdom. This call for greater devolution of skills responsibility is not a new one.<sup>6</sup> However, the devolution of the Adult Skills Budget, despite concerns about funding reductions, is a fresh and innovative move, which may mark start of further devolution of skills budget spending powers.

As part of this inquiry, the Commission travelled the length and breadth of the United Kingdom, hearing from providers, local authority leaders, members of the UK Parliament and devolved parliaments and assemblies, LEPs and business groups. The Commission heard that if key cities and growth regions can join together more effectively, then the labour and education market of those regions can be transformed. There is a clear ambition for growth within the FE and Skills sector, which must be matched by other key sectors within the devolution agenda. The Commission heard from one regional leader:

**“If there is no connectivity, there is no powerhouse vision. Once you start getting a twenty minute travel time between Manchester and Leeds, the magical 40 mile radius, you will see a transformation. What transformed Greater London is very simple- it’s the Victoria Line, the Jubilee Line, Docklands Light Railway, Crossrail and Crossrail 2.”<sup>7</sup>**

This connectivity is important to ensure that national growth, led from outside of the South East, can be delivered, but to also ensure that the growing trend of differences within these regions can be reversed. Many smaller towns and rural areas in the North have been left behind. Whilst cities such as Leeds and Manchester have seen relatively high economic performance in recent years, the regions as a whole have not. This phenomenon is not limited to the North. Areas such as East Anglia and Cornwall face similar infrastructure challenges in connecting their local economies.

The Commission has seen that in order for the devolution agenda to be successful in delivering outcomes for skills and employment, regions must feel empowered to control areas of policy that go beyond that sector - including transport, health and others.

The Commission has found that partnerships across devolved regions are critical to the success of devolution. Not just partnerships between FE colleges or independent training providers, but partnerships between all parts of the FE and skills sector including employers, chambers of commerce, the local or combined authority, the LEP, schools and others. This collaboration must grow in order to see devolution achieve the regional outcomes that are required to answer the UK’s skills challenges.

However, there is little point in devolving budgets and responsibility for FE and skills provision, without ensuring that responsiveness is based on the needs of the learner and employer, or that schools and FE providers in a region are working towards the same localised aims and outputs.

The Commission heard of one city region where 40% of young people join school not ‘school ready’ and where 47% of young people come out school without a GCSE in English or maths and

5 Bradley- Depani, N., Butcher, L., & Sandford, M. (2016) The Northern Powerhouse. Briefing Paper CBP7676, House of Commons Library: London

6 Heseltine, M. (2012) No Stone Unturned in the Pursuit of Growth. BIS: London, p.165.

7 Clive Memmott, Greater Manchester Chamber of Commerce, CEO.

where a third of the Adult Education Budget is spent on ‘second chance’ courses or on English and maths. This is not just a localised systemic issue, but one that has been a recurring theme throughout the inquiry. One witness told the Commission:

“That’s why you need to use devolution to make that change and connect those dots... We need to find out what it is going to take to get schools to change their curriculum to match local labour market information and to ensure young people leaving school are “employable.”<sup>8</sup>

Without greater regional focus, and collaboration, within regions through the whole education landscape, it is not clear how these challenges are to be adequately met. Partial devolution of education and skills needs to become full devolution. Whilst the region concerned had responsibility for 19+ provision devolved, they have sought to use other tools (such as Careers IAG) to move back into non-devolved systems ‘by stealth’. Competition in the education and skills sector, whereby providers compete for learners, particularly at post-16 level, is actively preventing positive outcomes for both regions and learners.

The Commission heard from the National Training Federation for Wales about the absolutely vital need for collaboration to ensure that devolution does not merely result in competition over funding and resources in a more regionalised arena:

“In terms of delivering innovation, collaboration has to be the way forward to get growth for Wales. Collaboration has to be the way forward... We need to see how we can work together to provide skills solutions that meet the needs of employers.”<sup>9</sup>

The collaboration that is needed requires connections not just horizontally between different skills providers, but vertically through all stages of learning at schools, HE institutions, and work-based learning.

### Recommendation 3

Devolution settlements should be ‘full’ and include additional powers across all areas of skills provision. They should encourage cross local authority and LEP collaboration.

## 1.6 FUNDING AMBITION

The last section has referred to the collaborative changes that can be wrought through the devolution agenda, particularly across regional structures and stakeholders. However, these ideals can only be achieved through funding and devolution deals that reflect the needs of each devolved region.

The Commission believes that the freedoms and flexibilities long promised to providers within the education and skills sector rely on a legitimate devolution of responsibilities not only from Whitehall to local authorities, but from local authorities to those very providers and provider groups, with only the minimum constraints and prescription at national level needed for assurance on proper use of public funds. This will mean a careful and a far-reaching review of conditions attached to funding and the detail of accountability through inspection. Overly detailed

8 Gemma Marsh, New Economy, Acting Director of Skills and Employment, Manchester session.

9 Sarah John, Interim Chair, National Training Federation for Wales Executive Board, Wales session.

national funding and inspection requirements are proving to be big drivers of provider behaviour, and we found that these interfere with, and hamper significantly, regional providers' ability to collaborate and innovate.

In the last year alone, the UK government has placed a strong emphasis on the devolution of powers to local authorities and cities, particularly in the North. In his first speech as Chancellor of the Conservative majority Government, elected in May 2015, George Osborne MP spoke in Manchester of the need for a 'Northern Powerhouse'. This powerhouse, he contended, would see Whitehall "hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare. And we'll give the levers you need to grow your local economy and make sure local people keep the rewards."<sup>10</sup>

## DEVOLUTION DEALS

Combined Authority	Metro Mayor	30-year Investment Fund	Education & Skills Powers	Housing & Planning	Transport	Health & Social Care
<b>Greater Manchester</b>	✓	£900m	Developed Apprenticeship Grant For Employers	10 year £300 million Housing Investment Fund, strategic planning and compulsory purchase powers, power to create Mayoral Development Corporations	Consolidation and devolution of transport budget	Control of £6 billion integrated health and social budget
<b>Liverpool City Region</b>	✓	£900m	Local commissioning of outcomes of Adult Skills Budget, to be fully devolved 2018/19	Strategic planning and compulsory purchase powers, power to create Mayoral Development Corporations	Consolidation and devolution of transport budget	
<b>North East</b>	✓	£900m	Creation of integrated employment and skills system, including devolution of Adult Skills budget by 2018	Compulsory Purchase and Homes and Communities Agency (HCA) powers	Consolidation and devolution of transport budget	
<b>Sheffield City Region</b>	✓	£900m	Local commissioning of outcomes of Adult Skills Budget, to be fully devolved 2018/19	Strategic planning powers, power to create Mayoral Development Corporations	Consolidation and devolution of transport budget	
<b>Tees Valley</b>	✓	£450m	Local commissioning of outcomes of Adult Skills Budget, to be fully devolved 2018/19	Power to create Mayoral Development Corporations	Consolidation and devolution of transport budget	
<b>West Midlands</b>	✓	£1.1bn	Local commissioning of outcomes of Adult Skills Budget, to be fully devolved 2018/19	Compulsory Purchase and HCA powers	Consolidation and devolution of transport budget	

The devolution agenda has not been focused solely on Manchester and the Northern Powerhouse initiative. In September 2015, 34 regional devolution deals were submitted to Government by local authorities and, according to the Local Government Association, there are now devolution deals that have been implemented in nearly a dozen areas covering approximately 25 million people.<sup>11</sup>

Of course, this agenda is not limited to the regions of England, and the 2014 referendum on Scottish Independence has only heightened the desire within Parliaments and Assemblies of the UK for more powers to be devolved across the United Kingdom and away from Westminster.

The mixed economic picture across the UK can be seen in the below map of indicators of drivers of performance.<sup>12,13</sup>

## REGIONAL INDICATORS OF PERFORMANCE

	North East	North West	Yorkshire & Humberside	East Midlands	West Midlands	East
<b>Indicators of drivers of performance</b>						
Number of businesses, growth rate 2014	Joint 2nd	Joint 4th	Joint 4th	Joint 2nd	9th	7th
Total R&D as % of regional GVA 2013	10th	8th	11th	3rd	5th	1st
% Of labour force no qualifications 2013	9th	10th	7th	Joint 5th	11th	4th
Public spending per head 2013–14	8th	7th	5th	3rd	6th	2nd

	London	South East	South West	Wales	Scotland	Northern Ireland
<b>Indicators of drivers of performance</b>						
Number of businesses, growth rate 2014	1st	Joint 4th	11th	10th	8th	12th
Total R&D as % of regional GVA 2013	12th	2nd	4th	9th	7th	6th
% Of labour force no qualifications 2013	3rd	1st	2nd	8th	Joint 5th	12th
Public spending per head 2013–14	9th	1st	4th	10th	11th	12th

11 Local Government Association (2016) What Next for Devolution? A Discussion Paper. Local Government Association: London

12 Centre for Cities (2016) Cities Outlook. <http://www.centreforcities.org/reader/cities-outlook-2016/#> accessed (November 2016).

13 PwC (2016) The Northern Powerhouse: past performance and future potential. UK Economic Outlook: London, pp. 30-39.

Clearly, London and the South East are in a commanding position when considering the number of businesses growth rates, the total number of qualifications held and the public spending per head of the population.

Of note is the economic performance of some of the regions of the UK which contain large cities. Many smaller towns and rural areas in the North have been left behind and whilst cities such as Leeds and Manchester have seen relatively high economic performance in recent years, the regions as a whole have not.

This phenomenon has been understood by some as the ‘rural versus urban’ debate. In effect, the question being posed is “how can all parts of the UK reap the benefits of devolution so that they can lead their own economic growth?”

It is in devolution’s very nature that each settlement will differ region by region, local authority by local authority. The extent to which this is a challenge is in itself a debate around the merits of devolution reform. Since devolution is a key programme that is already a substantial part of the system, there is little point in debating the merits or otherwise of a devolved UK landscape. However, this inquiry has seen extensive evidence that the impact of devolution is being felt in all areas of FE and skills.

Settlements that are based solely on number of residents, size of local businesses alone will not allow rural areas to be full participants in this change. This should be actively considered as central government continues with the devolving of powers, resources and responsibilities. There should be a connected reduction in national funding and accountability regimes, in particular through inspection, as the funding criteria and conditions and accountability need also to be at regional/sub regional levels as part of the devolution deals.

#### **Recommendation 4**

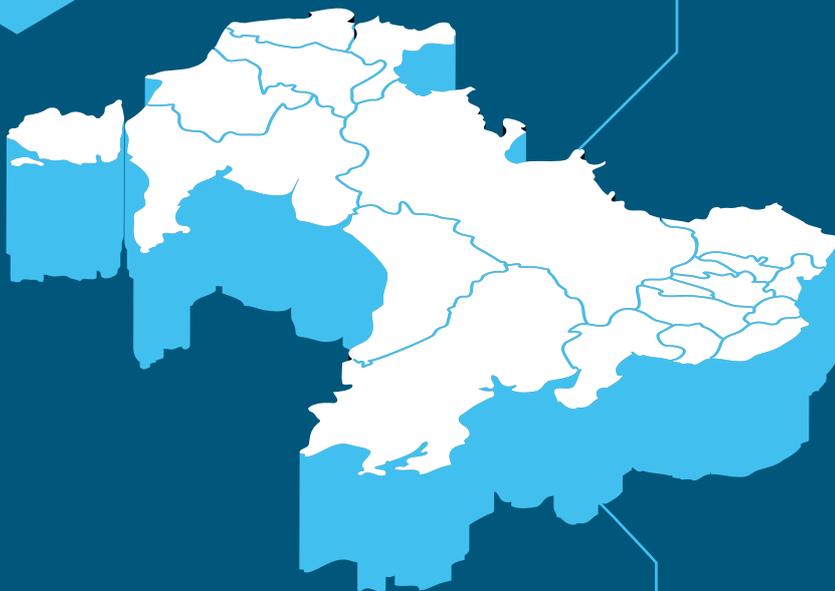
**Funding for devolution should be based on an area’s capability and ambition, not solely on population density or the number of large businesses.**

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# A FOCUS ON WALES

KEY  
FACTS



THERE ARE 14 FE COLLEGES  
ACROSS WALES

SUCCESS RATES IN POST-16 EDUCATION  
IN WALES HAVE INCREASED FROM 50%  
IN 2000 TO 86% IN 2013/14



## PERIOD OF REFORM



There were 25 Further Education Institutes (FEIs) operating across Wales. This has reduced to the current 14.

2008 also saw the Wales Employment and Skills Board (WESB) become an independent advisory panel to the Welsh government on skills and employment.

The plan sets out key policy actions that will take place up until 2016 to provide the basis for employment and skills policy over the next decade.

In July 2014, following a Wales wide process of review and merger, the Welsh Government published it's "Skills Implementation Plan."

The plan includes the introduction of the "Skills Gateway" which will incorporate a standardised assessment of skills and job readiness as a basis for enabling more effective job matching and brokerage.

### COLEG CAMBRIA



Coleg Cambria was founded following the merger of Yale College, Wrexham and Deeside College on 1 August 2013.

This cross border approach to collaboration has also seen the College successfully tender for a prison training contract at HMP Berwyn with Novus, a part of the Manchester LTE Group.

The College has worked hard to integrate itself into the UK wide sector landscape as members of the Association of Colleges, the Collab College Group and the Landex College group.

2016 saw the College open a new University centre in partnership with Swansea University's College of Engineering, as well as a £14.6m 6th Form Centre.



**2013**  
COMPANY MERGED



**6**  
CAMPUSES



**36,984**  
ENROLMENTS

Enrolments Source: <https://www.estyn.gov.wales/sites/default/files/documents/Coleg%20Cambria.pdf>

The relationship with government is really important in looking at how we fund institutions and what the end product is. Also really important is looking at our relationships with the business community and we need to strengthen links. As colleges, providers and those in work based learning, we have to look at well beyond getting frameworks and certificates.

**DAVID JONES OBE, CEO, COLEG CAMBRIA**





“We need to find accessible and user friendly ways, in people’s local communities, of accessing those skills. For many people, that is the first rung on the ladder on the way to meaningful work”

**JULIE JAMES AM**, Minister for Skills and Science.  
(National Session: FE and Skills in Wales)

# 2

## DELIVERING HIGHER LEVEL SKILLS AND IMPROVED EMPLOYMENT OUTCOMES IN A CHANGING LABOUR MARKET

As well as being innovative to respond to the needs of learners, employers, and local economies, the FE & Skills sector must innovate to deliver a world-class skills pipeline for the country. The UK faces skills shortages across multiple sectors, with concerns expressed by government that the sector has delivered provision that is too general and low level.

The sector must continue to innovate to respond to this challenge and ensure it is adapting to provide opportunities for employment and progression in a changing labour market. This chapter looks at how providers in the sector are leading on this by integrating with employers and industry at all organisational levels. As well as regular collaboration with industry we also consider the importance of utilising a strong evidence base to underpin effective planning and careers advice and guidance that encourages entry into and progression through the labour market.

### 2.1 SPECIALISATION

Specialisation has been adopted by many providers and is being encouraged by the government through the Area Review process and recent announcements on Institutes of Technology, which are intended to boost higher-level vocational training.

Specialisation can come in multiple forms ranging from the alignment of a provider's provision to serve the needs of one industry, to the prioritisation of certain departments within a broad curriculum offer, or the decision of a provider to focus its attention on certain groups of learners or outcomes. In speaking to a range of representatives from different provider types the Commission found several common features to developing a successful specialist offer.

Understanding the gaps in the local area and how one fits into the wider skills ecosystem is crucial requirement for any provider embarking on a process to specialise their offer or invest heavily in a particular type of provision. For one provider, specialisation was part of an important exercise in regional alignment:

*“The landscape now, and the expectations now, mean that FE’s employer engagement has to be something different. I think you have to be very closely aligned to your LEP. You have to be very closely aligned to local authorities to understand what development projects are coming down the line. You have to be choosy and selective about which employer groups*

you work with because that intelligence about what is happening across the area, I believe, really does drive the specialisms that you can then develop, not just as a singular FE college but across the region. It's still employer engagement, but with a different edge to it."<sup>1</sup>

Contributors spoke of the need for the sector to lead this agenda, based on a full understanding of the regional economy. Mapping based on this need is not easy and a detached approach to analysing economic and employer needs is unworkable on its own. In interpreting the needs of the area as a basis from which to specialise, additional perspectives are required. One witness told the inquiry that:

"In the conversations about specialism, nobody has talked about the role and importance of governance, and the thinking and placement of strategy is what is missing. I am not clear if this government has set, or reset, its vision for further education and skills. So what is FE for? I don't think anyone from Government has answered."<sup>2</sup>

In order to accurately assess the local market and develop a clear sense of mission for measures towards specialisation, providers must ensure they have the requisite knowledge and experience on their boards. Group Training Associations, which are outlined below, embody this ideal in their structure and offer a good example for the wider sector.

One college provider the Commission spoke to described how important co-opting the right experience was on to their board. The Chair and CEO had worked hard to ensure that the board was comprised of leading figures in their field of specialism and representatives from other major employing sectors in their area. The board of the provider included stakeholders from engineering and manufacturing (the provider's specialism), but also senior leaders from the National Health Service, ex-CEOs from the private sector, HE figures, and elected officials from local government.

Possessing this sector insight and local knowledge is absolutely vital to guaranteeing a responsive institution, and as a method of securing new and diverse income streams. One witness reported that they have leaders whose sole role is to "spend all day talking to employers". They felt that if they did not know more than the employer about their needs to compete in the market place, they could not effectively collaborate with them. These relationships are key to fostering genuine employer integration and ownership of provision.

These considerations for strong and effective governance extend beyond the further education and skills sector and schools should consider including influential regional employers. Some have even called for this to be mandated through legislation.<sup>3</sup>

## Recommendation 5

Devolved authorities should generate business intelligence, and use that for adequate skills planning for the future.

<sup>1</sup> Gill Worgan, Principal, West Hertfordshire College, Session 3.

<sup>2</sup> Joel Featherman, CEO at PublicCo, Session 3.

<sup>3</sup> Lord Heseltine "No Stone unturned" October 2012. Pg. 165

## EXAMPLE: GTA MODELS

Group Training Associations (GTAs) have been a part of the skills infrastructure since 1964, with the establishment of the statutory Industrial Training Board (ITB) levy that funded a network of GTAs to be created.<sup>4</sup> Typically, a GTA is a company limited by guarantee and a registered charity whose objects require that surpluses be reinvested. There is usually a group of subscribing member employer companies from which senior executives are drawn to form a GTA board.<sup>25</sup>

GTA England, the membership organisation of English GTAs founded in 2009, currently have 28 members. The network engages with 24,000 employers, 90% of which are SMEs. GTAs initially focused on engineering but have diversified in previous years to focus on all areas of the STEM agenda: growing STEM starts within GTAs by 50%.

### GTA FRAMEWORK

Not for profit	Mediates between and balances the needs of employers and learners
Employer-led Board of Trustees/Directors, including SME representation	Has physical premises including a training centre (small GTAs should be affiliated to a larger GTA to share a training centre)
Membership drawn from local employers who have a sense of 'ownership' of the GTA	Engages in 'peer review' with other GTAs
Employers provide strategic direction for training quality and content	Engages with schools, colleges, higher education institutions, specialist private training providers, and the wider community <sup>20</sup>
Ethical code of conduct	Provides an holistic workforce development service
Expertise and capacity in meeting advanced/technician and higher level skills needs of a specific sector (or sectors)	

One contributor described how large employers are looking to join a GTA as a result of the incoming Apprenticeship Levy. Larger employers are starting to look to take responsibility not only for their own training, but for the skills and training within their supply chains and may look to GTAs as a method of creating their own academies and training institutions.

GTA England states that GTA's distinctiveness is rooted in their symbiotic relationship with employers<sup>7</sup> but acknowledges that many parts of the GTA framework listed above can also be designated to specialist college groups and others. What is interesting about GTAs, however, is that a key strength of the model is in its growth, centred on three things: a specialist sector focus, long-term and substantive commitment to high quality training that is maintained by employer ownership, and membership that is based in a localised area.

Of further interest is that they do not have access to capital funding like colleges do and that many GTAs, in order to ensure their growth, look to more businesses and bigger businesses to join their group and expand.

<sup>4</sup> Institute of Education, and LLAKES: Report of the Commission of Inquiry into the Role of Group Training Associations (2013).

<sup>5</sup> Group Training Associations, What is GTA? <http://www.gta-england.co.uk/what-is-a-gta/>

<sup>6</sup> Institute of Education, and LLAKES: Op Cit

<sup>7</sup> Ibid

In addition to developing a specialist offer through integrating the leadership and governance of a provider with industry and local employers, contributors expressed the importance of cultivating these relationships at all organisational levels.

Relationships between senior leaders across FE and the regional economy are of course important but to ensure that the curriculum offer of each provider is current and relevant, members of staff across the organisation should remain engaged and involved with the sectors about which they are educating. Links must be embedded throughout the provider, from the senior management team to course leaders and teachers and trainers.

Many providers are innovating to deliver this by having staff frequently return to their specialty sectors, to refresh their occupational knowledge. This ensures their curriculum remains relevant to the needs of industry and can assist in ensuring learners find decent opportunities for work experience or insight.

Beyond ensuring that the delivery of curriculum to students remains relevant and up to date, this strategy benefits a college's institution-wide knowledge of their stakeholders. Rather than a provider having a limited number of individuals – usually at senior management – holding relations with regional employers, staff at all levels of the organisation develop regular contact and relations with business. Instead of having providers who seek opportunities through one or two individuals, this strategy allows the provider to develop a genuine network of contacts and relationships between themselves and the regional sector businesses.

Witnesses were also keen to stress that efforts to cultivate this type of relationship had to come from both sides. The Commission heard from a leading employer and business membership organisation that claimed the relationship between employers and providers needs to be built on a relationship of mutual understanding. As well as an improved understanding by providers regarding the expectations and operating patterns of employers, employers need to be able to better articulate their needs.

One contributor to the inquiry, an independent training provider based in the Midlands, said that by working from the employer outwards, their employ partners were better aligned with the education world. Their efforts to engage with employers at multiple levels was helping to break down language and cultural barriers between employers and providers and enabled employers to better articulate the skills, competencies and attitudes they required from prospective employees.

### **Recommendation 6**

Providers should future proof their staff, as well as their institutions, by guaranteeing ongoing industry experience. This should be partnered with employer engagement at all levels of the organisation.

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## **2.2 UNDERSTANDING BEFORE RESPONDING: EVIDENCE DRIVEN SKILLS POLICY**

In order to deliver the necessary skills to learners and drive improved employment outcomes and productivity, the sector must begin by moving away from reactive responses to policy changes. Rather the system must be demand-led and proactive.

In addition to developing closer connections between providers and employers, policymaking and strategic decisions must be data and evidence led. This is not to say that skills planning in the UK has lacked data-driven guidance and support.

The UK Commission for Employment and Skills (UKCES) established in 2008 following Lord Leitch’s 2006 skills review played a central role developing labour market intelligence. UKCES aimed to “identify the UK’s optimal skills mix in 2020 to maximise growth, productivity and social justice”. It was formed from a merger of two existing organisations: the Sector Skills Development Agency and the National Employment Panel. The body was led by 30 commissioners, made up of individuals representing the worlds of business, trade unions, education, employment and skills. UKCES listed their responsibilities as follows:

Giving businesses and people advice on the labour market so they can make informed decisions

Carrying out employment and skills policies to develop a workforce that can compete internationally

Helping more employers invest in their employees’ skills.<sup>8</sup>

Much of this work was completed through UKCES’ skills and employment surveys, the largest in the world.<sup>9</sup> The government’s Autumn Statement and spending review of 2015 confirmed that the body would be closed, although the gathering of datasets through surveys and research will continue under the remit of the Department for Business, Innovation and Skills. In his concluding summary, the outgoing chair of UKCES, and Chairman of the John Lewis Partnership, Sir Charlie Mayfield, said that he felt the body’s most significant contribution was in crystallising the UK’s productivity problem through greater data.

Further, whilst expressing his disappointment at the closure of UKCES, he states that the move towards devolution and regional skills is where the focus should now be. He says:

“The increasingly devolved nature of the skills system in the UK will mark a further step towards a more productive economy in the long term.”<sup>10</sup>

The Commission heard that whilst the work of UKCES has proven valuable, much more needs to be done to ensure that skills planning and delivery is informed by localised data and evidence - where UKCES focused on sector needs, there is now a space and need for skills planning that is focused on regional need.

There is an opportunity for greater evidence and data led policy making, whereby localised skills planning and pipelines are based on an in-depth understanding of the regional labour market. The Commission was told that localised data was vital not only to those delivering skills training, but to learners too. Julie James AM, Skills Minister in the Welsh Government, told the Commission:

“A young person cannot hope to be, or aspire to be, something they have never heard of before. If they do not know there is a technology plant up the road, they will not take the qualifications necessary to take on an apprenticeship at that plant. So a lot of the regional skills partnerships is about the way we drive information to young people in our schools and FE colleges so that they take the skills and qualifications that will enhance their careers - not the ones we know do not aid their career or drive them into low wage jobs.”<sup>11</sup>

Devolution presents an opportunity for closer collaboration through the system on a regional basis. These opportunities must be matched by data sets and information that is focused on regional need and is accessible to regionally based stakeholders. This is not just about good current information, but seeking ways to try to assess future needs.

8 UKCES, About Us, <https://www.gov.uk/government/organisations/uk-commission-for-employment-and-skills/about> (accessed November 2016).

9 UKCES (2016), Annual Report and Accounts: 2015-16. HMSO: London.

10 Ibid

11 Julie James AM, Minister for Skills and Science, Wales Session.

This business intelligence generation should be based on a genuinely collaborative approach. As already referenced, genuine approaches to devolution should not simply see a form of localised central planning. There is an opportunity for provider links with employers to be used to refine any business intelligence into particular skills and educational solutions.

### Recommendation 7

Devolved authorities should generate business intelligence, and use that for adequate skills planning for the future.

Skills planning which is based on localised data is an attainable objective, as has been demonstrated by Skills Development Scotland. This is a good example for those areas who are now implementing devolution settlements, particularly city deal regions, and for those looking to shape localised skills provision in the future.

## EXAMPLE: SKILLS DEVELOPMENT SCOTLAND

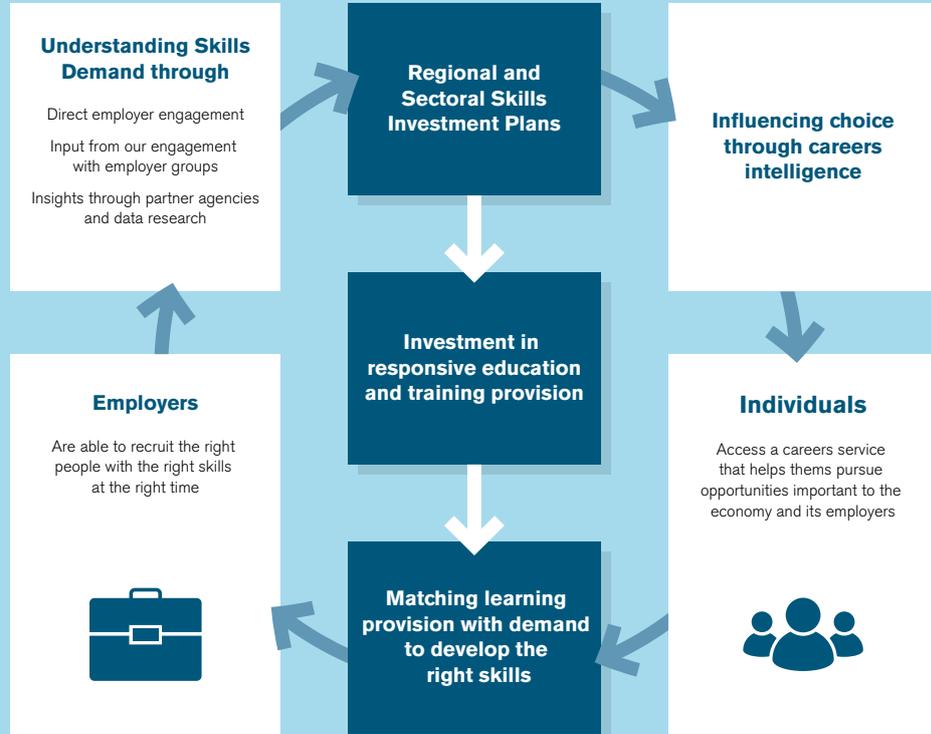
The Commission saw data that demonstrated that the Scottish economy is suffering from a skills mismatch. This would not have been identified without work driven to growing and targeting data sets:

“We have built a database of 3 million vacancies across the UK, half a million of which are in Scotland. We have some data of what demand is there from employers and we have matched that to supply data around qualifications outputs at post-school, sub-degree, level. We have found there is a mismatch both in terms of quantity and size – there are not enough suppliers of skills in the system – but crucially, in terms of shape of provision.”<sup>12</sup>

Skills Development Scotland (SDS) is a body whose creation in 2008 brought together a number of Scottish Government funded agencies focused on skills provision, apprenticeships, careers and Scottish enterprise. SDS has a joint skills panel which sits between them and the Scottish Funding Council (SFC) in an effort to tie across strategy and planning, which is informed by industry insight, to shape future skills provision.

An output of SDS’s work is the production of joint skills investment plans, formulated from an understanding of skills demand through direct employer engagement and data driven evidence. Once these are signed off by industry bodies, these are taken to the Scottish Government’s skills committee who share and communicate these further throughout the education and skills sector.

## REGIONAL INDICATORS OF PERFORMANCE



The work SDS does in skills planning also relates to their role in working with young learners and schools. There is a drive within the organisation to help younger learners within the system to better understand what sort of career and future employment they can expect based on the evidence they have gathered. This influencing learner choice through careers intelligence is a key part of SDS’s remit.

SDS does not only work on a Scotland wide basis; skills planning also takes place on a regional basis within Scotland. The development of regional skill assessments takes place with bodies such as Scottish Enterprise, Highlands Enterprise, the Scottish Local Authority Economic Development Group (SLADE) and others to assess demographic and economic profiles as well as supply information. This supply information is focused on what is currently coming through the system, its volumes and most importantly, the geographical location of this output against local economic drivers. This produces a strong assessment of localised skills production and skills need.

The Commission heard how SDS employs local regional skills leads who serve as a link into local authorities, providers and businesses. These leads then work with stakeholders in an effort to create a localised skills offer that responds to the finding of the regional skills assessments. Providers, businesses and students each play a part in this mapping and planning process, which is based on data and evidence to inform policy proposals.

Evidence gathering should not be the sole remit of local authorities and LEAs. The Commission has heard that when it comes to the wider needs of learners, particularly those at ages 16-24, the necessary data is not available in one accessible place, either because it is fragmented or it does not yet exist.

The need for this evidence cannot be understated. The Commission heard:

“That period between ages 16-24 is when young people experience the most risk, when parents have the least control and when peer groups most matter. What I am asking the government to do is to have a much wider review of what data is available above and beyond education or skills training. What are the health needs of young people? What are the social needs? What is the poverty lens these young people are experiencing the world through? We need to get a much better idea about what we should be doing, based on evidence, for young people beyond younger and early years.”<sup>13</sup>

Again, this is not to say that data collection and research is not being undertaken elsewhere. There are many organisations, both publically and privately funded, that are working to profile the lives of 16-24 year olds. For example, we know from Trust for London’s Poverty Programme that nearly 11% of 16-24 year olds in London were unemployed in 2014, more than twice the level for 25-64 year olds.<sup>14</sup> We know from the Office for National Statistics that 2014 saw 25% of 16-24 year olds suffer as victims of crime.<sup>15</sup> We also know that the number of young people aged 16-24 in full-time education more than doubled between 1984 and 2013.<sup>16</sup>

However, there is not enough being done by central government to pool this information to create a holistic picture of the needs of 16-24 year olds. In comparison, central government has put extensive time and resources into producing datasets for early years and school students. The Commission heard explicitly that “The problem is we don’t have a comparable evidence base as exists in early years.”<sup>17</sup>

The Office for National Statistics, working with the Department for Education, Department for Health and others, should seek to produce regular comprehensive datasets for the equally crucial years of 16-24. This could be done either by investing in its own research or pooling those resources that already exist. This in turn ensures that policymakers have both localised and nationalised pictures for the needs of all in the further education and skills system, but with a special focus on 16-24 years.

## Recommendation 8

The DfE should create comprehensive data sets across 16-24 years, similar to that of early years, to ensure that national policy is reactive to, and reflective of, the changing labour market.

<sup>13</sup> Naomi Eisenstadt CB, Independent Advisor on Poverty and Inequality, Scottish Government, Scotland Session.

<sup>14</sup> London Poverty Profile, 16-24 year olds. <http://www.londonpovertyprofile.org.uk/indicators/groups/16-24-year-olds/> (accessed November 2016).

<sup>15</sup> The National Archives (2014) 8 Facts about Young People. <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/uncategorised/summary/facts-about-young-people/sty-facts-about-young-people.html> (accessed November 2016)

<sup>16</sup> Ibid

<sup>17</sup> Naomi Eisenstadt CB, Independent Advisor on Poverty and Inequality, Scottish Government, Scotland Session.

## 2.3 EVIDENCE DRIVEN CAREERS INFORMATION, ADVICE AND GUIDANCE

The creation of a strong evidence base, and collaboration of provider staff with employers in the labour market should also be used to strengthen the delivery of relevant and responsive careers information, advice and guidance (Careers IAG).

Careers IAG has been perceived as the “silver bullet” that, if properly implemented, can solve the issues of connecting education with employment. Whilst of course adequate Careers IAG cannot alone solve the entirety of the nation’s skills challenges, strong Careers IAG which is available to all learners is a valuable and essential tool for assisting learners to meet regional and national skills needs.

The challenge of adequate Careers IAG has been a hot topic of education and skills for many years, notably around when IAG should start being delivered, by whom and to what aim. The reforms that are currently taking place within FE and Skills have rendered this agenda even more important. The Commission heard from a major independent training provider who said that:

“I think information advice and guidance, and its impact on learners and their choices, might be coming into its day. There has to be something that oils the wheels of the machinery.”<sup>18</sup>

If vocational education, particularly at higher level qualifications, is to become a credible option to learners, they have to possess adequate information about those routes. The Commission heard from one sector leader who spoke of providers focusing their first interactions with prospective students. However, this interaction occurred once students completed their courses, rather than during the students’ time at the institution:

“When you join some providers you interview for the final job, not the course. You understand the career stream you are on and you sign an agreement working to that destination, not the final qualification. You get a variety of careers advice within that institution based around where you want to be but this does not change the underpinning clear progression path.”<sup>19</sup>

Where employers are being incentivised to take on greater responsibility in the ownership and shaping of provision, many large employers are already placing outreach at the centre of their education and skills offer. The Commission met with representatives of Siemens UK, a large employer with UK wide reach. Siemens UK employs 14,000 people across 12 manufacturing sites, soon to be 13, and 28 UK offices, soon to be 29. The Commission was told:

“We take our 750 early career professionals and we send them out into the local community as Siemens ambassadors to talk with teachers, children, their parents and carers about making the right choices. We sell engineering as a sector and then promote the choices that will take learners into the sector.”<sup>20</sup>

Many learners are required to make important decisions about their own learner journeys. It is inadequate to rely solely upon further education colleges, and providers at post-16, to provide comprehensive Careers IAG. The Commission heard from a skills lead from a large national employer:

“My remit sits at 14 so we have Careers IAG going into schools and talking to head teachers and asking why labour market information is important to them. The stuff I talk about

<sup>18</sup> Anne Gornall, Greater Manchester Learning Provider Network, Co-Executive Director, Manchester Session.

<sup>19</sup> Dr Susan Pember, Governance Advisor, AoC, Session 3.

<sup>20</sup> Sue Bagguley, Siemens UK, Head of Business Excellence and Programme Management, Manchester Session.

is probably really boring and I need to find out what it is going to take to get them to change curriculum within Greater Manchester to get young people leaving school who are ‘employable’”<sup>21</sup>

If Careers IAG is to be effectively delivered across the education system, it must promote an array of options to students, determined by what is most appropriate for the student. In September 2016, the Association of Accounting Technicians found that 62% of students expecting their A-Level exam results say careers advice is skewed towards university education.<sup>22</sup> UK wide research by The Student Room asked 10,000 students about their options following A-levels and found that only 11% of students feel ‘fully informed’ about apprenticeships.<sup>23</sup> The need for greater options promotion and information is critical.

Given the reforms to regional provision, pathways and funding, there is a unique opportunity for Careers IAG to tie together the different areas of reform. The Commission believes that this guidance should be driven by employers and educators, based on employment destination data facilitated by local authorities: providing Careers IAG that is relevant to learners and strengthens the information base when learners make choices about their progression and pathways.

### Recommendation 9

LEPs and the Careers and Enterprise Company should work together to ensure that careers information advice and guidance is based on attainable employment opportunities. This should mean it is grounded in local and national skills needs, based on rigorous data sets, and reflective of genuine career options. This needs to be provided throughout the education and skills system, including mandatory advice in schools.

## 2.4 CLEAR PATHWAYS WITH TRANSFERRABLE SKILLS

There has been an ongoing debate in FE over what extent provision should be general or occupationally specific. While it is widely acknowledged that in the contemporary labour market there is no such thing as a ‘job for life’ anymore, it is also accepted that the UK faces a shortage of higher-level vocational skills.

Based upon recommendations from the Lord Sainsbury’s Review of Technical Education, the government issued its Post-16 Skills Plan which aims to ensure that pathways and training programmes are better understood by learners and employers. The plan signifies a significant shift in further education provision.

One of the core recommendations is to reduce the number of pathways through creating 15 new technical education pathways. These would replace the hundreds of other courses and pathways currently available to learners. This would also represent a move “away from the current awarding organisation market model, where qualifications which deliver similar but different outcomes compete with one another, and instead adopts a licensing approach.”<sup>24</sup>

There is much in the Skills Plan to be welcomed, and the Commission aligns itself with the desire to see an education and skills system with employers at the heart of provision, and learners who have a clear understanding of their progression and pathways. Ensuring that learners have a clear understanding of where their programme of study will take them is crucial and is something leading providers are already doing.

21 Sue Bagguley, Siemens UK, Head of Business Excellence and Programme Management, Manchester Session.

22 AAT (2016) Careers Advice Gap Failing School Leavers. <https://www.aat.org.uk/news/article/careers-advice-gap-failing-school-leavers> (accessed November 2016).

23 The Independent (2016) Almost Half of All Students Think Apprenticeships are Aimed Solely at Men, New Survey Says. <http://www.independent.co.uk/student/career-planning/apprenticeships/almost-half-of-all-students-think-apprenticeships-are-aimed-solely-at-men-new-survey-says-a7155266.html> (accessed November 2016).

24 Lord Sainsbury “Report of the Independent Panel on Technical Education” July 2016.

For example, one college leader the Commission spoke to described how when learners enrol at the college, they do not enrol on a course but rather they interview for an occupation and take their place on an occupational pathway.

### Recommendation 10

Building on themes contained in the 2016 Skills Plan, each provider's offer should be built on clear pathways, with clear end destinations articulated to learners. Providers should have a pathway agreed with the learner.

However, if the development of clearer occupational pathways is to be successful, this will require policymaking that adequately brings together all the key stakeholders, and that considers the wider context of the Area Based Reviews and the Apprenticeship Levy.

Many within the sector who have claimed the rationalising of the whole FE and skills offer into 15 pathways does not adequately reflect the complexity of the UK's economy. For example, hospitality is a major part of the UK economy and yet does not appear as one of the 15 proposed technical pathways. The Commission was told by a leader in devolved Government about the need for transferrable skills and for their value added to be promoted, and for pathways such as hospitality to be defended:

"Hairdressing, for example, can be the ideal programme for getting young people into business. It is a great microcosm for getting young people to learn how to run a business, as long as it is a course that teaches people how to run that business. If you teach them that, as well as how to cut hair, you have actually done something quite different to just teaching people how to dress hair."<sup>25</sup>

Those developing and delivering these programmes must be clear on the transferrable skills contained within them and be able to convey them to learners. The nature of today's labour market means that learners need to be able to articulate the skills they have acquired from programmes that may not map directly on to their future careers.

The importance of transferable skills was echoed to the Commission in contributions from industry members and employers. A film maker and Chief Executive of a production company said to the Commission:

"Too many courses see people coming out wanting to be a director, or actor, or producer and what they don't understand is that many careers are entrepreneurial in nature... They need to think more broadly about the skills base they have acquired. There are lots of skills in the creative industry like design, accountancy, technology and electronics that are valuable both within the sector and in many others."<sup>26</sup>

Whilst there is support for clear progression routes within specialisms, there is also a need for students to also understand those skills they have acquired during their study programmes and how these are transferrable across different sectors.

### Recommendation 11

Providers, awarding bodies and employers should work to better quantify and clarify the transferrable skills contained within each programme.

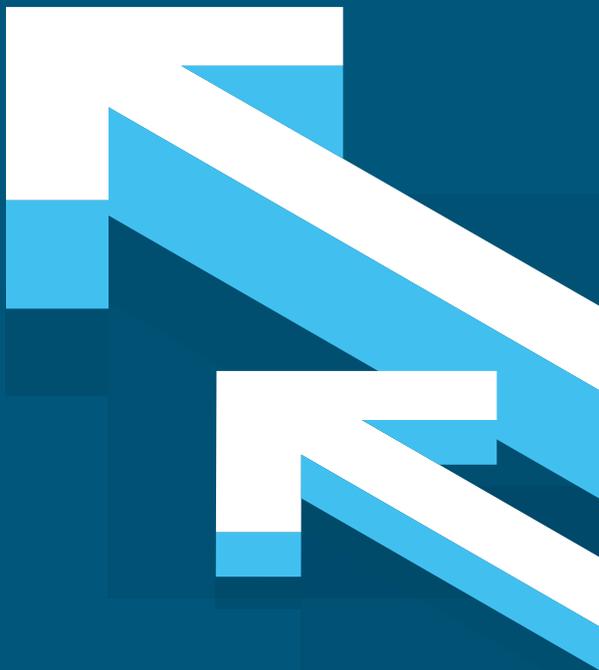
<sup>25</sup> Julie James AM, Minister for Skills and Science, Wales Session.

<sup>26</sup> Pauline Burt, Chief Executive, Ffilm Cymru Wales, Wales Session.



“This engagement with employers is not an exercise that has a start and end time and we have seen evidence of providers who are collaborating with employers by physically bringing them into the learning space. The sharing of problems and solutions is central to successful engagement”

**INQUIRY CHAIR NEIL BATES**, Principal and CE,  
Prospects College of Advanced Technology  
(Session 4: Income Diversity)



# A FOCUS ON NORTHERN IRELAND

IN NORTHERN IRELAND, THERE ARE  
6 REGIONAL COLLEGES

KEY  
FACTS

THESE ARE: BELFAST METROPOLITAN  
COLLEGE, NORTH WEST REGIONAL  
COLLEGE, NORTHERN REGIONAL COLLEGE,  
SOUTH EASTERN REGIONAL COLLEGE,  
SOUTH WEST COLLEGE AND SOUTHERN  
REGIONAL COLLEGE

COLLEGES ARE NON-DEPARTMENTAL  
PUBLIC BODIES AND THESE INSTITUTIONS  
ARE CLASSIFIED WITHIN THE GENERAL  
GOVERNMENT SECTOR, IN THE CENTRAL  
GOVERNMENT SUBSECTOR

## PERIOD OF REFORM



The reduction of FE colleges in Northern Ireland took place, going from 16 providers to 6.

The rationalisation of councils, that took place alongside the rationalisation of colleges, has made managing these relationships easier. The “FE means Business” document, produced in 2004, served as the strategy for FE in the Northern Ireland economy.

The strategy worked and this has been followed by “FE means Success” strategy document launched in 2016.

However, prior to the Northern Ireland Assembly elections of 2016, the sector had had the same minister for 5 years.



**2007**  
COMPANY MERGED



**4**  
CAMPUSES



**37,000**  
ENROLMENTS

### BELFAST METROPOLITAN COLLEGE

In August 2007, Belfast Institute merged with Castlereagh College, located in East Belfast, and then rebranded to form Belfast Metropolitan College.

The College is working to provide short programmes that retrain graduates. Effectively, this is a retrofitting of skills. Turning current graduate skill gaps into a pipeline of talent.

The College has also created a policy unit who work on continually cultivating relationships, scanning the horizon and monitoring changes in the environment.

Enrolments source:  
<http://www.irishnews.com/business/2016/09/13/news/corporate-plan-unveiled-as-belfast-met-prepares-to-launch-new-business-school-693816/>

In Northern Ireland, we went down a different road. Our department had officials with experience of further education so there was a desire from government to actively engage with us and the sector... There was, and is, a desire to see FE colleges really imbedded into the local economy.

**MARIE-THÉRÈSE MCGIVERN, PRINCIPAL AND CHIEF EXECUTIVE,  
BELFAST METROPOLITAN COLLEGE**





“We want to make sure we are delivering students that can work in the real world. This is not just about vocational and soft skills, it must include digital skills and tech skills”

**BELLA ABRAMS**, Director of Innovation and Technology at Hull College and Executive of the Association for Learning Technology (Session 5: Implications of digital technologies on FE business models)

# 3 OPERATING EFFECTIVELY IN THE DIGITAL WORLD

The digital economy is the key to economic growth and competitiveness across the UK economy. Advances in digital technology have led to substantial changes in every sector of the economy, altering the skillsets required for some occupations and rendering others entirely obsolete.

The pace of change and disruption offers FE and skills providers significant challenges and opportunities. Responding to digital exclusion, upskilling workers and updating vocational training to equip learners with the skillset required to work in servicetised occupations operating in the 'internet of things' will not be easy.

As part of this inquiry the Commission looked at how providers are responding to the digital challenges and opportunities. We saw extensive innovative practice across the FE and skills sector and discussed barriers to further innovation. The importance of investing in staff capability and for individuals to take ownership of the digital agenda within institutions was highlighted alongside the need for greater collaboration across the sector as key features for unlocking success.

## 3.1 OPPORTUNITIES AND CHANGING EXPECTATIONS

The UK's digital economy is booming and leading the UK's employment and growth strategy. In 2014, the tech sector alone created an additional 77,000 jobs across the UK, with the tech industry contributing over £91 billion pounds to the economy of the United Kingdom.<sup>1</sup>

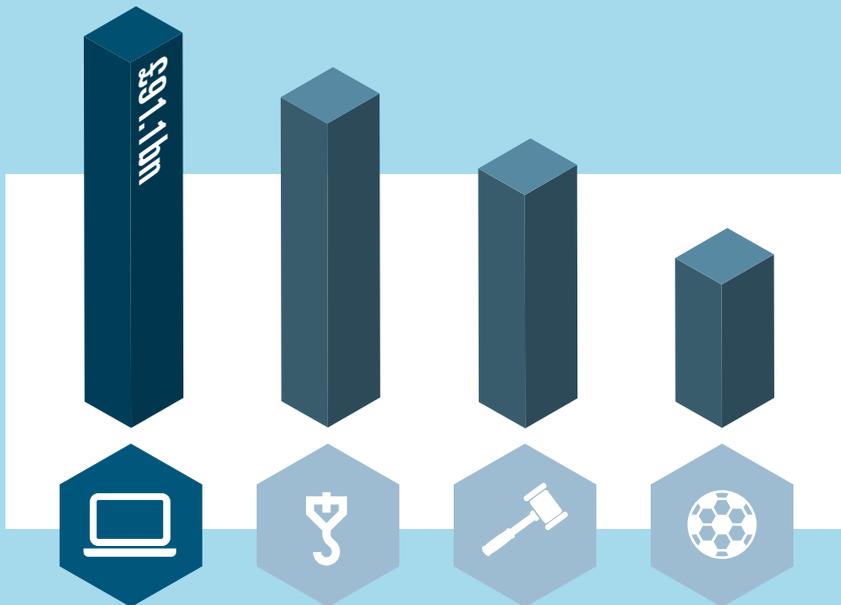
Indeed, it is precisely because of the economic growth and opportunities facilitated by digital technologies that the need for a digitally competent workforce is of such importance. The impact of full digitisation on the economy is widely reported and well known. The Tinder Foundation calculates that an investment of £1.65 billion in digital skills and devices over a decade would see a return on that investment of up to £14 billion.<sup>2</sup>

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1 Tech Partnership (2015), Tech Insights: The Digital Economy. [https://www.thetechpartnership.com/globalassets/pdfs/research-2015/techinsights\\_report\\_mar15.pdf](https://www.thetechpartnership.com/globalassets/pdfs/research-2015/techinsights_report_mar15.pdf) (November 2016).

2 Centre for Economics and Business Research (2015), The Economic Impact of Basic Digital Skills and Inclusion in the UK: A Report for Tinder Foundation and GO ON UK. Cebr: London.

The tech industry is just one part of the burgeoning digital economy, and one of the UK's most valuable industries. As well as the direct contribution of tech enterprises, tech specialists work and support economic growth in every industry.



Measured by Gross Value Added (GVA), that £91.1 billion is 6% of the UK's total economy—more than the construction industry, double that of the legal and accounting services industry, and three times that of the sports and recreation, film, television and gambling industries combined.

However, the growth of the industry is presenting significant challenges for the UK economy and the skills system. According to a report by the House of Commons Science and Technology Committee, 2016, the digital skills gap poses a severe challenge to the future growth of the UK economy.<sup>3</sup> The executive summary of the report was telling, not only for the severity of its language, but also for the exclusion of a whole swathe of the education and skills landscape in calling for action:

**“The evidence is clear that the UK faces a digital skills crisis. Although comparative nations are facing similar challenges, only urgent action from industry, schools and universities and from the Government can prevent this skills crisis from damaging our productivity and economic competitiveness.”<sup>4</sup>**

3 Science and Technology Committee (2016) Digital Skills Crisis: Second Report of Session 2016-17. House of Commons Report HC270: London. <http://www.publications.parliament.uk/pa/cm201617/cmselect/cmsctech/270/270.pdf> (accessed November 2016).

4 *Ibid.*, p.3.

The numbers make for stark reading: 12.6 million adults in the UK lack basic digital skills and 5.8 million people are yet to use the internet.<sup>5</sup> It is not just these deficiencies that are holding back the UK economy, with skills in emerging digital markets proving markedly difficult to fill. Four out of five employers are struggling to recruit workers with big data skills,<sup>6</sup> and 95% of companies looking to develop their cyber security systems are facing similar recruitment challenges.<sup>7</sup>

Alongside rising to meet these challenges, the FE and skills sector must adapt to the changing nature of the workplace. Providers need to develop their learners' ability to use a range of technologies and devices. There is also a trend towards greater informal learning in the workplace, which relies on the ability to work collaboratively and for employees to be more agile and proactive learners.

This change has not been limited to the workplace. The explosion in readily available advanced digital technologies has been felt across the globe, and is particularly felt by young people as they have grown alongside technological advances. As a result, there is a growing expectation among learners that they will have access to digital technologies to support their learning. The majority of learners, across all age groups, are already using and interacting with advanced technologies every day and providers should not be afraid to embed these technologies into their offer.

Similarly, learners are expecting programmes to be tailored to their needs and offer more flexible modes of study. This is particularly true for returning learners who need to balance supporting a family, older workers who are studying whilst they continue in formal employment, young people wishing to study as they concurrently set out on a learning journey.

## 3.2 LEADING THE DIGITAL AGENDA

Through effectively harnessing digital capabilities providers have an opportunity to enhance both the delivery of study programmes and their wider business infrastructure and operating models. Having a digital strategy in place, allows providers to serve all areas of the business.

The Commission has seen providers who are leading the digital agenda and innovating to create more efficient delivery models, removing the need for physical facilities by using digital technology in learning, and making accessible learning more attainable for employers and learner. Digital technologies are at the forefront of innovation for many providers.

The Commission heard from one provider that they were looking to digital technologies as a vehicle for improving efficiency and effectiveness. The provider was keen to stress that digital allows both to be better realised concurrently, and that if you pursue efficiency without the dual focus on effectiveness, "you will go out of business."<sup>8</sup>

With regards to efficiency, the Commission heard how providers are increasingly looking at automation of some services, with new staffing models to reflect this. Two witnesses discussed how they had introduced some automation into their library services which saw a better service for students, increased opening hours and reduced staff costs. Both emphasised how automation had freed up staff to concentrate on the provision of suitable services and allowed for more face to face interaction with learners, guiding them through using a library and accessing information. This shows how digital technology has impacted positively on staffing and efficiency.

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5 Ibid., p.3.

6 Tech Partnership (2015) Employment Bulletin. Tech Partnership/ Experian 2015 [https://www.thetechpartnership.com/globalassets/pdfs/research-2015/employmentbulletin\\_sep15\\_final.pdf](https://www.thetechpartnership.com/globalassets/pdfs/research-2015/employmentbulletin_sep15_final.pdf) (accessed November 2016).

7 Nesta (2014) Model Workers: How Leading Companies are Recruiting and Managing Data Talent. Nesta: London.

8 Cathy Ellis, Director, Research and Development at Highbury College (Winner of TES Tech award), Session 5.

As mentioned, a core area that digital technologies have on FE business models is on provider staffing and efficiencies.

Witnesses told the Commission of their frustration with many providers who are continuing to prioritise physical technological assets over investment in staff learning and provider culture. We heard a number of stories of failure with regard to implementing transformative delivery models. One of the stories was from America, where a leading IT company had invested \$20 million into a school without adequate funding for staff. Similarly, a UK provider funded tablet devices for all teachers and apprentices on one programme. On both occasions, the inadequate investment in training both teachers and learners to utilise these physical tools resulted in devices simply being ‘condemned to sitting in drawers unused.’

Automation is one of the more controversial issues and the Commission heard how staff were responding to provider’s digital agenda, with many initial responses proving to be hostile and suspicious:

“I remember a staff member who went on to become the college’s ‘IT Champion’ who said ‘When this programme was first suggested, I thought it would be doing me out of a job.’”

The witness went on:

“But that staff member soon realised that “Now I feel if I don’t get involved, I will lose my job”. It’s not about replacing jobs but strengthening them. This was back in 1998 so it is scary that that attitude is still prevalent. This is about leveraging the skills staff have and better utilising them.”

Other witnesses reported that much of the success of digital technologies being integrated into a provider’s offer depends on the culture that exists within the provider, and the extent to which staff are taken on board with the journey:

“Providers need to make sure their staff have the knowledge and confidence to use new systems. It’s really about culture. It is not just about teaching staff when something new is rolled out. It’s not just about teaching staff how to do their jobs, but to show them the purpose and use of the whole system so that they can have the confidence to innovate ... Staff also need to be given room to fail - when you are innovating, it’s not always going to work.”

The introduction of digital technologies, and the opportunity to innovate with digital technologies as a tool for growth, requires staff to be fully engaged in that process. However, like many innovations, it is easier said than done. Ever changing policy environments, and concerns about budgets, have meant that senior leaders remain reluctant to invest (both financially and in terms of institutional cultural change) in transformative digital strategies.

Policy across the education landscape, in particular HE, has seen a drive towards data based decisions, where data analytics can unlock information about learner engagement and further tailor a provider’s offer around the individual learner.<sup>9</sup>

Digital technology also allows for greater collaboration between competing providers through shared access to cloud and data services. Cloud and data services present providers with the opportunity to create greater back office efficiency across multiple sites and multiple providers. The Commission heard that whilst “no student ever chose a college on the quality of their back office”, back office facilities are a substantial area of FE business models that, when well designed and managed, allow providers to deliver a much better education and training offer.

Further, emerging technologies carry with them extensive costs. The Commission has heard that where funding for large expenditures proves difficult, providers are increasingly looking to collaborate. In order for costs to be more easily met, institutions may wish to look at their own offer together with other

<sup>9</sup> Higher Education Commission (2016) From Bricks to Clicks: The Potential of Data and Analytics in Higher Education. Policy Connect: London.

establishments. The Commission saw examples where multiple providers identify the need for a new digital technology, and are working combine their respective asks. By reaching a critical mass, the cost of acquiring new technologies is reduced. Providers can then build on this by sharing services and by developing their own niche products.

A Director of Innovation and Technology at a leading college group spoke of their experiences when they first took up their post:

“The brief that the Principal and CEO gave me was to work collaboratively with staff and students, employers, the LEPs and others to develop and deliver a comprehensive transformation strategy. Originally, the brief was “we don’t think we are good at technology- can you come in and sort that?” My response was that it isn’t good enough to simply say your tech is not good enough - tech is just the enabler and you have to have an agenda of what that technology is to deliver and have a senior leader who is responsible for reaching that destination.”

It became apparent that in order to be successful, staff needed to take ownership of the digital agenda. The technological capabilities for all staff may need improvising across an organisation, and, as we have seen, this includes non-teaching staff. The Commission heard that success was more readily attained when the digital agenda was ‘owned’ by a designated member of the senior leadership team who was tasked with driving any change.

The Commission found that a large part of implementing a successful digital technology strategy rested on managing expectations from leaders. One witness spoke of how their senior management team had expected big system changes and big impact in a small amount of time. This was unrealistic. Instead, the focus for leadership should be on small changes and small developments so that leaders can help facilitate staff confidence so that they can use the technology in their own way. The wider focus should be on clear communication about long term aims, the short term steps to get there and to build staff confidence.

### Recommendation 12

To enhance provision, create more efficient delivery models and to reduce the need for physical facilities providers should invest in the digital capabilities of their staff and collaborate with other providers.

## 3.3 GOVERNMENT THAT SUPPORTS THE DIGITAL ECONOMY

Providers told the Commission that competing policy and financial pressures, are having a limiting effect on the extent to which digital innovation can be enacted across the sector. This is not, however, a new concern.

Many of these have been highlighted by FELTAG, the Further Education Learning Technology Group. The Group was established in January 2013 by the Department of Business, Innovation and Skills (BIS) with the view to making policy recommendations to the sector on using digital technology in an innovative manner. Made up of leaders from across the education and skills sectors, as well as members of the digital and technology sectors, the Group issued a report in 2014 which gave recommendations to ‘nudge’ the culture of the sector towards a more integrated and holistic approach to digital technology.

During this inquiry, the Commission heard from Bob Harrison, Founder of Set UK, who has reviewed what progress has been made on each of the FELTAG themes.

The first theme, leadership, was focused on the idea of horizon scanning: to what extent is the sector capable of looking to the future, and to what extent do institutions have governors and leaders who can do that? In the three years since the FELTAG report, there has been a £50,000 project funded by the

Education and Training Foundation for leaders, as well as a Jisc-funded and piloted leadership programme. On the latter, the Commission was informed that approximately 40-50 leaders have gone through the programme, very few of whom were Principals or leaders at the most senior level. Whilst both projects are a positive step, it was felt that not enough financial resource has been invested, nor enough leaders encouraged, to undertake the programmes.

The second theme, which looked at infrastructure and the potential to shift infrastructure thinking to digital, the Commission heard that the action taken in this area was “negligible.” The Commission heard calls for a renewed focus from the Skills Funding Agency (SFA) to examine the management of physical spaces by providers. Mr. Harrison gave the example of a further education college in the North of England who:

“Has one new building on the one side of a road, and an old building on another side of the road. If they sold off the latter for £20 million to a hotel company, or supermarket chain, they could use that money to build a whole new Wi-Fi structure, employ 12 new course content creators and they could employ more teachers to engage with more learners.”

As noted, providers have an opportunity to make much more innovative use of their physical spaces. When it comes to infrastructure, the sector as a whole is yet to adequately respond to the recommendations of the original FELTAG report.

The initial FELTAG report called on providers to ‘increase learner influence in each provider’s teaching and learning strategy’<sup>10</sup> and whilst there are some providers who are making great strides in this area, many providers continue to be reactive in this area. Of those providers that are making great strides, a frequent method was to create ‘digital champions’: learners who are trained by the provider’s digital leader, supply them with technology and use their expertise and knowledge to mentor a staff member. This not only gives the learner an additional status but is a cost effective way of ensuring student involvement in the delivery of digital technology.

One of the central original FELTAG aims related to regulation and funding of further education, and the role of Ofsted. The FELTAG report noted that:

“Ofsted, the Skills Funding Agency and Ofqual participated in FELTAG and recognised the need to ensure there is no conflict between innovation, funding and inspection. As a result, FELTAG suggests some small changes to the Common Inspection Framework and to the funding regime that should serve to support the kinds of change called for in this report”<sup>11</sup> and the report recommended “all providers to have a learning technology strand in their teaching, learning and assessment strategy, which will form part of Ofsted’s inspection framework.”<sup>12</sup>

Evidence presented showed that without an external push towards digital technologies, practitioners found it difficult to adequately engage senior leaders. This is not surprising. With competing pressures, senior leaders are naturally prioritising those core areas on which a provider’s success measures are based.

Regrettably, the Common Inspection Framework (CIF) for further education and skills providers places little emphasis on the use of digital technologies when judging a provider’s delivery. Whilst Ofsted state that when inspecting the quality of teaching, learning and assessment,

<sup>10</sup> Further Education Learning Technology Action Group (2012) Paths forward to a Digital Future for Further Education and Skills. <http://feltag.org.uk/wp-content/uploads/2012/01/FELTAG-REPORT-FINAL.pdf> (accessed November 2016).

<sup>11</sup> Further Education Learning Technology Action Group (2012) Paths forward to a Digital Future for Further Education and Skills, p.20.

<sup>12</sup> Ibid.

“the use of technology to deliver and assess learning”<sup>13</sup> will be considered, this is not a central assessment plank. In responding to this previously made criticism, the Government stated that:

“Ofsted does not have a preferred learning style and measures outcomes rather than methods. Where learning technology has a positive impact on outcomes for learners, or where learning technology has a positive effect on teaching and learning and is successfully rolled out across a Further education and Skills provider, this will be recognised under the relevant judgment”<sup>14</sup>

This concern was borne out in conversations the Commission had with representatives of Ofsted. The Commission was told that Ofsted, and other inspectorates, are interested in having an inspection framework that is universal and that allows for a fair comparison of providers across the sector. Ofsted expressed the legitimate concern that many different interest groups advocate for explicit inclusion in the inspection framework, whether it be time allocated for physical activity, or skills in economic planning, or in this case the digital agenda. Ofsted highlighted that the CIF is designed to reward any initiatives and models that deliver the best outcomes for learners. However, this has been somewhat challenged by some of the witnesses the Commission has heard from. It remains an important and compelling debate.

Similarly, the Commission saw that when seeking capital funding from the Skills Funding Agency (SFA), not enough was being done to ensure that investment was adequately ‘future-proofed’ prior to the approval of capital expenditure on college building expansion. In particular, the SFA was not adequately seeking guarantees on how new physical spaces would enable greater learning through online and digital resources.

Advances in digital technology, and online infrastructure, present a unique opportunity for FE and skills providers to further build their offer around the needs of individual learners. Innovative providers are already taking advantage of these opportunities and lessons should be taken from these and further replicated across the sector.

### Recommendation 13

Providers need to have the confidence to innovate digitally. In its annual report to Parliament on Education and Skills, Ofsted should highlight examples of good digital practice that have transformed outcomes.

<sup>13</sup> OfSTED (2016) Further Education and Skills Inspection Handbook for use from September 2016. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/458716/Further\\_education\\_and\\_skillsinspection\\_handbook.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458716/Further_education_and_skillsinspection_handbook.pdf) (accessed November 2016).

<sup>14</sup> Department for Business, Innovation and Skills (2014). Response to the Recommendations from FELTAG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/320242/bis-14-841-government-response-to-recommendations-from-the-FELTAG-action-plan.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/320242/bis-14-841-government-response-to-recommendations-from-the-FELTAG-action-plan.pdf) (accessed November 2016).

# A FOCUS ON SCOTLAND

KEY FACTS

THERE ARE 20 COLLEGES IN 13 REGIONS ACROSS SCOTLAND



THERE ARE A NUMBER OF COLLEGE PROVIDERS IN ADDITION TO THIS THAT OPERATE AS CONFEDERATES OF THE UNIVERSITY OF THE HIGHLANDS AND ISLANDS (UHS)



## PERIOD OF REFORM

NUMBER OF INCORPORATED COLLEGES IN 2011-2012

37

NUMBER OF INCORPORATED COLLEGES IN 2011-2012

20

The Scottish Government advocated mergers to deliver: £50 million of efficiency savings each year from 2015-16, reduce duplication of offer, and improve engagement with employers.

Planning for mergers was generally perceived to be well done and all of the merged colleges were established on time.

### CITY OF GLASGOW COLLEGE



27,000  
STUDENTS



2,000  
COURSES



3162  
WORK PLACEMENTS



1500  
INDUSTRY PARTNERS

### CITY OF GLASGOW COLLEGE

In 2010, Central College Glasgow, Glasgow Metropolitan College, and Glasgow College of Nautical Studies merged to form the City of Glasgow College.

The College has 27,000 students across a range of nearly 2,000 courses from Access Level to Masters.

To date the College has delivered: 420 modern apprenticeships; 3162 work experience placements; 3467 work-based learning projects and we work directly with 1500 industry partners.

Scotland's first "super campus": an award-winning £228 million campus estate which includes innovative digital training centres and immersive virtual reality provision.

Real transformative change is harder still and it is never, ever, inevitable despite what policy makers might lead you to believe. Ultimately, during that you have to work even harder to ensure that change. It is hard to do so and you often do it against the odds.

**PAUL LITTLE, PRINCIPAL AND CEO, CITY OF GLASGOW COLLEGE**





“All mergers, like all change,  
are context specific. But each  
generation of change leaders can  
learn the lessons, if they choose to”

**PAUL LITTLE**, Principal and CEO, City of Glasgow College  
(National Session: FE and Skills in Scotland)

# 4 CREATING SUSTAINABLE INSTITUTIONS AND A THRIVING SYSTEM

As well as innovating to deliver on the sector's wider aims, providers are also innovating to ensure that their own institutions are resilient and sustainable in challenging financial circumstances. Many are doing this through expanding in size and developing new group structures. Providers are also looking to diversify income to both ensure strong finances and improve collaboration.

The Commission has seen providers tackling the big issues around governance, mergers, and income diversity; who are innovating to grow their own offer, and in turn support the development of a thriving FE and skills sector. The sector could be further aided in these efforts by having more freedoms

and flexibilities to innovate, and a funding model that is less retrospective and which funds growth.

The ongoing process of Area Based Reviews has exposed many of these institutional, organisational and governance challenges. Whilst it has drawn out a number of the issues the sector is engaging with, it has not been supportive to further creating a sustainable, growing and vibrant system. The Area Reviews were established on the basis of 'creating sector sustainability'. This has not been achieved.

## 4.1 GROWING THE SECTOR, DRIVEN BY ITS MISSION.

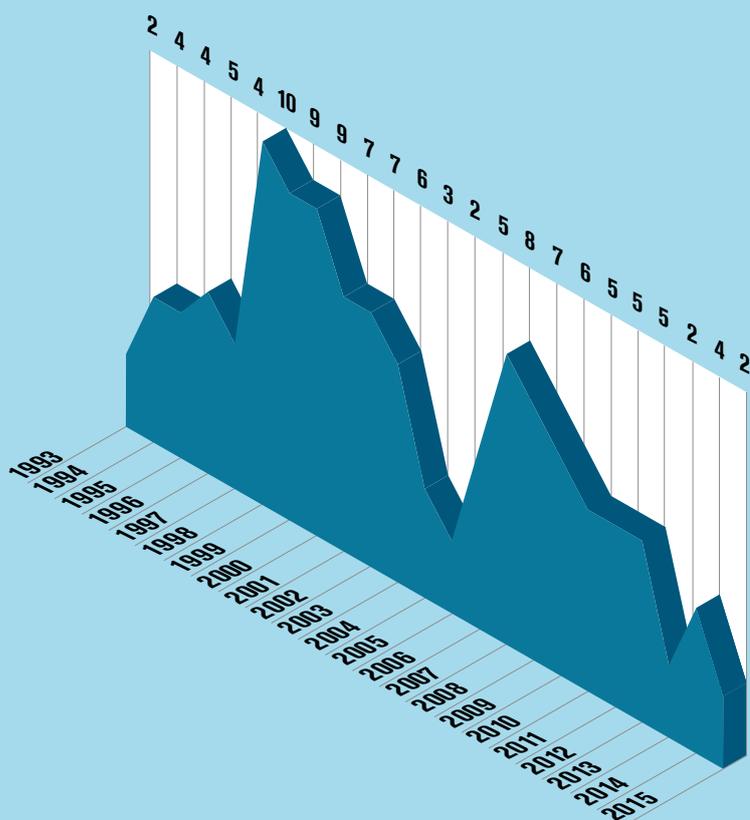
Institutional change is a fundamental requirement for providers to survive and thrive. Providers have often expanded in order to grow their own business, and to become the hub of regional economic growth, and this has included acquisition and merger.

At the time colleges were incorporated in 1993, there were approximately 500 FE colleges and this number has declined since then, up to the beginning of the Area Review process<sup>1</sup>.

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<sup>1</sup> Association of Colleges (2016) An Analysis of College Merger Issues. Association of Colleges: London  
[https://www.aoc.co.uk/sites/default/files/An%20analysis%20of%20college%20merger%20issues%20April%202016\\_1.pdf](https://www.aoc.co.uk/sites/default/files/An%20analysis%20of%20college%20merger%20issues%20April%202016_1.pdf) (accessed November 2016).

## COLLEGE MERGERS 1993–2014



One of the key causes behind college mergers is when two or more governing bodies deem that a merger would create a college that has stronger finances and a higher quality of provision. This driver is supplemented by the need for providers to operate as sustainable entities that can respond to changes in national and regional policy, and are adept at foreseeing and responding to changing customer need.<sup>2</sup>

One witness described at length the four core drivers that led to their provider's structural expansion: globalisation, technology, introduction of career pathway programmes, and government cuts. In terms of globalisation, the witness explained that the small businesses the provider works with are all involved with international business somewhere along their supply chain. In order to be in the best financial position to engage with that international market, the provider felt they had no choice but to merge in an effort to pool resources with previously competing institutions.

The same motivation was true of technology - reaching critical mass to deliver the best in technological advancements. With regards to career pathway, the expansion was an opportunity for the provider to cover all parts of the learner journey and to better tie together provision from one stage to the next. Where a learner progresses through different levels of skills in one institution, it allows that institution to better define and strengthen the pathway that learner is on.

There is an additional core need for further education providers to be clear about their role in the education and skills ecosystem. One contributor cited the increasing number of questions being asked of HE and universities and the model of delivery is undergoing serious challenge through

the HE Green Paper. It was echoed by others. Where there are multiple providers competing for learners in a single area, it is harder for those providers to differentiate their offer.

One of the leading methodologies for college expansion is through the use of college group structures. A number of colleges have a group structure for their internal organisation, where a CEO will head up a single corporate centre that is distinguishable from the colleges or apprenticeship providers or UTCs that sit beneath it. Each college group differs in how they organise themselves, but generally the colleges and institutions are part of a single legal entity but have distinct names, advisory boards and managements.

Paul Little, Principal and CEO of City of Glasgow College has written:

“Mergers are very complex programmes of cultural change, far easier to conceive than they are to deliver. The grand plans hatched in boardrooms must ultimately win hearts and minds. Mergers are certainly not a one size fits all quick-fix solution, rather a best fit solution arrived at after weighing up present and future organisational challenges. Successful mergers require a compelling vision, exceptional leadership and infinite resilience.”<sup>3</sup>

Our evidence sessions highlighted the many challenges that face providers when they are embarking on mergers and other major periods of transformative change and we have been pleased to hear from a number of senior leaders who have overseen transformative change to their own institutions.

Providers have reported that a number of factors helped make mergers a success. Timing of merger was a key factor - those providers who were first, or led, in a wave of mergers were able to write a blueprint without heavy interference or dictat. In one example, a provider based in Scotland said they were able to set the terms by being first, including negotiating a larger transitional share of funding that was larger than later institutions were able to acquire.

The Commission was told of the vital importance of sharing information between institutions at different stages of their own change agenda, whether that is growing their group structure or a simple merger. One provider we spoke to dedicated a substantial part of their planning and budgeting to external advisers from within the sector who had successfully delivered their own institutional change. Similarly, the Commission heard that providers in Scotland and Wales, who have themselves gone through nationwide reformulating of further education (see section 3), saw great value in speaking with each other across the border. One witness warned that England, currently going through the Area Review process, was not taking full advantage of this wealth of experience.

When determining what the ‘final’ iteration of a group should look like, the wider strategy of balancing organisations within that group and how each contributes to the group’s mission statement. One provider spoke about their mission to be a national college underpinned by private training providers - the private providers are profitable and help with cash flow whilst the college provides the balance sheets and stability that providers need to bid for larger projects.

Some of the biggest problems with mergers and growing group providers was the integration of systems, of people, of culture, and of vision. Once plans relating to group structure, legal and financial frameworks, were written and signed off, many providers told the Commission that focus on them was quickly shifted to a focus on the people within the institutions. Similarly, providers reported to the Commission that once the group has been constituted, senior leaders were looking to make full use of leaders within the institutions in a group by granting greater autonomy to those subsidiaries within the group.

As well as the focus on people throughout the institution, successful examples of transformative change was further underpinned by a compelling and aspirational vision grounded on education, rather than finding efficiencies. It was repeatedly said that whilst efficiencies and effectiveness are

of course vitally important, growing group structures and implementing transformative change must be focused on delivering the involved institutions core mission objectives.

### Recommendation 14

Where institutions are embarking on a process of merger, or transformation, the blueprint for change should be grounded in the education and training needs of learners and local employers. Change should focus on cultural alignment and embedding cultural change, not merely structural or organisational solutions.

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## 4.2 DIVERSE INCOME

If we are to understand innovation as responding to change and pressure, issues of funding have been a constant pressure for providers in recent years. The Commission has heard that this pressure is being used by forward-thinking providers to secure a diverse income stream. They can use that to not only generate new income, but to further integrate themselves with local business.

There are approximately 4 million people in further education each year, with £7 billion worth of public funding being spent on further education each year.<sup>4</sup> This was previously drawn from the Department for Business, Innovation and Skills (BIS) and the Department for Education (DfE).

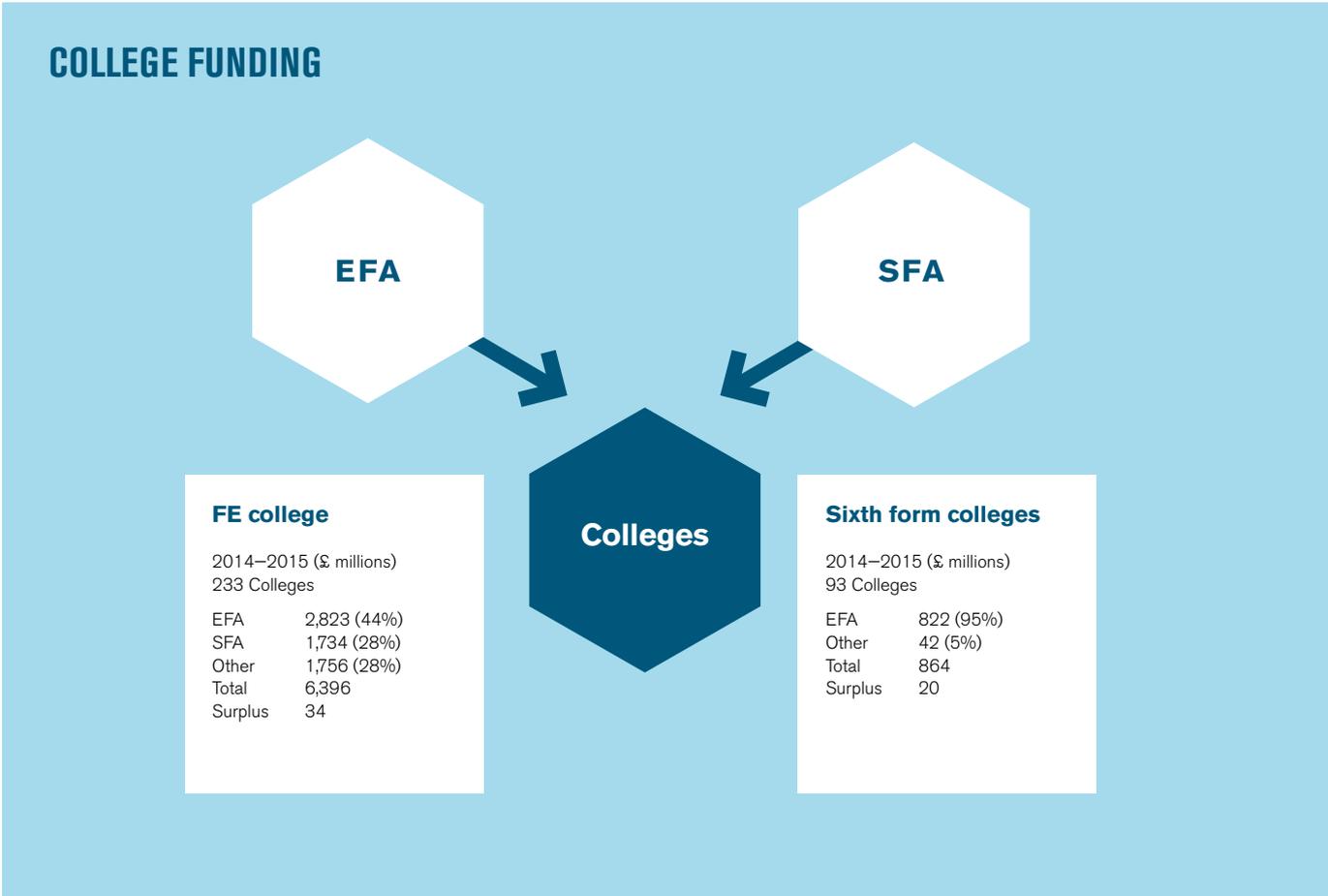
Under the Further and Higher Education Act of 1992, colleges are classified as statutory corporations with exempt charity status. In England, they have financial independence and powers over their assets, their staff employment, to enter contracts, buy services and to make financial surpluses or deficits.<sup>5</sup>

The Department for Education (DfE) provides funding support for 16-18 year olds in education and training. The Education Funding Agency (EFA) manages the budget and gives allocations to colleges and schools via a national funding formula and rulebook. Funding for education and training for 16-18 year olds is worth around £13 million for the average FE college, which represents around 47% of total income, and £7.6 million for the average sixth form college, 91% of their income. This money pays for more than 800,000 students aged between 16 and 18, and colleges provide the majority of places for the education of this age group.

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<sup>4</sup> Morse, A. (2015) *Overseeing Financial Sustainability in the Further Education Sector*. Department for Business, Innovation and Skills and National Audit Office: London

<sup>5</sup> *Ibid.*



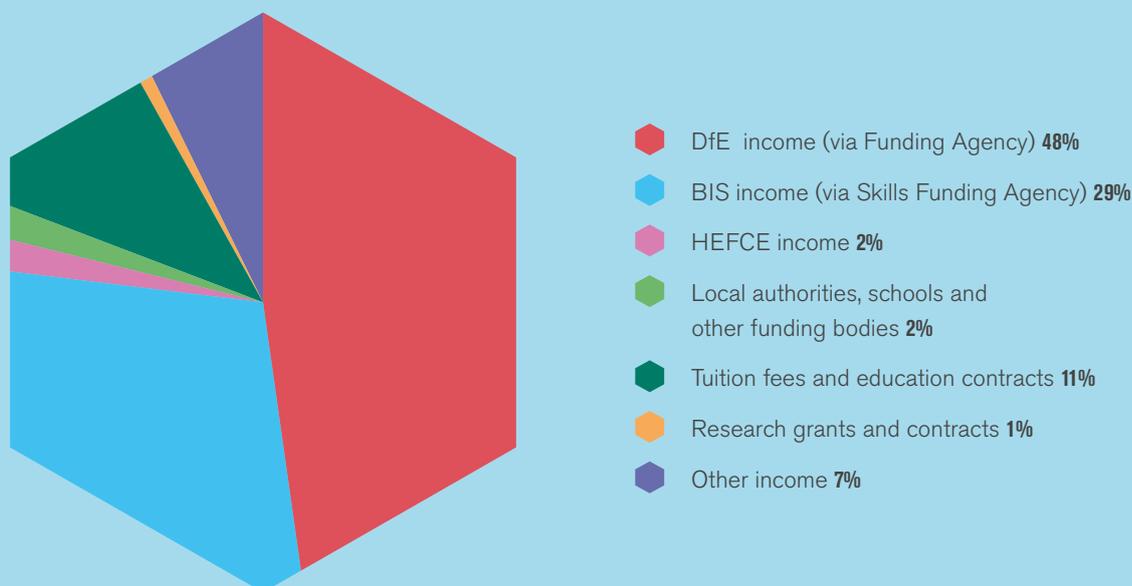
Following departmental changes in the government reshuffle of July 2016, the Department for Education is now responsible for the funding of further and higher education for people aged 19 or over. Previously, this responsibility fell to the Department for Business Innovation and Skills (BIS). The Skills Funding Agency (SFA) manages the further education and skills budget and pays allocations to colleges and training providers for various programmes using a national funding formula and rulebook. SFA funding for FE and skills is worth around £6 million for the average FE college (21% of total income) and around £0.3 million for the average sixth form college (3%). The money pays for more than two million adult students including large numbers of apprentices, jobseekers and people looking to acquire basic skills.

The Apprenticeship Levy will be a levy placed on UK employers to fund new apprenticeships as part of the UK government’s strategy to have 3 million new apprenticeship starts by the end of this Parliament, in 2020. In England, control of apprenticeship funding will be put in the hands of employers through the Digital Apprenticeship Service. The levy will be charged at a rate of 0.5% of an employers pay bill. Each employer will receive an allowance of £15,000 to offset against their levy payment. It will be introduced in Spring of 2017.

In guidance published in August 2016, the government announced additional support for small employers training 16-18 year olds. Small employers, categorised as those with fewer than 50 employees, will have their co-investment requirement waived for when they train apprentices aged 16-18 years old. This means that those employers will not have to contribute financially to the training of those apprentices<sup>6</sup>.

<sup>6</sup> Department for Education (2016) Apprenticeship Funding: Proposals for Apprenticeship Funding in England from May 2017. DfE: London.

## COLLEGE INCOME ANALYSIS (2013/14)



Should central funding for provision continue to be reduced, then providers need to find alternative, diverse and sustainable funding streams that will allow colleges to both continue to deliver on their mission statement and thrive.

Witnesses were keen to stress that education and training is a growth industry. When it comes to diversifying income, providers said they must be sure to position skills training to ensure that they can expand and grow the market. Those providers were keen to stress that if income diversity is a long term strategy, this should be remembered by policymakers - cutting central government income from a provider does not equate to instant, sustainable and diverse income.

For providers who are leading a successful income diversity strategy, it has not been a short process: delivering income diversity is a long game that requires a sustained strategy.

One provider the commission spoke to was a large regional college in the North West; they discussed their income diversity and in comparison to national averages listed above. The college is a £52 million business and the witness said that the numbers listed above (and briefed to witnesses before the session) were not something the provider recognised. The college's EFA funding represented 27% of the college's £52 million which funds approximately 2,700 students. The college's higher education offer represented 32% of their income, or about 3,000 students. BIS income, which the college judged to cover classroom base, apprenticeships and 24+ loans, represented 17%. The college had a further 19% of income that they categorised as "commercial income."

Clearly, this provider has made significant advances in diversifying their income streams. The witness said that it has taken a long period of time. They started delivering HE in 1988. The college has been an associate of a validating HE institution for twenty five years. The college has an additional dedicated and specialised sector provision which dates as far back as 1892.

One of the core questions posed to providers about their income diversification was their understanding of turnover against profit, and if a provider is to make a profit, where that money should be invested (if at all). One college told the commission it was their aim to make a 6% surplus each year to invest “back into the oil and slick” and to “grow the machine.”

The Commission received submissions showing that for some providers there appeared to be a reluctance to embed income diversification as part of provider strategy for fear that it dilutes the mission statement of the provider and may risk the institution’s place within the local community. However, the Commission heard that this fear was misplaced. A central purpose of further education is to improve social mobility and to give greater opportunities to local learners, with the skills they acquire being of the benefit to the local economy. This idea was supported by a witness to the Gazelle Colleges report on commercial opportunities:

“FE is all about getting people into jobs through greater skills provision and this [employability] is the best way to underpin and support the community agenda”<sup>7</sup>

This is not to say that income diversity is without pitfalls. The nature of the market, especially when working with local SMEs, means that funding streams can be inconsistent. This problem is not just limited to local SMEs however. One witness told the commission of a major stream of diverse income they were expecting and of the three to four years of preparation for that training of staff, investment in equipment, working closely with sector bodies to ensure that delivery was of high quality and met industry standards. When government then pulled the plug on investment in that sector, the provider had to shift their income expectations as take up did not reach the levels they had planned for. The witness explained, however, that where diverse income is a core part of the provider’s strategy, the negative effects of this income drop were easier to navigate.

### Recommendation 15

Income diversification should be embedded in providers’ strategies for growth.  
Commercial opportunities should be sought in line with the provider’s mission statement.

## 4.3 A SYSTEM THAT HAS “FREEDOMS AND FLEXIBILITY”

The provider’s efforts to innovate, whether that is through institutional growth or diversifying their income stream, are reliant upon the freedoms of the system in which the provider operates. Different providers have different freedoms both within the sector and when compared to universities and schools. If providers are free to innovate in order to survive, they will. Fundamental questions of what providers can or cannot do with their financial resources are at the heart of how they approach growth that is both sustainable and innovative.

Recognised throughout this report are the substantive changes that have taken place in FE and skills in recent years. The Commission found that there are a combination of factors that are joining for the first time to create the next wave in structural change in education and skills, and that this change is substantive. This is not something that needs to be feared as the current legal frameworks and governance are more akin to political economical structures of the late 1980s and not as applicable for the current landscape.

One contributor, whilst keen to stress that government had been responsive to calls for more autonomy, said that:

“It’s a typical government thing that they genuinely want to give you flexibility on one hand but then on the other hand, they become so worried and cautious about trusting institutions with the money.”<sup>8</sup>

One provider who was working with the then Department for Business, Innovation and Skills to grow their offer, and navigate the legal and structural challenges of this, investigated the idea of an incorporated FE and schools group which would be publically transparent. The proposal would see the group operate largely with public investment but would allow a number of companies limited by guarantee underneath the group structure. It could be a school, a private provider or an FE college, and the quid pro quo for that (which would require legislative change) is that all the entities that would sit in that group would have charitable status. There would be no shareholders and any profit making activity would be invested back into the group. Without a digression into the legislative challenges and changes required of such a group, it is worthy of note that large college groups are actively working with government in an effort to find structural changes which would allow for greater freedom’s and flexibilities.

The challenge that provider freedom and flexibility poses to innovative delivery was best articulated by the CEO and Principal of a major college group in an urban region:

“My biggest challenge is that I have to respond to the skills requirements for a city region the size of Wales, across a population of 3 million with tens of thousands of employers. We have the characteristics, but not the capitalistic approach of a FTSE 250 company, and the legal and governance infrastructure imposed on me is that of a £10m agriculture college in Devon. Those colleges are fantastic and brilliant at what they do; but I need more flexibility. I need to be able to move money from commercial activity to subsidise the public purse and to ring-fence commercial activity in a way that doesn’t jeopardise public provision and the ability to respond at speed to the national and regional public agenda.”<sup>9</sup>

Issues around freedoms and flexibility are pertinent across the United Kingdom. In October 2010, when the UK Office for National Statistics took the decision to reclassify further education colleges in Scotland as public bodies. This means many colleges are treated as part of central government for budgeting, reporting, and accounting purposes.<sup>10</sup>

The Commission was told that for many providers this has had a significant impact on how they grow their provision, and invest in their future growth. When visiting Scotland, the Commission heard that:

“ONS has come as a bit of a shock to Scotland. It has had major ramifications here. Colleges cannot hold reserves, they cannot borrow without going through government... if you can’t borrow and develop reserves, how can you start to become international, how can you go into new markets and expand? Colleges now find themselves in a very different financial situation where your finances are so tight you are struggling to deliver for the day to day. The day to day work cannot be built upon without this potential for initial outlay.”

This is not to say that providers, particularly those who are publically funded should not face scrutiny and oversight in their use of these resources. This report has advocated oversight that is grounded regionally, and advocates in the next section governance boards that draw on an

8 Sally Dicketts, Group Chief Executive, Activate Learning, Session 2.

9 John Thornhill, CE, LTE Group (Learning, Training and Employment Group), Session 2.

10 Scottish Funding Council, Guidance. <http://www.sfc.ac.uk/guidance/Governance/collegereclassification/CollegeReclassification.aspx> (accessed November 2016).

array of expertise from across a variety of sectors and interests to ensure that the leadership of provision is rigorously examined.

## 4.4 GAMING THE SYSTEM?

As part of the inquiry, providers who called for greater freedoms were challenged as to whether or not they were “gaming three systems: the public sector, straight capitalism, and that part of private enterprise which has funding from the public purse?” This is an important challenge. If trainers and providers are to be given more freedom and flexibility, as this report advocates, it is important that providers are scrutinised and that there is a clear understanding of where their funding originates. This understanding allows for leaders to more robustly articulate their investment decisions and plans for growth.

Robust in their responses, the providers spoke of their desire to “provide the best possible responses to the needs of a diverse community and the growing our local economy.” For sustainable growth, providers spoke of the need for different income streams, and investment strategies, to respond to the need of different parts of the skills system. Innovative leaders spoke of their organisation’s central mission: to improve lives and economic success through education and skills.

### Recommendation 16

Providers should have more freedom and flexibility over their business models and structures. Providers and provider groups should be better able to use their funds to invest in the future. The SFA should review funding arrangements so they are less retrospective and can encourage growth, especially in apprenticeship provision.

## 4.5 REVIEWING AN ENTIRE SYSTEM

In an effort to secure the financial security, and viability of the FE and skills sector, this report has demonstrated how many providers are innovating around their own structures and income. Whilst this report has sought to be forward looking in sharing this good practice, the sector as a whole is currently engaging in a governmental process that has sought to mandate many of these changes across England.

On the 20th of July, 2015, the Department for Business Innovation and Skills (BIS) announced the Government’s plans to encourage a restructure of the post-16 education and training sector. The Area Based Review of the sector, with a specific focus on colleges was begun, with the first of five waves of the process having commenced in November of 2015.

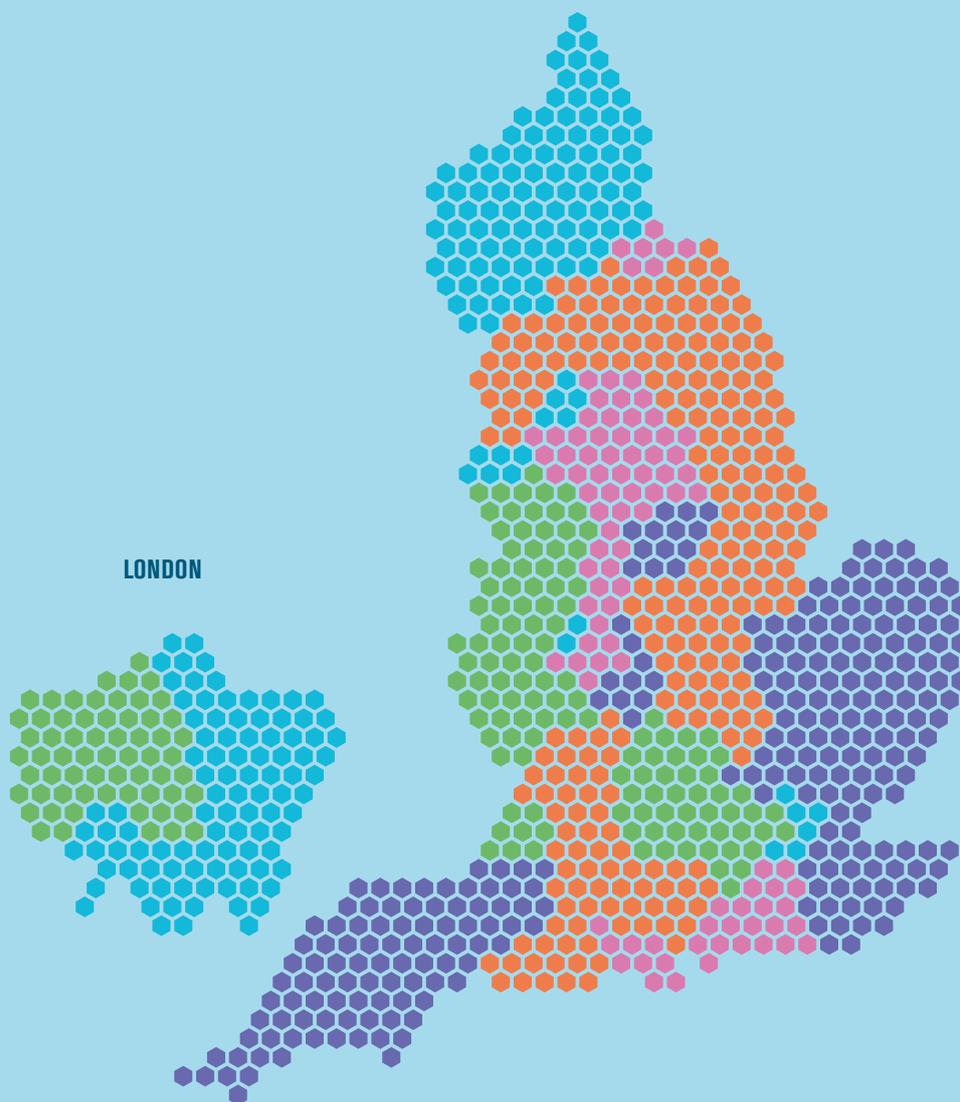
Each review, made up of sub-regional reviews, has sought to assess the economic and educational needs of the area, and the implications for post-16 education and training provision.<sup>11</sup> The review steering groups are made up of chairs of governors supported by their college principals, LEAs and local authorities, FE and sixth form college commissioners, and regional schools commissioners.<sup>12</sup> The absence of student, staff, and other representatives has been noted in the sector.<sup>13</sup> The majority of FE and sixth form colleges have been engaged in area-based reviews, with those yet to be engaged entering the final waves by the close of 2016.

11 HM Government (2015) Reviewing post-16 Education and Training Institutions. BIS: London.

12 Ibid.

13 Question Manchester session. Roger Brown “Superficial area reviews aren’t the answer for FE” TES FE 24th July 2016

## WAVES OF AREA REVIEWS



1	2	3	4	5
(Started Sept 2015)	(Started Jan 2014)	(Started Apr 2014)	(Due to start Sept 16)	(Due to start Nov 16)
<ul style="list-style-type: none"> <li>- Birmingham and Solihull</li> <li>- Greater Manchester</li> <li>- Sheffield City</li> <li>- Tees Valley</li> <li>- Sussex</li> <li>- Solent</li> <li>- West Yorkshire</li> </ul>	<ul style="list-style-type: none"> <li>- The Marches and Worstershire</li> <li>- Thames Valley</li> <li>- West of England</li> <li>- Cheshire and Warrington</li> <li>- Stoke on Trent ans Staffordshire</li> <li>- London (West)</li> <li>- Surrey / London (Central)</li> </ul>	<ul style="list-style-type: none"> <li>- Cumbria</li> <li>- Liverpool City</li> <li>- London (South)</li> <li>- Black Country</li> <li>- Coventry and Warwickshire</li> <li>- London (East)</li> <li>- Hampshire</li> </ul>	<ul style="list-style-type: none"> <li>- Leicester &amp; Leicestershire</li> <li>- Gloucestershire, Swindon and Wiltshire</li> <li>- North East</li> <li>- Dorset</li> <li>- Greater Lincolnshire</li> <li>- Lancashire (East of M6)</li> <li>- Lancashire / York, North Yorkshire and Humber</li> </ul>	<ul style="list-style-type: none"> <li>- Essex</li> <li>- Derby, Derbyshire, Nottingham and Nottinghamshire</li> <li>- Somerset, Devon, Cornwall and Isles of Scilly</li> <li>- Hertfordshire</li> <li>- South East Midlands</li> <li>- Greater Cambridgeshire and Greater Peterborough</li> <li>- Norfolk and Suffolk, Kent</li> </ul>

The Area Based Review process was commenced with the stated aim of creating:

“fewer, larger, more resilient and efficient providers, and more effective collaboration across institution types. It will be important to create greater specialisation by establishing institutions that are genuine centres of expertise. These will be able to support sustained progression in professional and technical disciplines, alongside excellence in other fundamental areas – such as English and maths.”<sup>14</sup>

The government also expanded:

“In the longer term, the greater specialisation resulting from a review will help with the creation of a new network of prestigious Institutes of Technology. These new institutions will work collaboratively with other colleges and providers, including National Colleges, to deliver high standard technical and professional education at levels 3, 4 and 5.”<sup>15</sup>

The Area Reviews have dominated much of the further education sector since their announcement, but the extent to which the process has heralded a fundamental transformation in the sector has proven deeply contentious.

The Commission has heard that the Area Review, at its inception, was seen as ‘radical’<sup>16</sup> with a unique opportunity for providers to integrate their offer according to local business need and to better engage with their own financial viability in the context of competing providers. Since the commencement of the first wave of Area Reviews, substantive questions have been raised about both the effectiveness of the process and the extent of its reach.

The Commission frequently heard that in order for the Area Review process to live up to its name, it needs to be more comprehensive:

“The original guidelines for area reviews were absolutely blatant that this was about reducing cost and somehow I think the learner experience and the needs of the area and employers in that area have got lost to a certain extent in that process... we try to do things differently but we have to operate in the process we are given so it has been quite overwhelming but I think we are at the end of what will be the first phase soon. It is clear that the system does need reform, but area review just looks at part of the system.”<sup>17</sup>

The exclusion of schools with sixth forms and independent training providers has ensured that the reviews have not resulted in a comprehensive assessment of all post-16 education and skills training in an area. The Commission heard that if the Area Based Review process is to go beyond merely recommending colleges in financial difficulty to merge with competing institutions, it must thoroughly examine and tie together the entire post-16 education offer in a geographic region.

Similarly, concerns have been raised about the ‘one-off’ nature of the process. The Commission was told by a major College Group CEO, as well as the Group’s Chair of Governors, that they and other colleges in the area had already commenced a review of their own offer in the context of competing offers. This process had included rival institutions and employers. The commencement of Area Reviews has diverted their attention away from this genuine collaboration, and straightjacketed them into the process as determined by Whitehall. The Area Based review process has therefore done little to foster genuinely effective co-ordination of provision.

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14 Department for Business, Innovation and Skills (2016) Reviewing Post-16 Education and Training Institutions: Area Reviews (waves 1-5). <https://www.gov.uk/government/publications/reviewing-post-16-education-and-training-institutions-list-of-area-reviews/reviewing-post-16-education-and-training-institutions-details-of-the-area-reviews#wave-1> (accessed November 2016).

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15 Ibid.

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16 Anne Gornall, Greater Manchester Learning Provider Network, Co-Executive Director, Manchester Session.

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17 Sue Murphy CBE, LTE Group, Chair of the Board (Deputy Leader of Manchester City Council), Manchester Session.

Concerns have also been raised about the extent to which the Area Review is representative not only of the whole geographic region, but of key stakeholders within those providers who are covered. Whilst leaders from providers, LEPs, Local Authorities and Government have been represented, provider staff and students have been notably absent from the process.<sup>18</sup>

These questions have been raised not only by witnesses to the Commission and the sector at large, but also by the influential Public Accounts Committee in Westminster. In December of 2015, the Public Accounts Committee found that:

“The Department for Business, Innovation and Skills and the Department for Education appear to see area-based reviews of post-16 education as a fix-all solution to the current problems, but the reviews do not cover all types of provider and it is not clear how they will deliver a robust and financially sustainable sector.”<sup>19</sup>

Whilst promoted as once-in-a-lifetime opportunity to reform FE, the process has proven disappointing to that effort. The government is right to encourage providers to collaborate, and connect the dots between providers and employers, yet there remain too many disincentives to either merge or to work closer with what are, at this time, rival providers. Similarly, without capturing the offer from schools and others, Local Authorities and LEPs cannot adequately provide a skills pipeline to meet both the local economic need and the need of learners, and at the same time ensure the future financial sustainability of the sector.

### Recommendation 17

Lessons should be learnt from the Area Based Review process. All parts of the education and skills landscape must be considered in any future geographical review of provision.

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18 Manchester session, student question. See also Roger Brown “Superficial area reviews aren’t the answer for FE” 24th July 2016

19 Public Accounts Committee (2015) Overseeing Financial Sustainability in the Further Education Sector: Thirteenth Report of the Session 2015-16. The Stationary Office: London.

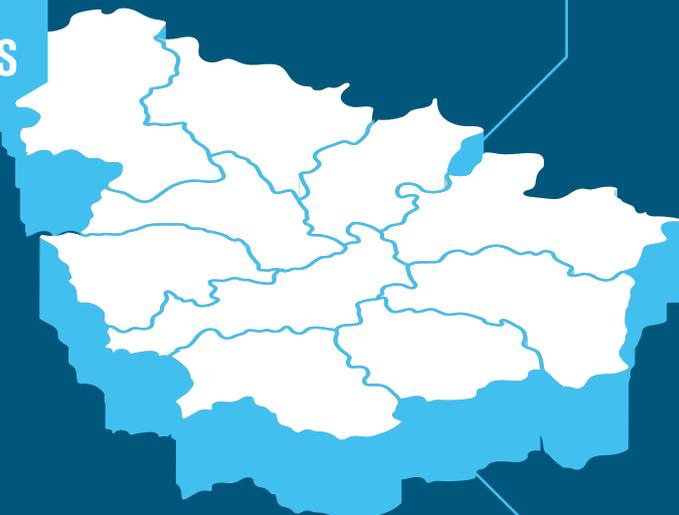


“There is a fundamental challenge in the widening access story: we need to convince parents that there are many routes to success through the education system”

**NAOMI EISENSTADT CB**, Independent Advisor on Poverty and Inequality  
(National Session: FE and Skills in Scotland)

# A FOCUS ON GREATER MANCHESTER

KEY  
FACTS



THERE ARE 1.4 MILLION PEOPLE  
WORKING IN GREATER MANCHESTER IN  
AROUND 105,000 BUSINESSES

THERE ARE 15 FURTHER EDUCATION  
COLLEGES IN GREATER MANCHESTER



## PERIOD OF REFORM



George Osborne MP speaks in Manchester of the need for a “Northern Powerhouse”.

This powerhouse, he contended, would see Whitehall to “hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare.”

The Chancellor of the Exchequer and leaders of the Greater Manchester Combined Authority signed a devolution agreement on 3 November 2014. An elected Greater Manchester Mayor will take office in May 2017.

### THE LTE GROUP



The LTE Group (Learning, Training, Employment) was founded in early 2016, out of the Manchester College Group.

The LTE Group as a whole employs over 5,000 people, and provides education, training and employment to over 100,000 learners nationally at over 120 locations.

The group consists of an apprenticeship provider called “Total People”, who deliver around £20 million worth of apprenticeships across the North West; “MOL” which is a distance and blended learning operation focused on professional qualifications and which operates on a national footprint; and “Novus” which is the largest provider of prisoner education in England.

The Group, through its subsidiaries which include a private training provider offers a range of levels of education and training from further education through to higher education, offender learning, Apprenticeships and employer training.



**5,000**  
EMPLOYEES



**£20m**  
WORK PLACEMENTS



**120**  
LOCATIONS

[Our college] is on the site of something created by Joseph Whitworth. In his time, when skills and the idea of technical skills and vocational skills was a new thing, Joseph Whitworth was a leading entrepreneur, businessman and philanthropist, and was a founder in many ways of some of the earlier ideas of vocational and technical education.

**JOHN THORNHILL, CEO, LTE GROUP**



# CONCLUSION INNOVATING FOR THE FUTURE





Innovation in FE and skills is about being prepared to go beyond the obvious, taking a different and creative approach to solving problems, and pushing boundaries to serve communities and businesses.

Innovation in terms of the commercialisation, the digital, and the entrepreneurial agendas offer the sector great opportunities but also pose profound challenges to its leadership. Innovative leadership, and championing innovative change, is no mean feat.

However, this report has shown that innovative practice, across a range of areas, can and is being delivered whether it is in England, Wales, Northern Ireland or Scotland. There is indeed much providers can learn from each other.

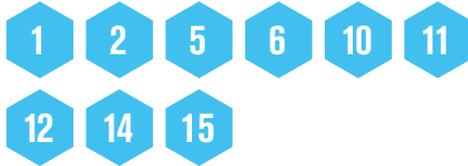
This report has not sought to be a prescriptive series of policy initiatives: the differing needs of learners, businesses and localities should be met by different solutions. Instead, we have shared and demonstrated the positive change that can be delivered by the sector, and is being delivered by providers, working with all stakeholders, towards a collective vision for FE and skills. Our intention is that this innovative sector leadership becomes an integral informer of effective government policy.

**WE HOPE YOU WILL JOIN US CONTINUING THE CONVERSATION AROUND HOW THE SECTOR CAN BE THE BEST IT CAN.**

## WHICH RECOMMENDATIONS APPLY TO YOU?

### Recommendations for **PROVIDERS**

Recommendations:



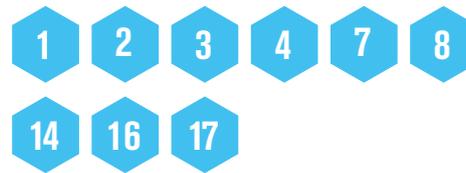
### Recommendations for **SECTOR BODIES**

Recommendations:



### Recommendations for **NATIONAL, DEVOLVED AND LOCAL GOVERNMENT AND GOVERNMENT AGENCIES**

Recommendations:



### Recommendations for **EMPLOYERS, LEPS AND SECTORS**

Recommendations:



#### Recommendation 1

Provision needs to be flexible and fit around the needs of learners and employers. Providers must develop their offer in partnership with employers, either directly through LEPs or other employer and sector groups. Where funding conditions or statutory requirements limit the development of flexible and bespoke delivery models, the DfE, EFA and SFA should review whether exemptions could be made in cases where high standards can be maintained.

#### Recommendation 2

FE and skills providers should use their physical space and assets to become skills hubs for local businesses, and serve as incubators for their learners' next career steps. This should be considered in the commissioning and design of future building projects.

#### Recommendation 3

Devolution settlements should be 'full' and include additional powers across all areas of skills provision. They should encourage cross local authority and LEP collaboration.

#### Recommendation 4

Funding for devolution should be based on an area's capability and ambition, not solely on population density or the number of large businesses.

#### Recommendation 5

Provider's boards should be made up of leaders from diverse sector areas.

### Recommendation 6

Providers should future proof their staff, as well as their institutions, by guaranteeing ongoing industry experience. This should be partnered with employer engagement at all levels of the organisation.

### Recommendation 7

Devolved authorities should generate business intelligence, and use that for adequate skills planning for the future.

### Recommendation 8

The DfE should create comprehensive data sets across 16-24 years, similar to that of early years, to ensure that national policy is reactive to, and reflective of, the changing labour market.

### Recommendation 9

LEPs and the Careers and Enterprise Company should work together to ensure that careers information advice and guidance is based on attainable employment opportunities. This should mean it is grounded in local and national skills needs, based on rigorous data sets, and reflective of genuine career options. This needs to be provided throughout the education and skills system, including mandatory advice in schools.

### Recommendation 10

Building on themes contained in the 2016 Skills Plan, each provider's offer should be built on clear pathways, with clear end destinations articulated to learners. Providers should have a pathway agreed with the learner.

### Recommendation 11

Providers, awarding bodies and employers should work to better quantify and clarify the transferrable skills contained within each programme.

### Recommendation 12

To enhance provision, create more efficient delivery models and to reduce the need for physical facilities providers should invest in the digital capabilities of their staff and collaborate with other providers.

### Recommendation 13

Providers need to have the confidence to innovate digitally. In its annual report to Parliament on Education and Skills, Ofsted should highlight examples of good digital practice that have transformed outcomes.

### Recommendation 14

Where institutions are embarking on a process of merger, or transformation, the blueprint for change should be grounded in the education and training needs of learners and local employers. Change should focus on cultural alignment and embedding cultural change, not merely structural or organisational solutions.

### Recommendation 15

Income diversification should be embedded in providers' strategies for growth. Commercial opportunities should be sought in line with the provider's mission statement.

### Recommendation 16

Providers should have more freedom and flexibility over their business models and structures. Providers and provider groups should be better able to use their funds to invest in the future. The SFA should review funding arrangements so they are less retrospective and can encourage growth, especially in apprenticeship provision.

### Recommendation 17

Lessons should be learnt from the Area Based Review process. All parts of the education and skills landscape must be considered in any future geographical review of provision.

# CONTRIBUTIONS

## SESSION 1: INNOVATION AND THE FE AND SKILLS SYSTEM IN ENGLAND

Professor Ann Hodgson, Director, Centre for Post-14 Research and Innovation, UCL

Fintan Donohue OBE, Chief Executive, Gazelle College Group

Stewart Segal, Chief Executive, AELP

Andy Wilson, Principal, Westminster Kingsway College

Denise Brown, Vice Principal, South Essex College of Further Education

## SESSION 2: EXPANDING PROVIDERS AND GROUP STRUCTURES

Mark Maudsley, CEO, GTA England

John Thornhill, CE, LTE Group (Learning, Training and Employment Group)

Chris Payne, Group Director of Planning and Performance, NCG (Newcastle College Group)

Sally Dicketts, Group Chief Executive, Activate Learning

## SESSION 3: DEVELOPING SPECIALISMS

Gill Worgan, Principal, West Hertfordshire College

Dr Susan Pember, Governance Advisor, AoC; Director of Policy and External Relationships, HOLEX; and former Lead Civil Servant for FE funding

Joel Featherman, CEO at PublicCo

## SESSION 4: INCOME DIVERSITY

Catherine Hill OBE, Deputy Principal, Blackpool and the Fylde College

David Pollard, Education, Skills and Business Support Chairman, Federation of Small Businesses (FSB)

Lee Weatherly, CEO, Midland Group Training Services (MGTS)

## SESSION 5: IMPLICATIONS OF DIGITAL TECHNOLOGIES ON FE BUSINESS MODELS

Bella Abrams, Director of Innovation and Technology at Hull College and Executive of the Association for Learning Technology

Cathy Ellis, Director, Research and Development at Highbury College (Winner of TES Tech award)

Bob Harrison, Founder of Set UK and Honorary Life member of CGLI for services to Vocational Education

Sue Attewell, Head of Change for FE and Skills, Jisc

## MANCHESTER REGIONAL SESSION: 'DEVO-MANCS'

Sue Murphy CBE, LTE Group, Chair of the Board (Deputy Leader of Manchester City council)

Anne Gornall, Greater Manchester Learning Provider Network, Co-Executive Director

Sue Bagguley, Siemens UK, Head of business excellence and programme management

Clive Memmott, CEO, Greater Manchester Chamber of Commerce

Gemma Marsh, Acting Director of Skills and Employment, New Economy

Ivan Lewis MP, Member of Parliament for Bury South, Candidate for Mayor of Greater Manchester

## WALES NATIONAL SESSION: 'FE AND SKILLS IN WALES'

Julie James AM, Minister for Skills and Science

David Jones OBE, CEO, Coleg Cambria

Iestyn Davies, Chief Executive, ColegauCymru

Sarah John, Interim Chair, National Training Federation for Wales Executive Board

Pauline Burt, Chief Executive, Ffilm Cymru Wales

Huw Irranca-Davis AM, Welsh Assembly Member for Ogmore

## SCOTLAND NATIONAL SESSION: FE AND SKILLS IN SCOTLAND

Paul Little, Principal and CEO, City of Glasgow College

Shona Struthers, Chief Executive, Colleges Scotland

Gordon McGuinness, Director of Industry and Enterprise Networks, Skills Development Scotland

Russell Gunson, Director, IPPR Scotland

Naomi Eisenstadt CB, Independent Advisor on Poverty and Inequality, Scottish Government

## MANCHESTER REGIONAL SESSION: 'DEVO-MANCS' (DELEGATES)

Harriet Andrews, The Politics Project

Gillian Brewer, CITB (Construction SSC)

Shane Chowen, Learning and Work Institute

Karin Connell, Manchester City Council

Sarah-Beth Cooper, Manchester Metropolitan Union

Paul Dennett, Mayor of Salford

Peter Fell, Manchester University

Gemma Gathercole, OCR

Sam Green, LTE Group

Joanne Green, Manchester council

Gordon, Hurst, LTE Group

Caroline Larissey, Skills Active

John Lees, United Utilities

Tim Lund, Skills for Health

Jackie Moores, Tameside College

Graham Morley, South Staffordshire College

Harriet Pugh, Manchester University Students Union

Suzannah Reeves, Manchester City Council

Helen Rose, GM Chamber of Commerce

James Scott, Trafford College

Joan Scott, Trafford College

Mike Smith OBE, FETL

John Spindler, Salford City College

Martin Wearne, Interserve Learning and Employment

Debra Woodcock, AOC North West

## WALES NATIONAL SESSION: FE AND SKILLS IN WALES (DELEGATES)

Emma Banfield, World Skills Wales

Christine Bissex, The College Merthyr Tydfil

Amanda Bunn, Golley Slater Cardiff

Lesley Cottrell, Coleg y Cymoedd

Jackie Cresswell Griffiths, Higher Education Funding Council Wales

Sean Curran, Trinity St David Students Union

Paul Evans, World Skills Wales

Cerys Furlong, Learning and Work Network Wales

Nicola Gamlin, Coleg Gwent

Rona Griffiths, Coleg Cambria

Sheila Hendrickson-Brown, C3SC

Dr. Nick Johns, Cardiff University

Martyn Jones, Diverse Cymru

Hayden Llewellyn, Education Workforce Council

Alan Mackey, Peopleplus

Thoria Mohamed, C3SC

Paul Morgan, Senta

Paul Napier, NtFW South East Wales

Faith O'Brien, ITEC Training

Alexandra Plows, WISERD Fellow

Heather Pope, CH2M

Jeff Protheroe, NTFW

Bryan Roderick, People1st

Ruth Thomas, Derwen College

Ceri Thomas, Skills Active

Hayley Thomas, Gower College Swansea

Nicola Thornton-Scott, NPTC Group

Hailey Townsend, Bridgend County Borough Council

Arwyn Watkins, Cambrian Training

Ginger Wiegand, C3SC

Gareth Williams, CITB

Carolyn Williams, Coleg Sir Gar

Matt Williams, Engage Training/Bridgend College

## SCOTLAND NATIONAL SESSION: 'FE AND SKILLS IN SCOTLAND' (DELEGATES)

Sohail Ahmed, Education Management Professional

David Anderson, Peterhead and District Training Ltd (PEDL)

Jeremy Balfour MSP, Member of the Scottish Parliament

James Boyce, Scottish Government

Chris Brodie, Skills Development Scotland

Alan Buchan, Forth Valley College Student Association

Liz Burn, Skills Development Scotland

Angus Campbell, Comhairle nan Eilean Siar

Seonag Campbell, Skills Development Scotland

Christine Doherty, The Tell Organisation

Phil Ford, Skills Development Scotland

Andrea Glass, Skills Development Scotland

Ross Greer MSP, Member of the Scottish Parliament

Tom Holm, Universities Scotland

Daniel Johnson MSP, Member of the Scottish Parliament

Sybil Lang, College Development Network

Louise MacKenzie, Glasgow City Council

Karen Martyniuk, Scotlands Rural College

Pauline McNeill MSP, Member of the Scottish Parliament

David Miller, Border Engineering Training Association

Margaret Miller, Babcock International Group

Kevin Patrick, LANTRA

Maria Roushias, STF

Danny Shearer, Motherwell College

Allan Stewart, Glasgow City Council

Richard Tobutt, SkillsActive

Dylan White, Skills Development Scotland

Paul Zealey, Skills Development Scotland

## INTERVIEWS

Catherine Bush, Head of Projects, City and Guilds

Marie-Thérèse McGivern, Principal and CEO, Belfast Metropolitan College

Martin Doel, FETL Professor of FE and Skills UCL IOE

Jos Parsons, Principal Officer, further education and skills policy, Ofsted

## WRITTEN SUBMISSIONS

All-Party Parliamentary Group for Adult Education

Bedford College

Belfast Metropolitan College

Birmingham Metropolitan College

Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP)

Chichester College

Colleges Scotland

Ealing, Hammersmith and West London's College

Jisc

Leeds City Region Local Enterprise Partnership

LTE Group

West Yorkshire Combined Authority

WorldSkills UK



## INQUIRY SPONSOR

The Further Education Trust for Leadership (FETL) is an independent charity and think tank whose purpose is to enable the development of the leadership of thinking in further education and skills. Our vision is of a further education and skills sector that is valued and respected for:

Innovating constantly to meet the needs of learners, communities and employers

Preparing for the long term as well as delivering in the short term

Sharing fresh ideas generously and informing practice with knowledge.



## SKILLS COMMISSION

The Skills Commission is led by parliamentarians and senior figures from across education, skills and business, and is staffed by a team of full-time, dedicated policy experts.

The Skills Commission is part of the Policy Connect network. Policy Connect is a leading network of All-Party Parliamentary Groups, forums, commissions and campaigns working to inform and improve UK public policy and bring together public and private sector with parliamentarians and leading experts.

## SKILLS COMMISSION CO-CHAIRS

Barry Sheerman MP, Co-Chair, Skills Commission; Labour & Co-op Member for Huddersfield

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Dame Ruth Silver, Co-Chair, Skills Commission; President, FETL

---

## INQUIRY CHAIR

Neil Bates Principal and CE, Prospects College of Advanced Technology,

---

## STEERING GROUP

Alice Barnard, Ce, Edge Foundation

---

Ayub Khan, Ce, FETL

---

Charlotte Bosworth, Director of Skills & Employment, OCR

---

Graham Schuhmacher MBE, Independent Skills Training Partner; Chair, Derby Manufacturing UTC

---

Judith Norrington, Education and Skills Consultant

---

Baroness Margaret Sharp of Guildford, Liberal Democrat Peer, House of Lords

---

Neil Lovell, Trustee, FETL; CE, The Printing Charity

---

Sally Dicketts CBE, Group Ce, Activate Learning

---

Stewart Segal, Director of Strategy, 3AAA

---

Tom Wilson, Former UnionLearn Director; GTA England Board Member and College Governor

---

Toni Fazaeli, Chair of Governors, North Warwickshire and South Leicestershire College;  
Honorary Professor of Education, University of Wolverhampton

---

The Skills Commission is supported by:



## SECRETARIAT

---

Simon Kelleher, Head of Education and Skills

---

Aaron Bowater, Senior Researcher, Education and Skills

---

Pooja Kumari, Senior Researcher, Education and Skills

---

Maria Murray, Researcher, Education and Skills

---

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---

Ann Brannan

---

Claire Gallacher

---

Louise Young

---

Sara Abuzaid

---

Hannah Groom

---

## DECEMBER 2016

This report follows a ten month inquiry chaired by Neil Bates, the Chief Executive and Principal of Prospects College of Advanced Technology.

This report was written by Aaron Bowater (Senior Researcher, Policy Connect).

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Contact the Skills Commission at:  
Aaron.Bowater@policyconnect.org.uk  
0207 202 8576

Policy Connect  
CAN Mezzanine  
32-36 Loman Street  
London SE1 0EH

info@policyconnect.org.uk  
www.policyconnect.org.uk/sc

# CONTACT

Policy Connect  
CAN Mezzanine  
32-36 Loman Street  
London SE1 0EH

 @Policy\_Connect  
 policy-connect  
 info@policyconnect.org.uk  
 0207 202 8585

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