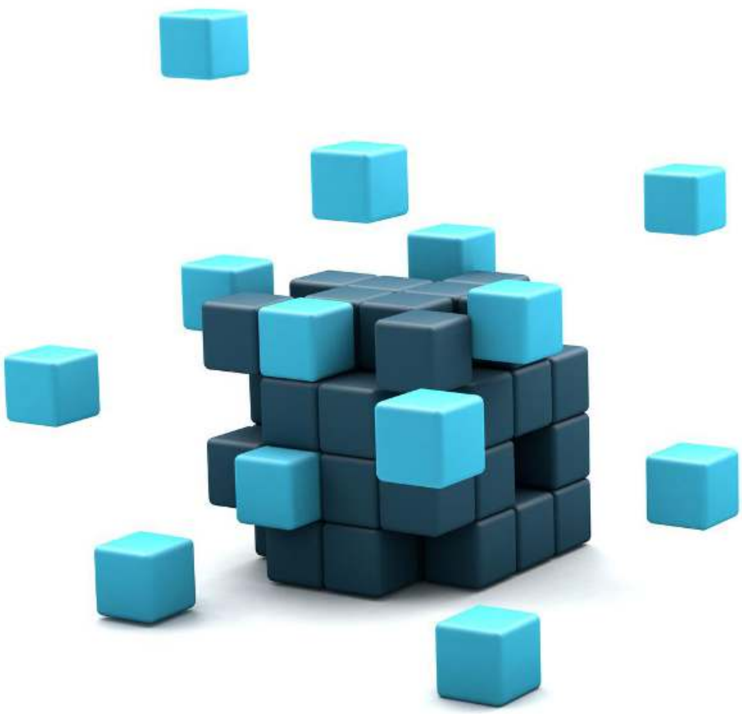
Further consideration

Creating a new role, purpose and direction for the FE sector

Tom Richmond and Andrew Bailey



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After three years in teaching, he moved into politics to work on policy development and research across the education, skills and welfare sector. This included roles at think tanks such as Policy Exchange and the Social Market Foundation, Pearson, G4S and working for an MP.

He subsequently spent two years as an advisor to ministers at the Department for Education, first under Michael Gove and then Nicky Morgan, where he helped to design and deliver new policies as well as improve existing ones. After leaving the Department for Education, he spent two years teaching at a Sixth Form College before moving back into education policy and research, first at the Reform think tank and then at Policy Exchange.

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Foreword

By Dame Ruth Silver DBE, President of the Further Education Trust for Leadership

The search for conceptual clarity about further education, its point and purposes, has been a long one, complicated, certainly, by government micro-management, fiscal insecurity and budget cuts that have obliged many leaders to focus on survival merely, sometimes at the expense of what should be every college's core business: teaching and learning.

This report, commissioned and funded by the Further Education Trust for Leadership (FETL) and produced by education and skills think tank EDSK, offers perhaps the most comprehensive and far-reaching take on these issues I have read in recent years.

It takes on many of the challenges college leaders, their staff and students face head on and is not afraid to make bold, ambitious proposals. The authors have produced a very high-quality, thorough and carefully researched report, respectfully based on the voices and perspectives of senior figures from the sector.

The report acknowledges both the weight and the utility of our history as a sector, but also fixes its proposals in the context of the current policy climate and, in particular, the 2019 Augar Review, which, as the authors note, 'marked the beginning of a concerted movement to undo some of the reputational and financial damage caused to FE institutions in recent years'.

Augar, whose review encompassed all post-18 education in England, foregrounded FE as the part of the system in most need of renewal, highlighting its role in the delivery of higher technical and intermediate-level training and calling for 'a national network of collaborative FECs', through the promotion of 'partnerships, group structures, and specialisation'.

However, Augar also noted that FE colleges had become 'providers of everything to everyone' – essential players, united in name, but with 'no consistent identity'.

This report takes Augar and its purpose to frame tertiary education policy for years to come seriously by offering a recipe – in the form of its set of intelligent, mutually dependent proposals – for whole-system reform capable of delivering its promise of a future for FE characterised by collaboration, partnership and purpose.

I am pleased to see this ambition reaffirmed in the report. But, of course, it is a challenging agenda. The issue of role and identity is a difficult one, a long-time bugbear of the sector, but it is one we must resolve if we are to act with strong purpose and self-confidence in this brave new world of cooperation and mutual support around a common aim.

Competition, and the illusion that progress can only be achieved by mimicking (and it has never been more than that) the operations of a market, has become so much a part of how we think and work that we can only achieve the promise of Augar through culture change – within colleges, among providers, across the system and within government.

The proposals in this report – aimed at delivering greater stability for the sector, more clarity and flexibility for learners and a greater, more dynamic utilisation of the levers of devolution in delivering local priorities – take us in this direction. I have no doubt it will resonate profoundly within the sector. But it is my hope, too, that it will be read widely across the education system, and within Whitehall, and that its thoughtful, far-sighted proposals and provocations will inform much-needed, open debate about the future of FE in England.

Executive Summary

After spending years, perhaps decades, in the policy shadows, the Further Education (FE) sector in England is finally attracting the attention of policymakers. Last year, the 'Augar Review' of post-18 education declared that FE colleges "are an essential part of the national educational infrastructure and should play a core role in the delivery of higher technical and intermediate level training." The Conservative Party election manifesto in 2019 subsequently promised significant investment in FE colleges (FECs). More recently, Education Secretary Gavin Williamson stated that "further education is central to our mission of levelling up the nation", adding that colleges are "the beating hearts of so many of our towns." He also set out the government's desire to bring about "a wholesale rebalancing towards further and technical education" based on "a comprehensive plan to change the fundamentals of England's further education landscape, inspired by the best models from around the world."

These commitments are welcome and important. The question now is how they will be delivered in practice. This report outlines a package of reforms that aims to ensure the FE sector is:

- **Respected**: stakeholders from across the education system, from schools up to universities, as well as the general public should recognise and cherish the value of FE to them and to society as a whole.
- **Ambitious**: high-quality teaching and learning and clear progression pathways should be central to what FE offers learners at a local and national level.
- **Responsive**: learners and employers should be confident that the FE sector is willing to listen to, and respond to, their needs and interests.
- **Stable**: colleges deserve to operate in an environment that provides certainty and security, both politically and financially.

A clearer role and status for FE colleges

Colleges in England have an immensely varied student body including 1.4 million adults and over 500,000 16 to 18-year-olds. They have also become involved in a huge range of activities, offering everything from basic skills courses in literacy and numeracy and English language provision up to Bachelor's degrees and apprenticeships. As the Augar Review noted, "FECs have become providers of everything to everyone." Far from viewing this as a strength, the Augar Review was concerned that colleges have "an extremely broad focus, with no single defining purpose and with no consistent identity nationally".

This report argues that the only way the FE sector will become a respected and ambitious choice for young people and adults is by arranging itself in such a way that there is complete clarity about what it can offer learners. Bundling every student and course under the single banner of a 'college' will never deliver this goal. It is therefore proposed that FECs should be required to break their different functions into separate institutions that have their own brand and identity. While this will not necessarily mean creating different legal entities, it is essential that provision is ring-fenced within the most appropriate part of each college to create a clear separation of duties as well as greater clarity for learners and employers.

RECOMMENDATION 1

FE colleges should be split into separate institutions that reflect their distinctive purposes for different groups of learners:

- **Community Colleges** – basic skills courses, community learning and other entry level programmes (including ESOL)
- **Sixth Form Colleges** – A-levels and other classroom-based Level 2 and 3 courses
- **Technology Colleges** – vocational and technical training (including apprenticeships) up to Levels 4 and 5

The terms 'Community College' and 'Technology College' should be converted into protected titles, similar to the status given to the term 'university'.

These three types of institutions will support learners with different profiles. For example, learners at a Community College are more likely to have low prior achievement and be further from the labour market, whereas those starting a course at a Technology College are aiming for progression into skilled work or studying at higher levels. Consequently, the different institutions will need to be part of an accountability system that reflects their core mission and purpose such as providing an academic education or work-related training.

RECOMMENDATION 2

The performance of each institution within a college should be judged in relation to their core function:

- **Community Colleges:** the number of learners who start and complete their courses
- **Sixth Form Colleges**: the progress and achievement of learners in each subject
- **Technology Colleges**: the proportion of learners who progress into employment or further study

To promote clarity within the education system, other institutions will also need to adjust their provision. At present, colleges can deliver everything from A-levels to apprenticeships, while schools have been allowed to offer the new 'T-level' technical qualifications that commenced delivery this month. This situation is likely to confuse learners, parents and politicians alike and it prevents colleges from acquiring a distinct identity.

RECOMMENDATION 3

FE colleges that wish to offer A-levels should be required to convert their academic 16-19 provision into a Sixth Form College. In addition, schools and Sixth Form Colleges should be prohibited from offering the new 'T-levels' starting in September 2020, as these qualifications should be reserved for Technology Colleges.

Introducing a 'partnerships' model for FE

The Augar Review believed that the government's goal should be delivering "a national network of collaborative FECs that provide high quality technical and professional education", but it recognised that "access to high quality FE college provision is not uniform across England and access to specialist higher technical provision is patchy." The Review's solution was that "the government should actively promote partnerships, group structures, and specialisation" within the FE sector and encouraged ministers "to be much more robust in using the levers it has" to reshape FE across the country. What's more, the Augar Review was sceptical about the market-based approach to FE that has dominated political thinking for many years, and frequently noted the drawbacks of the excessive competition between colleges that has become commonplace in some areas. Albeit with several notable exceptions, many colleges have responded entirely rationally to this competitive environment by focusing more on their own interests than on the interests of their community and local economy. To unwind this historical fixation with competition rather than collaboration, more emphasis needs to be placed on a strategic 'systems-based' approach to the FE sector if the ambitions described by the Augar Review and recently echoed by government ministers are to be fulfilled.

RECOMMENDATION 4

In each area of the country – defined by Local Enterprise Partnerships (LEPs) or, where applicable, Mayoral Combined Authorities (MCAs) – a new 'FE Director' should be appointed by the sector as the representative for all the colleges within their geographical area. The FE Director (FED) will act as the convener and ambassador for their local FE institutions on both strategic and financial issues.

Having individual colleges making decisions about their institutions in isolation from other colleges is no longer a sustainable model. Partnerships and group structures will therefore be a critical component of this new collaborative agenda, as the Augar Review recognised, so it is necessary to put in place a series of 'anchors' in the FE sector around which these partnerships and groups will emerge. Tentative progress has been made by the government in generating more collaboration through mechanisms such as the College Collaboration Fund (CCF). This initiative is well-intentioned yet it does not have the resources needed to deliver partnerships and groups at scale, so the government will need to be bolder in its determination to promote partnerships and groups as this is the only viable route to a stable and sustainable FE sector.

RECOMMENDATION 5

For both of the financial years starting 2021 and 2022, the College Collaboration Fund (CCF) should continue and have its resources quadrupled to £20 million. The explicit goal of the CCF will be to promote group structures among colleges within each LEP / MCA, particularly for the smallest institutions. Applications for the CCF will only be open to the new FEDs rather than individual institutions.

Although it is hoped that schemes such as the CCF will promote more effective partnerships and group structures, the government should be willing to intervene directly if colleges prove reticent to work more closely with each other. In line with the Augar Review's call for the government to be more robust in using the levers it has to reshape the FE sector, this report suggests that the Department for Education (DfE) considers introducing a 'Minimum College Capacity' requirement for attracting government funding. This approach would send a clear and unambiguous message to FECs that they are stronger working together as larger groups than they are operating as individual (and often) small institutions. Rather than being some form of punitive action, setting a 'Minimum College Capacity' would be an excellent opportunity for colleges to rethink their local footprint and how they can best structure themselves. In this context, smaller institutions could merge with larger ones or they could join a formal group structure in their local area. Either way, the result is a more sustainable and collaborative sector.

RECOMMENDATION 6

Should insufficient progress be made in promoting group structures among colleges, the Department for Education should consider introducing a 'Minimum College Capacity' requirement that would prevent colleges below a certain size from accessing government funding directly.

Using a more strategic approach to funding

The Augar Review recognised that, while the overall amount of money invested in FE was certainly an issue, the way in which the available funding was allocated to colleges was also generating problems. For example, 'single year' funding allocations put colleges under enormous pressure to spend their allocations as quickly as possible with little time to consider strategic investments or long-term objectives. This prevents colleges from responding effectively to the needs of their local community or employers.

RECOMMENDATION 7

The single-year funding allocations for the Adult Education Budget should be replaced by a 3-year funding cycle for the FE sector. The Department for Education will set out the legal funding entitlements for learners at the beginning of each cycle.

Furthermore, the Augar Review was concerned about the duplication of courses and subjects across nearby colleges because it meant that they were "competing for learners in an inefficient and very unproductive way". To address this, it is vital that the FE sector moves towards collective decision-making across colleges and college groups. To that end, each FED will have the formal responsibility for working with their local colleges to map out the available provision across their geographical area and make decisions regarding what types of provision are required, and where. This exercise will include understanding employer needs, identifying areas of low educational attainment, assessing travel-to-learn distances and analysing the spread of provision in terms of subjects and courses across different institutions. After collating this information, FEDs will then need to decide how and where to focus Community Colleges, Sixth Form Colleges and Technology Colleges to meet the needs of their local communities and employers. The FED will also be well placed to oversee the potential reduction or removal of courses within some FECs, as rationalisation is precisely the kind of decision that individual colleges can be either unable or willing to make by themselves.

RECOMMENDATION 8

With colleges now operating in groups and partnerships, the FEDs will be tasked with mapping and subsequently arranging provision across their Community Colleges, Sixth Form Colleges and Technology Colleges in line with local social and economic needs as well as eliminating duplication of courses and promoting specialisation. This includes every FED having the ability to determine how the AEB is distributed among colleges.

Providing additional investment for FE

The Augar Review was critical of the recent level of investment from government in FECs, complaining that "the FE college estate is in poor condition" and has "no resource to invest in high-cost, yet high value provision". Moreover, the cuts in capital funding from government have meant that "many FECs are unable to fund maintenance, let alone undertake significant new investment" and find themselves in a "parlous financial condition". What little capital funding is made available by government for local areas is not even reserved for colleges because they must compete against other local projects including transport, regeneration, flood defences and digital infrastructure. Recent initiatives such as 'Institutes of Technology' (IoTs), which are intended to be prestigious institutions created by existing FE and HE providers with leading employers to meet their technical skill needs, have signalled the government's intention to unwind the historical underinvestment in the FE sector. Nonetheless, the government must go much further with its future funding commitments if it wishes to build a national network of high-performing colleges.

RECOMMENDATION 9
A dedicated capital investment in FE colleges from government of £1.5 billion should be delivered over the duration this Parliament. This must come in the form of a ringfenced capital budget for FE that sits outside of the Local Growth Fund. The funding will be allocated via FEDs working in partnership with local colleges to determine their requirements for both maintenance and new equipment or facilities.

Building again on the new partnerships model for FE, IoTs are a welcome sign of commitment from government but they need to be more closely aligned with local needs. It would be wrong for a situation to develop in which a college or university succeeded with a bid to run an IoT even when it was not the most beneficial project for their local economy relative to other bidders. If IoTs are to become a valued and respected brand within the overall skills ecosystem, they must switch from being a top-down initiative to a bottom-up process that funds the most appropriate and transformative projects in each local area.

RECOMMENDATION 10
Institutes of Technology should be established in every MCA / LEP area so that all learners have access to higher-level technical education within reasonable distance. The operators of these Institutes, which function as a partnership between FE and HE, should be chosen by FEDs in line with local economic needs (e.g. Local Industrial Strategies) as well as other government initiatives such as R&D spending.

Alongside a new injection of capital funding for colleges, it is also necessary to increase their revenue funding. Total expenditure on 16-19 education fell from £6.39 billion in 2010-11 to £5.68 billion in 2017-18, while expenditure on 16-19 education in colleges fell by 10 per cent in cash terms and 20 per cent in real terms over this period. With 16-19 provision in FECs now provided through a dedicated Sixth Form College or Technology College, financial stability will be important for establishing their role and status within each local community. This report recommends that the 'base rate' for 16-19 funding of £4,188 is therefore increased every year over the coming Parliament, reaching £5,000 per student per year by 2024-25.

RECOMMENDATION 11

The 'base rate' of funding for 16 to 19-year-olds should be increased by approximately £200 (4%) per student in every year of this Parliament to improve teaching and learning as well as the staff salaries available in colleges.

Promoting high-quality courses

Making higher-level technical qualifications more accessible and more relevant has quickly become a priority. In advance of the FE White Paper this autumn, the government has announced that from 2022, higher technical qualifications will receive a new 'quality mark' from the Institute for Apprenticeships and Technical Education (IFATE) – a government agency – to identify "those qualifications which fit in with the knowledge, skills and behaviours that employers need." However, using civil servants to oversee the approval or rejection of qualifications does not fit well with calls for the system to be more responsive. It will almost inevitably create a bureaucratic mechanism for approving qualifications and only a small group of employers will be involved in the approvals process, meaning that most employers are excluded from the conversation.

While the motivation behind involving employers in this new approach is understandable, the practical implications of the government's proposal are less encouraging. In line with the successful approach used to reduce the number of technical qualifications for 16 to 19-year-olds, the DfE should replace their planned 'kitemarking' scheme with a process similar to that previously used for 'Tech Levels'. This means that technical qualifications at Levels 4 and 5 should attract government funding if they meet any one of several criterion e.g. receiving public letters of support from at least five employers in the relevant sector.

RECOMMENDATION 12

Higher-level technical qualifications should be funded by government if they are publicly endorsed by employers, professional bodies or Institutes of Technology. Each awarding organisation should also be restricted to offering one qualification per level in each subject.

Aside from the approvals process for technical qualifications, there is a longstanding issue regarding the institutions that are responsible for providing qualifications at Levels 4 and 5. FECs deliver just over half of the qualifications at these levels, with Higher Education Institutions (HEIs) such as universities delivering about a third of them. The list of qualifications available at Levels 4 and 5 is a mixture of academic and vocational courses of different sizes and with different purposes, such as Foundation Degrees, Higher National Certificates and various Awards, Certificates and Diplomas offered by a wide range of AOs that can last anything from a matter of hours up to two years. The problem is that HEIs currently compete with colleges to offer technical qualifications such as HNCs and HNDs, leaving learners and employers uncertain about who to engage with should they wish to pursue a higher technical pathway.

To reflect this report's calls for greater collaboration among education providers within each locality, it is counterproductive for HEIs to be able to colonise the higher-level technical education space without any regard for similar provision available at nearby FECs. As discussed throughout this report, the advent of new 'Technology Colleges' will put the FE sector in a strong position to drive forward skills development and economic growth in their local areas, but this will only be possible if they become a 'hub' for higher technical courses that employers recognise and utilise.

RECOMMENDATION 13
The provision of Level 4 and 5 technical qualifications should be led in future by Technology Colleges. This means that HE providers such as universities should not be allowed to offer these qualifications unless they deliver them in partnership with local FE institutions.

Generating more demand for FE

Although much of this report focuses on increasing the supply of high-quality provision in FECs, it is just as important to consider ways of boosting demand because it is a step-change in demand for FECs that will ultimately put them on course to become respected and responsive institutions. The Augar Review made three recommendations designed to "promote both uptake of higher technical qualifications and flexible study", including a single 'lifelong learning loan allowance' for tuition loans at Levels 4 to 6 for adults aged 18+ without a publicly funded degree as well as making student finance for tuition fees and maintenance support available for studying qualification modules as well as whole qualifications.

Just a week before the Augar Review was published in 2019, EDSK released its own report on the future of tertiary education that proposed a similar albeit arguably more ambitious version of these proposals. For example, EDSK proposed that at age 18, each learner in England could open an 'Individual Education Budget' (IEB). This IEB will act as a 'learning account' into which the government places up to £20,000, with the precise sum being dependent on a number of factors (e.g. whether or not a student is from a disadvantaged background). In addition, this funding in their IEB could be spent on any approved qualification at a regulated provider, including university degrees, college courses and apprenticeships.

Despite the slightly different approaches taken by the Augar Review and EDSK, the underlying principle of a 'lifetime learning account' is a common thread between them. What's more, this principle represents a powerful mechanism for driving up demand for Level 4 and 5 programmes relative to more expensive and time-consuming residential undergraduate degrees that can leave students with loan debts of over £50,000 by the time their studies conclude.

RECOMMENDATION 14
Over this Parliament, the government should introduce a tertiary education funding model based on 'Individual Education Budgets' for every learner. The government should place the funding available to each learner into their Budget, and the learners would then be free to choose the course (university degree, college course or apprenticeship) and mode of learning (full-time or part-time; whole course or a course unit) that is most suitable for them.

The Augar Review opted to keep tuition and maintenance support separate, meaning that their 'lifelong learning loan allowance' would only relate to tuition fees while maintenance loans would be dealt with through other channels. In contrast, the EDSK report proposed that the government convert the existing student loan system into a lifetime 'draw-down' account available to all learners. This would cover the costs of tuition for all forms of provision (university, college or an apprenticeship) and can be accessed multiple times, unlike the current student loan system that operates as a 'single shot' account. At Level 4 and above, the loan system will also be available to cover living costs (i.e. a maintenance loan), meaning that learners could access the same financial support irrespective of whether they are studying at university or college or embarking on an apprenticeship. An approach that combines tuition and maintenance within a single funding channel therefore represents the simplest and most effective way to introduce a 'loan allowance' for students alongside their new 'learning accounts'.

RECOMMENDATION 15
All learners should be given access to a new 'lifetime loan limit' of £75,000, which they can use to engage in education and training at any time throughout their career after the initial funds in their IEB have been used up. This lifetime loan system would cover both tuition and maintenance costs for university, college and apprenticeships.

Conclusion

To say that this country has fretted for a long time about the merits of its education and training system relative to other nations is something of an understatement. As part of his major speech in July, Education Secretary Gavin Williamson confirmed that this autumn will see the publication of "a White Paper that will set out our plans to build a world-class, German-style further education system in Britain, and level up skills and opportunities". Even so, this report has outlined a plan for FE in England that is explicitly set in the context of the strengths and weaknesses of our existing FE sector rather than trying to directly replicate an equivalent system in another country.

This report seeks to create a model for FE in England that is **respected**, **ambitious**, **responsive** and **stable**. By giving colleges a clearly defined role in our education system alongside schools and universities, plus a greater emphasis on partnerships and meeting the needs of local communities and employers, the recommendations aim to move the sector towards achieving these four goals. That said, this report has concluded that such changes will only be possible if colleges around the country work tirelessly in collaboration with each other regarding every major decision that they make. This could best be described as 'collective autonomy', whereby colleges remain independent of government but important strategic choices are based on what is best for local groups of colleges rather than individual institutions.

After operating for many years in an unsettled and constrained policy and funding environment, many colleges have understandably turned inwards rather than facing outwards to support each other as well as support the learners and employers in their area. Against this historical backdrop, creating a more open and collaborative culture will not be easy. Nevertheless, if a respected, ambitious, responsive and stable FE sector emerges in the coming years then it might not be too long before other countries look with envy on our education and training system rather than the other way around.

1. Introduction

> *"[Colleges] can be confident of their future. At their command are considerable skills, talent and experience. They also have an understanding of student needs and the demands of the labour market. The Government believes that with their new freedom to manage, colleges will rise to the challenges of offering education and training which students and the country need, of increasing participation in education and training, and of raising levels of achievement."* [1]

The above quotation comes from an established Conservative Government openly committed to giving colleges in England the funding, status and freedom they need to flourish on the local, national and international stage. The year is 1991. Within months of the publication of their White Paper '*Education and Training for the 21st Century*', this government had set in motion a wave of reform to the Further Education (FE) sector that is still evident today – most notably, the 'incorporation' of colleges by removing them from local authority control, along with a new system for funding colleges that rewarded expansion and a set of 'Councils' to oversee the financing and development of the sector. The White Paper claimed that these reforms would lead to "colleges that are efficient, effective and free to respond to their customers".[2]

Fast forward three decades, and one finds an FE sector that arguably does not have either the funding, the status or the freedom that was envisaged. The funding situation has in fact become a major concern in recent years. Between 2010-11 and 2018-19, spending per student fell by 12 per cent in real terms in colleges, meaning that spending per 16 to 18-year-old in FE was due to be only about 13 per cent greater in 2018–19 than it was almost 30 years earlier when the aforementioned White Paper was being written.[3] Worse still, spending on adult education was cut by 47 per cent between 2009-10 and 2018-19, driven by the fall in learner numbers from 4.4 million in the mid-2000s to just 1.5 million in 2017-18.[4]

The context around the FE sector has also changed dramatically. Three decades ago, there were around 600,000 full-time students studying at UK universities.[5] Last year, the same figure was almost two million. A significant factor behind this growth was a political commitment dating back to 1999, as the then Prime Minister Tony Blair famously told the Labour Party conference that "today I set a target of 50 per cent of young adults going into higher education in the next century"[6] – a target that was reached in 2019. This bold political commitment was coupled with additional funding for HE courtesy of the introduction - and subsequent increases - of tuition fees., which resulted in the average per-student resource for an undergraduate course doubling from around £14,000 in 1998 to £28,000 in 2018.[7] No changes in the legal status or governance structure of colleges could possibly compensate for such enormous financial disparities between FE and HE.

When the politicians and the funding streams favour one education route over all others, the result is inevitable. During a House of Lords inquiry into post-school education in 2018, "many witnesses suggested that …technical and vocational courses are perceived to be inferior options" compared to HE.[8] One witness to the inquiry observed that "the level of esteem for non-university education is proportionate to the level of funding [and] we have underfunded it",[9] while another witnesses commented that "further education and higher education function almost as two separate universes destined for 'different sorts of people'".[10] Although there is no single cause of the stark imbalance between HE and FE, the inquiry was in no doubt that "a monoculture has developed around the primacy of the undergraduate degree which has crowded out other options".[11]

Against this gloomy backdrop, 2018 saw the policy environment around the FE sector begin to shift away from a narrative of cuts and dwindling stature. In February of that year, then Prime Minister Theresa May launched a review of tertiary education in England that would look at "the whole post-18 education sector in the round, breaking down false boundaries between further and higher education, to create a system which is truly joined up".[12] In addition, the review would seek to challenge the "perception that going to university is really the only desirable route, while going into training is something for other people's children".[13] The Prime Minister was convinced that "if we are going to succeed in building a fairer society and a stronger economy, we need to throw away this outdated attitude for good and create a system of tertiary education that works for all our young people."[14] The review was therefore tasked with focusing on four areas:

- **Choice**: identifying ways to help people make more effective choices between the different options available after age 18, so they can make more informed decisions about their futures;
- **Value for money**: looking at how students and graduates contribute to the cost of their studies, to ensure funding arrangements across post-18 education in the future are transparent and do not stop people from accessing higher education or training;
- **Access**: enabling people from all backgrounds to progress and succeed in post-18 education, while also examining how disadvantaged students receive additional financial support from the government, universities and colleges;
- **Skills provision**: future-proofing the economy by making sure we have a post-18 education system that is providing the skills that employers need.[15]

The government's review was to be informed by independent advice from an expert panel chaired by Dr Philip Augar, a leading author and former non-executive director at the Department for Education (the 'Augar Review'). The final report from Dr Augar and his panel – Professor Ivor Crewe, Jacqueline de Rojas, Professor Edward Peck, Beverley Robinson and Professor Alison Wolf – was published in May 2019. One of the Augar Review's most prominent proposals was that, alongside 'strengthening technical education', 'increasing opportunities for everyone' and 'increasing flexibility and lifetime learning', it set out an agenda specifically focused on reinvigorating the FE sector:

> *"Further education colleges are an essential part of the national educational infrastructure and should play a core role in the delivery of higher technical and intermediate level training. Our recommendations are intended to reform and refund the FE college network by means of an increased base rate of funding for high return courses, an additional £1bn capital investment over the coming spending review period and investment in the workforce to improve recruitment and retention. Rationalisation of the network to even out provision across over-supplied and undersupplied areas, funding for some specialised colleges and closer links with HE and other providers would help establish a genuinely national system of higher technical education."* [16]

The Augar Review marked the beginning of a concerted movement to undo some of the reputational and financial damage caused to FE institutions in recent years. Later in 2019, FE and Sixth Form Colleges received £400 million in additional funding for 16 to 19-year-olds.[17] In March 2020, two Conservative Party election manifesto commitments - £1.5 billion to upgrade college buildings and a new £2.5 billion 'National Skills Fund' for England - were also confirmed.[18] The same manifesto called for 20 'Institutes of Technology' to "connect high-quality teaching in science, technology, engineering and maths to business and industry"[19] as well as highlighting the government's desire to "strengthen …colleges' civic role."[20]

The government's focus on the FE sector was made even more apparent by a speech from Education Secretary Gavin Williamson in July this year, in which he declared that "further education is central to our mission of levelling up the nation."[21] The speech marked a decisive shift away from Tony Blair's 50 per cent HE target:

> *"If you want to transform many of our left-behind towns and regions, you don't do it by investing more money solely in universities. You invest in the local college – the beating hearts of so many of our towns. …For decades, we have failed to give further education the investment it deserves. Of course, we know universities have an important role to play in our economy, society and culture. But it's clear that there are limits to what can be achieved by sending ever more people to university, which is not always what the individual or our nation needs."* [22]

To address these historical failures, the Education Secretary stated that "we need fundamental reform: a wholesale rebalancing towards further and technical education" and that "this will not be about incremental change, but a comprehensive plan to change the fundamentals of England's further education landscape, inspired by the best models from around the world."[23] As a result, a White Paper scheduled for this autumn will outline how the government intends to "build a world-class, German-style further education system in Britain, and level up skills and opportunities".[24]

With both the White Paper and the government's formal response to the Augar Review on the way, this new report considers how the ambitions outlined for FE by ministers and the Augar Review could be delivered in practice. In doing so, it proposes a set of reforms that aim to ensure the FE sector is:

- **Respected**: stakeholders from across the education system, from schools up to universities, as well as the general public should recognise and cherish the value of FE to them and to society as a whole.
- **Ambitious**: high-quality teaching and learning and clear progression pathways should be central to what FE offers learners at a local and national level.
- **Responsive**: learners and employers should be confident that the FE sector is willing to listen to, and respond to, their needs and interests.
- **Stable**: colleges deserve to operate in an environment that provides certainty and security, both politically and financially.

To deliver these objectives, the recommendations in this report – which were constructed after interviewing 21 academics, policy experts and stakeholders – will describe a new role for FE colleges in a post-Augar education system and put forward proposals for how the Augar Review's main goals for the sector could be realised. It is hoped that this report will therefore make a useful contribution to the government's deliberations over the future of FE in England.

2. A clearer role and status for FE colleges

As the Augar Review noted in its introduction to FE colleges (FECs), they are "often very long established and deeply embedded in their communities" as well as being "highly diverse, reflecting the different areas they serve."[25] In addition, FECs "have been and continue to be economy and work-focused, although they have acquired other tasks – including 16-18 provision – not commonly part of similar institutions' offer in other countries."[26] Taken together, colleges can be involved in any or all of the following activities:

- Initial vocational education (i.e. pre-labour market entry and early vocational training, including lower-level apprenticeships and traineeships);
- Higher level vocationally-oriented and technician-level training;
- Opportunities for adults to re-train, re-skill and upskill;
- Basic skills courses such as literacy and numeracy
- English for speakers of other languages (ESOL) courses
- Academic qualifications such as A-levels
- 'Access to HE' Diplomas that enable adults to progress to higher vocational, technical and degree-level provision
- Bachelor's Degrees

Unsurprisingly, colleges have an immensely varied student body – including 1.4 million adults and over 500,000 16 to 18-year-olds.[27] In short, "FECs have become providers of everything to everyone."[28] One might be tempted to view this breadth of provision as a strength, but the Augar Review did not see it that way:

> *"Although FECs are established and well-known institutions in their towns and cities, both the public at large and prospective learners have been left confused by a succession of sometimes contradictory reforms and initiatives over recent decades. They have resulted in institutions with an extremely broad focus, with no single defining purpose and with no consistent identity nationally, and we seek a means of restoring that."* [29]

To address this, the Review believed "not only that FECs should have a strengthened role but that they must be able to articulate this role clearly, and be easily identifiable as core institutions in a national system."[30] Their proposed solution was to confer a 'protected title' (i.e. a legally-defined term) on colleges, in the same way that the title 'university' is only awarded to approved institutions, in the hope that this "would instil confidence in potential learners that their chosen college and the courses it offers are part of a respected national adult education network". Moreover, a protected title would "send a clear signal to employers that these are high quality, reliable providers they can engage with over the long term to meet their skills needs.[31]

RECOMMENDATION 1

FE colleges should be split into separate institutions that reflect their distinctive purposes for different groups of learners:

- **Community Colleges** – basic skills courses, community learning and other entry level programmes (including ESOL)
- **Sixth Form Colleges** – A-levels and other classroom-based Level 2 and 3 courses
- **Technology Colleges** – vocational and technical training (including apprenticeships) up to Levels 4 and 5

The terms 'Community College' and 'Technology College' should be converted into protected titles, similar to the status given to the term 'university'.

The only way that the FE sector will become a respected and ambitious choice for young people and adults is by arranging itself in such a way that there is complete clarity about what it can offer learners. Bundling every student and course under the single banner of a 'college' will never deliver this goal. It is therefore proposed that FE colleges should be required to break their different functions into separate institutions that have their own brand and identity. While this will not necessarily mean creating different legal entities, it is essential that provision is ring-fenced within the most appropriate part of each college. Ideally, this would mean separate premises for the different functions of a college.

Community Colleges will concentrate on basic skills and supporting adults in their local community with few qualifications (if any) as well as helping individuals with Special Educational Needs and Disabilities (SEND) who may be unable to access education at higher levels. Sixth Form Colleges, as they do now, will focus on 16 to 19-year-olds through providing academic classroom-based provision at Levels 2 (GCSE) and 3 (A-levels). Technology Colleges will take the lead on vocational courses and qualifications from Level 2 up to Levels 4 and 5 for learners aged 16 and over, including apprenticeships, traineeships and other work-based learning.

By making it clear what provision is available, each institution can subsequently be positioned within an appropriate funding and accountability system (e.g. 16-19 Study Programmes inspected by Ofsted). Furthermore, giving the provision of technical programmes a protected title such as 'Technology College' will show local communities and other stakeholders (including politicians) that there are ambitious and demanding programmes available in FE that represent genuine alternatives to HE.

At present, it is hard to portray FECs as an aspirational choice to young people when the same institution that offers higher-level programmes is also delivering remedial education for other learners. By separating FECs into distinct brands that operate alongside each other, it will make it easier for colleges to earn the status that they deserve. The proposed changes will also create a clear separation of duties in each locality without compromising the type of courses available, providing greater clarity for learners in terms of their progression pathways and concentrating teaching and learning expertise and resources in the most appropriate parts of each college.

RECOMMENDATION 2

The performance of each institution within a college should be judged in relation to their core function:

- **Community Colleges:** the number of learners who start and complete their courses
- **Sixth Form Colleges**: the progress and achievement of learners in each subject
- **Technology Colleges**: the proportion of learners who progress into employment or further study

These three types of institutions are evidently trying to support learners with different profiles. For example, learners at a Community College are more likely to have low prior achievement and be further from the labour market, whereas those starting a course at a Technology College are aiming for progression into skilled work or studying at higher levels. Consequently, the different institutions will need to be part of an accountability system that reflects their core mission and purpose. Community Colleges should be judged primarily on their ability to attract learners and help them complete their chosen courses (with the 'completion rates' broken down by course and level). In contrast, Sixth Form Colleges are already part of the 16-19 accountability system that records the achievement of learners in each subject and the progress made by learners from their GCSEs (Level 2) up to Level 3 (A-levels and equivalent qualifications). The new Technology Colleges will be heavily focused on preparing learners to enter the workplace or to study at higher levels, meaning that 'destination data' – which records the proportion of learners who are in education or employment after leaving the college – is the most appropriate tool to judge these institutions, although some form of 'progress measure' may also be worth considering.

RECOMMENDATION 3

FE colleges that wish to offer A-levels should be required to convert their academic 16-19 provision into a Sixth Form College. In addition, schools and Sixth Form Colleges should be prohibited from offering the new 'T-levels' starting in September 2020, as these qualifications should be reserved for Technology Colleges.

If the goal is to promote clarity within the education system, other institutions will also need to adjust their provision. At present, FECs can deliver everything from A-levels to apprenticeships, while schools have been allowed to offer the new 'T-level' technical qualifications that began delivery this month. This situation is likely to confuse learners, parents and politicians alike.

In line with the previous recommendation, FECs should be required to stop offering academic qualifications at Levels 2 and 3 unless they are willing to convert their existing 16-19 provision into a Sixth Form College (or 16-19 Academy, where applicable) that is housed within the overall structure of the college. Moreover, if FECs cannot offer A-levels, it makes sense to prohibit schools and Sixth Form Colleges from offering T-levels given their technical and occupationally-focused content, as this is clearly better suited to the new Technology Colleges and will help to establish these technically-minded institutions as an aspirational brand within their local area.

3. Introducing a 'partnerships' model for FE

With FECs now separated into different institutions that each have a clear role and purpose in their local education system, the next phase of reform should focus on making FECs work together to ensure that they respond to the needs of their local community – both individuals and employers – in the most effective manner.

One of the core principles of the Augar Review was that "everyone should have the opportunity to be educated after the age of 18, an ambition that amongst other things requires a national network of high-quality universities and FECs". Even so, the Review noted that "such a network already exists in HE but although we have the potential components of such a comprehensive network in FE, it does not presently exist in a fully functioning form."[32] As a result, the Review described "a vision for FECs as core contributors to employment, productivity and growth"[33] (see box below).

A vision for England's FE colleges in the Future (from the Augar Review)
A national network of collaborative FECs that provide high quality technical and professional education with a clear focus on Levels 3, 4 and 5, delivered flexibly and aligned to the needs of local economies. FECs will maintain strong relationships with employers and assist in driving productivity. As engines of social mobility and inclusion, FECs will also provide community learning, reskilling and upskilling opportunities for adults leading to sustainable career opportunities.

According to the Review, the biggest barrier to achieving this vision was that "access to high quality FE college provision is not uniform across England and access to specialist higher technical provision is patchy."[34] There were two separate problems that had encouraged this situation to develop.

First, the Review asserted that "there are some areas, particularly large urban areas, where the number of FECs is still too high [which] can result in colleges competing for learners in an inefficient and very unproductive way". It can also make it "very hard for institutions to build or maintain the critical mass required to invest in high-cost subjects, to risk new ventures, or to deliver a well-rounded and high quality offer."[35] Manchester and London were cited as two examples of where colleges were often situated too close to each other, which actually resulted in a narrower, not broader, range of courses for learners. Second, "access to FECs remains limited in more rural areas of England, and the availability of quality higher technical provision within reasonable travel distances is far from comprehensive: there are far too many places where learners have limited access to 'high return' courses at Levels 3, 4 or 5."[36]

The government has attempted to rectify these problems, at least in part. As the Augar Review highlighted, the government's 'area review' programme from 2015 to 2019 tried "to ensure we have the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision."[37] These reviews led to over 60 mergers and some closures, but the Augar Review still concluded that "there remain problems with the way the sector is organised".[38]

The government had started to address the higher technical gap as well with its rollout of 'Institutes of Technology' (IoTs), which are intended to be prestigious institutions created by existing FE and HE providers with leading employers that specialise in meeting Level 4/5 technical skill needs in STEM-based subjects, with options for progression to degree level.[39] In April 2019, 12 IoTs were announced and the first few Institutes opened in September 2019. The Augar Review viewed IoTs as "a welcome development but it is clear from the limited number of IoTs announced that these will not give full geographic or subject coverage at Levels 4 and 5 across England."[40] In response, the Department for Education (DfE) released a prospectus in March 2020 for a second wave of IoTs that would only be open to proposals that cover Local Enterprise Partnership (LEP) areas without an IoT at present.[41]

The Augar Review was evidently keen on greater collaboration between institutions, although it recognised that:

> *"…different models can work for different local contexts and [we] do not want to be prescriptive on the form that further consolidation and collaboration should take." We do, however, believe that the government should actively promote partnerships, group structures, and specialisation, in order to deliver a national network of colleges that puts all learners within reach of high quality provision."* [42]

The Review also suggested that "integration into groups, which can share staff and expertise, and cushion against sudden enrolment shifts, would be highly desirable" and that "not only is further change desirable, it is also the case that there simply is not enough money to upgrade every FEC in every field."[43] Moreover, the Review encouraged the government "to be much more robust in using the levers it has" to reshape FE across the country.[44]

To illustrate the potential impact of group structures in achieving these goals, Augar cited the example of WCG - a group of seven colleges across Warwickshire and Worcestershire with around 16,000 students and an annual turnover of £56 million. WCG provides academic, vocational and technical education in a broad range of subjects to students aged 16 and over.

In addition, WCG has foundation degree awarding powers, and partners with several universities across the Midlands to award degrees at Level 6.[45] Augar was clearly supportive of such arrangements:

> *"The group provides a positive example of how smaller colleges can come together to make a successful, sustainable entity that not only brings financial benefits (by cutting central overheads, creating economies of scale etc.), but also benefits learners across the region. Central coordination and planning of the colleges' offer mean learners have a wide range of high quality provision to choose from in reasonable travel-to-learn distances, which the group can invest in developing further without the risk of counterproductive competition between independent colleges."* [46]

Another example of how partnerships can contribute to this agenda is demonstrated by *Colleges West Midlands* - a formal strategic partnership of all the colleges within the West Midlands Combined Authority area (covering 18 local authorities and four LEPs). The WCG is part of *Colleges West Midlands* along with 20 other colleges. The objective of this partnership is that they can "work together to support skills development across our regions, responding as a single voice to new initiatives and government reforms". This is seen as beneficial because "developing a highly collaborative approach our ambition is to drive up the skills base in our regions, contributing to increased economic prosperity, social cohesion and inward investment."[47] Supported by a Chair, this partnership brings colleges together to promote collaboration and support between institutions that was previously hindered by the competitive nature of the FE market.

The Augar Review was sceptical about the market-based approach to FE that has dominated political thinking for many years. Albeit with some notable exceptions, many colleges have responded entirely rationally to this approach by focusing more on their own interests than on the interests of their community and local economy. To counteract this, more emphasis needs to be placed on a strategic 'systems-based' approach to the FE sector if the ambitions described by the Review and recently echoed by government ministers are to be fulfilled. In particular, Augar recommended that "in rural and semi-rural areas, small FE colleges should be strongly encouraged to form or join groups in order to ensure sustainable quality provision in the long term."[48]

Partnerships and group structures will be a critical component of this agenda, as the Augar Review recognised, so it is necessary to put in place a series of 'anchors' in the FE sector around which these partnerships and groups will emerge. Tentative progress has been made by the government in generating more collaboration through mechanisms such as the College Collaboration Fund (CCF) for 2020-21. This Fund, which offers grants of £100,000 to £500,000, "enables colleges to collaborate and share good practice and expertise to address common quality improvement priorities."[49] This initiative is well-intentioned, yet it does not have the resources needed to deliver partnerships and groups at scale. A one-size-fits-all approach to collaboration is not feasible given the diversity of FE and the CCF acknowledges this. That said, the government will need to be bolder in its determination to promote partnerships and groups as this is the only viable route to a stable and sustainable FE sector across the country.

RECOMMENDATION 4

In each area of the country – defined by Local Enterprise Partnerships (LEPs) or, where applicable, Mayoral Combined Authorities (MCAs) – a new 'FE Director' should be appointed by the sector as the representative for all the colleges within their geographical area. The FE Director (FED) will act as the convener and ambassador for their local FE institutions on both strategic and financial issues.

Having individual colleges making decisions about their institutions in isolation from other colleges is no longer a sustainable model. On that basis, this report proposes that each local area – as defined by LEP boundaries, or preferably at the level of MCAs – will have a single person known as the 'FE Director' (FED) responsible for oversight of all the FE institutions in their locality. This person, who should be appointed by the sector themselves, will have a crucial role in setting the agenda for their area in terms of how and where investments are made going forward. If a LEP has too few colleges to create a meaningful partnership arrangement, consideration should be given to combining colleges across LEP boundaries – as demonstrated by *Colleges West Midlands* – within the remit of a single FED.

In line with the movement towards 'devolution' across government, the new FED should be given powers commensurate with those assigned to the MCAs regarding adult education and skills funding. In areas where MCAs have been established, the FED will become the de-facto lead for all college-based provision and will take on the devolved powers given to the MCAs, meaning that the FED will have the ability to:

- manage and be accountable for the local adult education and skills budget;
- allocate the funds transferred to them;
- have the freedom to set their own priorities such as local skills plans;
- determine their own funding and performance management rules;
- set their own contracting and 'conditions of funding' arrangements;
- set and put in place their own funding rates and payments arrangements;
- publish their own funding and performance management rules; and
- manage providers with whom they have a contract/funding agreement.

In areas where there is not yet an MCA in place, it is likely that the ESFA will need to retain some of these functions in the short term (e.g. managing provider contracts and qualification funding rates). Nevertheless, the FEDs in these non-devolved areas will oversee the allocation of funding from the ESFA (including the Adult Education Budget discussed in the next chapter) and set the strategic direction for the geographical area that they cover. They will also play a crucial role in accessing government funding for strategic and capital purposes and should therefore be on the board of each LEP that sits outside of MCAs.

RECOMMENDATION 5

For both of the financial years starting 2021 and 2022, the College Collaboration Fund (CCF) should continue and have its resources quadrupled to £20 million. The explicit goal of the CCF will be to promote group structures among colleges within each LEP / MCA, particularly for the smallest institutions. Applications for the CCF will only be open to the new FEDs rather than individual institutions.

Building on the small-scale CCF used in this financial year, the DfE should use this same lever to drive further changes to the FE landscape. Group structures are an excellent vehicle for colleges to share expertise, staff, facilities and much more besides. In addition, small FE colleges are particularly vulnerable to financial pressures, which makes joining a group structure an even more important step. The CCF should therefore continue for an additional two years beyond the current financial year and should be given far more resources to incentivise colleges to create and join formal group structures. Rather than giving this funding to individual institutions, as seen in the first round of the CCF, applications will only be accepted from the new FEDs from each area. This will make FE colleges work in a place-based partnership with each other and their local FED to determine the best group structures within their locality, after which they would be able to submit a bid to the DfE for the resources they need to deliver their newly proposed groups.

RECOMMENDATION 6

Should insufficient progress be made in promoting group structures among colleges, the Department for Education should consider introducing a 'Minimum College Capacity' requirement that would prevent colleges below a certain size from accessing government funding directly.

In 2010, the Skills Funding Agency (now the Education and Skills Funding Agency; ESFA) announced the introduction of 'Minimum Contract Levels' for the start of the 2011/12 academic year. After this point, they would no longer issue direct contracts to training providers and employers with a total funding allocation of less than £500,000, with the expectation that this would "create efficiencies within the Agency and economies of scale across the sector."[50] In short, the government no longer had the inclination or capacity to deal with large numbers of small providers around the country and saw the setting of minimum funding requirements as an appropriate tool to focus their efforts on larger providers while still allowing smaller organisations to operate as subcontractors.

Although the Minimum Contract Levels did not apply to general or specialist colleges at the time, the DfE should now consider using a similar approach for FECs if it wishes to be more robust in promoting group structures. There are different ways in which a new requirement for a 'Minimum College Capacity' could be implemented. For example, the DfE could state that they will only offer direct funding to colleges that reach:

- A minimum number of learners (e.g. 5,000 learners enrolled within a 12-month period)
- A minimum income level (e.g. total income of at least £10 million)
- A minimum capacity (e.g. at least 100 full-time staff or equivalent)

There are pros and cons to each of the above options. Regardless of the precise metric used, the introduction of a 'Minimum College Capacity' requirement would represent a clear and unambiguous message to FECs: they are stronger working together as larger groups than they are operating as smaller individual institutions. Rather than being some form of punitive action, setting a 'Minimum College Capacity' would be an excellent opportunity for FE colleges to rethink their local footprint and how they can best structure themselves. In this context, smaller institutions could merge with larger ones or they could join a formal group in their local area. Either way, the result is a more sustainable and collaborative sector.

4. Using a more strategic approach to funding

With a new emphasis on partnerships centred around the introduction of FEDs in every part of the country, the next stage of reform should involve changing the incentives (and disincentives) created by the funding system for colleges. The Augar Review recognised that, while the overall amount of money invested in FE was certainly an issue, the way in which the available funding was allocated to colleges was also generating problems.

Single-year funding allocations

Making greater use of partnerships and groups within the FE sector is not merely an exercise in consolidation. On the contrary, the more that institutions collaborate, the better able they are to meet the needs of learners and employers. This is most visible in the way that funding is currently distributed to individual colleges or groups of colleges. One of the main issues with the present approach is that it encourages colleges and groups to focus on their own commercial needs rather than the needs of employers or their local community.

Leaving aside the grant funding for 16 to 18-year-olds that provides around 40 per cent of the FE sector's income (but was outside the scope of the Augar Review), the largest single source of adult funding in FE is the Adult Education Budget (AEB). This provides approximately £800 million a year to FECs and it focuses on adult education (excluding apprenticeships), community learning, and learner support. The AEB funds certain groups of learners with low skills such as young adults, unemployed individuals who are actively seeking work, employed individuals in receipt of a low wage, and certain subjects such as English and maths. This is achieved by requiring colleges to offer learners their provision based on a number of legal and policy-based entitlements related to an individual's age, their prior attainment and personal circumstances.[51]

The Augar Review observed that the AEB is not based directly on the number of learners; rather, colleges receive a capped annual contract from the ESFA that they 'earn' as and when qualifications are achieved (each of which have an individual price tag). An FEC's allocation is determined annually by the ESFA based on how much of their allocation they earned in previous years, but because the allocation is a cap then AEB funding for a college cannot automatically grow with the volume of learners. If a college delivers outside of the 3 per cent tolerance window above and below their annual allocation (e.g. by responding to local labour market demand from employers), funds will either be clawed back by the ESFA or additional provision will go unfunded.[52]

The Augar Review was keen to emphasise the range of damaging consequences generated by this funding model:

- "Although an FEC has a single total AEB allocation, the complexity of the rules around learner entitlements and the limits on learners' eligibility for funding mean that spending is highly constrained by the extent to which demand in their area fits with those rules. This explains why, in a number of well-run and Ofsted rated 'outstanding' FECs, despite strong local demand, the budget is underspent";
- "Current funding arrangements also mean that a great deal of the [AEB] is spent on administration; determining and documenting what each individual learner can or cannot access";
- "Because [FECs] are under pressure to spend all their budget, many colleges try to commit it early in the year (and also are incentivised to steer learners towards courses which they will complete successfully, and fast). This means they have no unspent budget with which to respond to and work with employers who have emerging needs and, in the current climate, no reserves to draw on for that purpose either." [53]

To overcome these problems, the Augar Review called for the government to "commit to providing an indicative AEB that allows individual FECs to plan and budget over a three-year period."[54] This was not the first time that concerns over the impact of single-year funding allocations had been aired. A report in 2016 for the then Department for Business, Innovation Skills found that the single-year allocations for colleges "can hinder longer term planning and space for innovation and can create very big challenges, especially where changes to staff numbers are required as a result of the funding shifts." Moreover, it was noted that "a lack of ability to plan far ahead means that where providers have carried out studies of local learner and employer needs and interests, it may be more difficult to respond and invest in line with those".[55]

RECOMMENDATION 7
The single-year funding allocations for the Adult Education Budget should be replaced by a 3-year funding cycle for the FE sector. The Department for Education will set out the legal funding entitlements for learners at the beginning of each cycle.

The FE sector will never be able to thrive if it is constantly at the mercy of a current funding system that prioritises short-term institutional survival over long-term collaborative and strategic planning. The first step in reforming the funding model for colleges is therefore to move away from the 'annual allocation' system currently in use. This is best achieved by awarding funding on a 3-year cycle rather than distributing and reconciling funds on an annual basis as this will make Community Colleges more financially secure.

The government should also continue to set the legal entitlements available to different groups of learners that colleges must deliver over the 3-year period. Because these entitlements are about giving all learners, particularly disadvantaged adults, the skills they need to be an active member of society, there is no reason to vary such entitlements between geographical areas.

Duplicated subjects and courses

As discussed in the previous chapter, the Augar Review was concerned about the duplication of courses and subjects in nearby colleges because it meant that colleges were "competing for learners in an inefficient and very unproductive way":

> *"A certain amount of over-capacity encourages innovation and competition on quality, and allows learners to move away from poor performers: but too much over-capacity makes it very hard for institutions to build or maintain the critical mass required to invest in high-cost subjects, to risk new ventures, or to deliver a well-rounded and high quality offer."* [56]

The aforementioned 2016 report on the FE market found evidence of this same phenomenon as "in many cases, providers make decisions about portfolios of courses such that as a whole the courses on offer are viable, but at the course-level may not be." It also warned that "as funding constraints increasingly bite, the focus on financial viability could be expected to become increasingly acute [and] this could potentially risk providers leaning more towards courses for which there is greater financial viability as opposed to meeting social objectives."[57]

The Augar Review recommended that "the structure of the FE college network, particularly in large cities, should be further modified to minimise duplication in reasonable travel to learn areas". In addition, the government "should develop procedures to ensure that – as part of a collaborative national network of FE colleges – there is an efficient distribution of Level 3, 4 and 5 provision within reasonable travel-to-learn areas, to enable strategic investment and avoid counterproductive competition between providers."[58] These measures were intended to reduce duplication wherever possible in order to concentrate the available funding on where it could have the greatest impact rather than spreading the AEB too thinly across different courses and subject areas.

RECOMMENDATION 8

With colleges now operating in groups and partnerships, the FEDs will be tasked with mapping and subsequently arranging provision across their Community Colleges, Sixth Form Colleges and Technology Colleges in line with local social and economic needs as well as eliminating duplication of courses and promoting specialisation. This includes every FED having the ability to determine how the AEB is distributed among colleges.

To ensure that the FE sector is responsive to local needs on a secure long-term basis, it is vital that colleges move towards collective decision-making. To that end, each FED will have the formal responsibility for working with their local colleges to map out the available provision across their geographical region and make decisions regarding what types of provision are required, and where. This exercise will include understanding employer needs, identifying areas of low educational attainment, assessing travel-to-learn distances and analysing the spread of provision in terms of subjects and courses across their respective institutions.

After collating this information, FEDs will then need to decide how and where to focus Community Colleges, Sixth Form Colleges and Technology Colleges to meet the needs of their local communities and employers. The FED will also be well placed to oversee the potential reduction or removal of courses within some FECs because rationalisation is precisely the kind of decision that individual colleges can be either unable or willing to make by themselves.

Community Colleges

Instead of giving the 3-year AEB allocations to individual colleges, this report proposes that the AEB should instead be channelled to the new FEDs. In their role as the convener and ambassador for colleges, each FED will work closely with their local Community Colleges to build a jointly agreed plan for distributing the allocated funding. As the Augar Review noted, the AEB covers not only the legal requirements to provide basic skills courses for adults but also a number of 'policy entitlements' for full or co-funding. For example, unemployed people aged 19 and over are fully-funded to undertake a second Level 2 qualification if they already have one (e.g. GCSEs), whereas other learners aged 19 and over can receive only co-funding.[59] If FEDs are to assume responsibility for arranging the provision in their area, they should be given the responsibility for creating the policy entitlements in their local area too. That way, they will be able to respond to local and regional needs by, for example, focusing more funding on particular groups of learners (e.g. ex-offenders, unemployed adults). Devolving these policy entitlements to a more local level is thus intended to make Community Colleges more responsive.

Sixth Form Colleges

There are several types of institutions outside of the FE sector that offer 16-19 provision, including existing Sixth Form Colleges, 16-19 academies and dedicated 16-19 Free Schools. It is therefore logical for Sixth Form Colleges run by FECs to be aligned as closely as possible with other 16-19 organisations in their local area. A detailed analysis of the national picture regarding 16-19 provision is beyond the scope of this report, suffice to say that this report echoes the Augar Review's call to eliminate duplication wherever possible in each locality to ensure that institutions are financially secure and maintain a distinct role. It is recommended that each FED works closely with the Regional Schools Commissioners, the Sixth Form Colleges Association and the Department for Education to ensure that FE colleges are contributing to responsive and financially viable 16-19 provision at a local level.

Technology Colleges

With their clear focus on technical provision, Technology Colleges will be a crucial component of each FED's plans. While many learners enrolled on lower-level courses are likely to attend their closest Community College, these Technology Colleges will attract learners from a much wider catchment area. The FED will be central to determining the different specialisms needed in each Technology College to ensure that the college network as a whole offers the right courses at the right scale instead of every provider simply fending for themselves. Duplication at higher levels is particularly problematic because of the need for more specialised equipment, facilities and staff. It is inefficient for every college to attempt to offer a wide range of technical and vocational courses because it will dilute the quality of teaching and learning across the region. The FED will need to ensure that each Technology College is given an appropriate (and preferably narrow) set of specialisms at the same time as being required to downsize or drop their provision of other courses and subjects.

In 2018, the government announced the creation of 'Local Industrial Strategies' that would be "based on clear evidence and aligned to the national modern Industrial Strategy."[60] The intention is that these Strategies, led by MCAs or LEPs, will "build on unique local strengths to ensure every community, and the country, reaches their economic potential and creates high quality good jobs". The government stated that this will be achieved by the "coordination of local economic policy and national funding streams and [establishing] new ways of working between national and local government, and the public and private sectors."[61] The network of Technology College led by FEDs – who are also aligned to MCAs and LEPs – will provide a strong platform on which these Strategies, and thus local economic growth, can be enhanced alongside developing high-quality jobs.

Later in 2018, the government confirmed details of their new 'Skills Advisory Panels':

> *"Skills Advisory Panels aim to bring together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. This includes both immediate needs and challenges and looking at what is required to help local areas adapt to future labour market changes and to grasp future opportunities. This will help colleges, universities and other providers deliver the skills required by employers, now and in the future."* [62]

The 36 Panels – which are usually made up of between 15 and 20 training providers, employers and local authorities in each area – have since received £75,000 each to produce 'action plans' and reports to highlight how they have supported local providers and employers to address local skills priorities. The Panels will also provide evidence to support the government's new 'Skills and Productivity Board' - an expert panel starting later this year that will be led by an industry leader "to ensure the courses and qualifications on offer to students are high-quality, are aligned to the skills that employers need for the future and will help increase productivity."[63] This type of local and national intelligence will be useful for FEDs as they seek to align Technology Colleges (and potentially Community Colleges) with the Local Industrial Strategy and respond to the needs of small and large employers across different industry sectors. The analysis provided by the Panels should therefore be freely provided to the FEDs and colleges as part of their decision-making process for mapping and arranging of FE provision in their area.

5. Providing additional investment for FE

As Education Secretary Gavin Williamson declared in his recent speech, "if you want to transform many of our left-behind towns and regions, you don't do it by investing more money solely in universities. You invest in the local college – the beating hearts of so many of our towns."[64] However, the Augar Review was critical of the recent level of investment from government in FECs:

> *"The FE college estate is in poor condition with limited capacity in the sector to address it and no resource to invest in high-cost, yet high value provision. …Without more capital expenditure, it will be impossible to secure high quality provision. FECs have little capital to maintain their estates, or to invest in the new equipment needed to provide high quality technical education. …Annual capital spending in the FEC sector has reduced from almost £1 billion a year between 2010 and 2015 to less than half of that – £404 million – in 2016/17. Capital funding for the FE sector from government has fallen from a peak in 2009/10 of over £940 million per year to just £130 million per year"* [65]

This drop in capital funding from government has meant that "many FECs are unable to fund maintenance, let alone undertake significant new investment, from operating surpluses and instead have had to rely on private sector borrowing" despite the "parlous financial condition" of numerous FECs.[66]

What little capital funding is made available by government is delegated to LEPs via the Local Growth Fund (LGF), which is awarded according to locally determined priorities. However, this poses two problems for the FE sector. First, the LGF is not reserved for colleges – it offers funding for a wide range of local projects including transport, regeneration, flood defences and digital infrastructure. This means that colleges must compete with these other projects to secure the funding they require. As the Augar Review noted, "the absence of dedicated government funding for capital projects by the FE sector outside the LGF, or of specific funding for capital maintenance, is a serious weakness given the sector's current financial condition."[67] Second, local priorities do not necessarily match national priorities in terms of technical education and college provision more broadly. As a result, LGF allocations at a local level are not guaranteed to make any contribution to the government's industrial strategy.

Given the weaknesses in the current approach to FE investment outlined above, the Augar Review called for a dedicated capital investment of at least £1 billion over the next Spending Review period that "should be allocated primarily on a strategic national basis in-line with Industrial Strategy priorities." In addition, the Review wanted the government to "use the additional capital funding primarily to augment existing FE colleges to create a strong national network of high quality provision of technical and professional education, including growing capacity for higher technical provision in specific FE colleges."[68]

Some additional funding has already emerged in the form of IoTs, with up to £120 million of funding made available earlier this year for a second wave of eight IoTs to add to the £170 million for the first 12 IoTs in 2019.[69] Although the Augar Review felt that such initiatives were "very welcome",[70] it stated that "a more comprehensive solution to skills shortages will be required" to guarantee "systematic sectoral and geographic coverage."[71] This alludes to several issues with how IoTs operate at present. For example, IoTs are intended to focus on higher technical education (Levels 4 and 5) for STEM (science, technology, engineering and mathematics) subjects such as engineering, digital and construction. This will be appropriate for some parts of the country but not others. Even with 20 IoTs in operation after the first two rounds of bidding are completed, there will be many parts of the country without one. This does not seem to fit with the government's ambition of offering higher-level technical education to everyone, nor does it fit with the Augar Review's vision of a collaborative network of FECs that provide high quality technical and professional education at Levels 3-5 "delivered flexibly and aligned to the needs of local economies".[72]

RECOMMENDATION 9

A dedicated capital investment in FE colleges from government of £1.5 billion should be delivered over the duration this Parliament. This must come in the form of a ringfenced capital budget for FE that sits outside of the Local Growth Fund. The funding will be allocated via FEDs working in partnership with local colleges to determine their requirements for both maintenance and new equipment or facilities.

If the FE sector is to be put on a stable footing, two changes must be made to overcome the problems faced by colleges in recent years. First, there needs to be an overall increase in capital investment, which is why this report echoes the call from the Augar Review for a substantial increase in capital funding from government. Second, this funding cannot be diverted for other purposes, given the desperate need for repairs and maintenance in many colleges as well as the desire in government for FECs to "have industry-grade equipment and modern buildings which are great places to learn in and which act as centres for business development and innovation."[73]

As part of the move towards a partnerships model for FE espoused throughout this report, the capital funding should be allocated to the FEDs in each area – not individual colleges. By working together, colleges will be able to make better judgements about the relative needs of different institutions when it comes to repairs and maintenance along with new equipment and facilities. In June this year, *Colleges West Midlands* announced that they had come together to set out their joint vision for capital investment in a 'prospectus' outlining how the colleges could support the region and promote growth. This approach should serve as a template for all local areas in future when assessing their own capital requirements.

RECOMMENDATION 10

Institutes of Technology should be established in every MCA / LEP area so that all learners have access to higher-level technical education within reasonable distance. The operators of these Institutes, which function as a partnership between FE and HE, should be chosen by FEDs in line with local economic needs (e.g. Local Industrial Strategies) as well as other government initiatives such as R&D spending.

Building again on the new partnerships model for FE, IoTs are a welcome sign of commitment from government but they need to be more closely aligned with local needs. It would be wrong for a situation to develop in which a college or university succeeded with a bid to run an IoT even when it was not the most beneficial project for their local economy relative to other bidders. If IoTs are to become a valued and respected brand within the overall skills ecosystem, they must switch from being a top-down initiative to a bottom-up process that funds the most appropriate and transformative projects in each local area.

To deliver this goal, every FED should use their local labour market intelligence and employer relationships (e.g. Skills Advisory Panels and Local Industrial Strategy) to identify the most promising project(s) that should attract funding as IoTs. FEDs should be allocated up to a maximum of, say, £5 million to support the new IoTs. This could involve converting one or more existing Technology Colleges into an IoT, or the funding could be used for a new facility attached to an existing college. Either way, devolving funding to a more local level will encourage more productive conversations about how to stimulate economic growth in every LEP or MCA so that FECs and employers of all sizes can benefit from this new investment.

Furthermore, there is an important role for FEDs in aligning the IoTs with other recent investments. For example, the government has pledged to increase research investment to £22 billion a year by 2024-25 with an immediate £400 million rise to build "excellence" in research institutes and universities in all regions.[74] Although these sums dwarf the spending from the DfE on IoTs, it is nonetheless important that the funding is used in a coordinated fashion so that each locality can deliver the greatest economic and social returns. To this end, this report recommends that the establishment of IoTs is closely linked with R&D investment so that the new FEDs can feed their labour market expertise and insights into the planned R&D spending, with the aim of providing sustainable and ambitious higher-level technical education that combines teaching and research expertise outside of universities.

RECOMMENDATION 11

The 'base rate' of funding for 16 to 19-year-olds should be increased by approximately £200 (4%) per student in every year of this Parliament to improve teaching and learning as well as the staff salaries available in colleges.

According to the ESFA's accounts, total expenditure on 16-19 education fell from £6.39 billion in 2010-11 to £5.68 billion in 2017-18. Expenditure on 16-19 education in colleges fell by 10 per cent in cash terms and 20 per cent in real terms over this period.[75] Unsurprisingly, there have been calls in recent years for this situation to be addressed, including the 'Raise the Rate' campaign by twelve associations representing schools and colleges to increase the 'base rate' for funding 16 to 19-year-olds from £4,000 to £4,760 per student – a proposal echoed by the Education Select Committee in Parliament.[76] In September 2019, the government committed an additional £400 million for 16-19 education in 2020-21 that includes a £190 million to increase to the base rate from £4,000 to £4,188 in the 2020-21 academic year.[77] Although this short-term funding boost was broadly welcomed by the FE sector, the Institute for Fiscal Studies (IFS) stated that it still leaves spending per student over 7 per cent below its level in 2010-11 in colleges, and that fully reversing cuts since 2010-11 would cost a further £1.1 billion over and above existing plans.[78]

With 16-19 provision in FECs now provided through a dedicated Sixth Form College or Technology College, financial stability will be important for establishing their role and status within each local community. This report recommends that the base rate for 16-19 funding is therefore increased every year over the coming Parliament:

- 2020-21: £4,188
- 2021-22: £4,400
- 2022-23: £4,600
- 2023-24: £4,800
- 2024-25: £5,000

Without this new investment, the FE sector will remain financially vulnerable and focused on short-term decisions about the courses and subjects that they provide, and to whom. The current disparity in salaries between schools and colleges is another longstanding issue that requires urgent attention because it continues to hamper efforts to attract the right staff into colleges. If the government shares the desire expressed throughout this report to see the FE sector become a respected and aspirational part of our education ecosystem that provides high-quality teaching and learning across a range of disciplines, a greater commitment to financial security and stability for colleges is an essential step.

6. Promoting high-quality courses

Employer endorsement for technical qualifications

In his recent speech on the future of FE, the Education Secretary painted a bleak picture:

> *"There has been a systemic decline in higher technical qualifications. Well over 100,000 people were doing Higher National Certificates and Diplomas in the year 2000; that has reduced to fewer than 35,000 now. …Only 10% of all adults aged 18-65 hold a Higher Technical Qualification as their highest qualification. This compares to around 20% of adults in Germany and as much as 34% in Canada. Skilled trade and professional occupations, in sectors such as manufacturing and construction, report some of the highest skills shortages. Many of these occupations require intermediate or higher technical qualifications – precisely the things that we are not teaching. Simply as a nation we seem to have given up on them when these are the skills we need most to have a chance of competing against other nations."* [79]

The Augar Review had highlighted similar trends and drew attention to the cumulative impact of government policies in this area:

> *"Funding incentives drive providers to Level 6 and disincentivise the provision of technical subjects at all levels. The support system makes a full Level 6 the obvious choice for students. The contraction in higher technical education and the resultant skills gap are the consequences."* [80]

Making higher-level technical qualifications more accessible and more relevant has quickly become a priority. In advance of the FE White Paper this autumn, the government announced in July this year that from 2022, higher technical qualifications will receive a new 'quality mark' from the Institute for Apprenticeships and Technical Education (IFATE) – a government agency – to identify "those qualifications which fit in with the knowledge, skills and behaviours that employers need."[81] However, this approach of using civil servants to oversee the approval or rejection of qualifications does not fit well with calls for the system to be more responsive. It will almost inevitably create a bureaucratic mechanism for approving qualifications and only a small group of employers will be involved in the approvals process, meaning that most employers are excluded from the conversation. In short, while the motivation behind involving employers in this new approach is welcome, the practical implications of the government's proposal are less encouraging.

These plans for 'kitemarking' higher level qualifications contrast with the previous approach used for technical qualifications for 16 to 19-year-olds. In 2013, the DfE announced the introduction of 'Tech Levels', which were intended to "help people into apprenticeships and jobs".[82] Rather than being a qualification themselves, Tech Levels were a wrapper for any vocational qualification that met a demanding set of criteria, such as the course being in a recognised occupation and of sufficient size. Crucially, every Tech Level also had to have public written support from professional bodies or at least five employers. Rather than civil servants sifting through thousands of individual qualifications, they could simply remove any qualifications from performance ('league') tables that did not meet their new benchmarks.

The end result of this employer-focused approvals process is that there are only 218 Tech Levels approved by the DfE[83] in advance of the new T-level qualifications that begin this month in a small group of colleges and schools. This is a far cry from the lamented figure of 3,000 vocational qualifications cited by the government's review of technical education chaired by Lord Sainsbury in 2016. By drawing on employer expertise and allowing assessment organisations (AOs) to work directly with employers in a responsive manner, the number of 16-19 vocational qualifications was reduced by over 90 per cent without sacrificing the needs of employers or introducing unnecessary administrative hurdles. Even the list of 218 Tech Levels could have been trimmed further by clamping down on multiple versions of the same qualifications. The Augar Review identified the same problem in adult qualifications, as "there are often different sizes of the same qualification at the same level available to study, for example an award, certificate and diploma in the same subject, at the same level, offered by the same awarding organisation."[84]

RECOMMENDATION 12

Higher-level technical qualifications should be funded by government if they are publicly endorsed by employers, professional bodies or Institutes of Technology. Each awarding organisation should also be restricted to offering one qualification per level in each subject.

In line with the successful approach used to reduce the number of technical qualifications for 16 to 19-year-olds, the DfE should replace their planned 'kitemarking' scheme with a process similar to that used for Tech Levels. This means that technical qualifications at Levels 4 and 5 should attract government funding if they meet any of the following criteria:

- Receive public letters of support from <u>at least five</u> employers in the relevant sector registered at Companies House; or
- Receive public written support from a relevant professional body; or
- Receive public written support from <u>at least two</u> IoTs.

This approach will bypass the need for lengthy and cumbersome sign-off mechanisms run by civil servants and instead promote a qualification landscape that is more dynamic and responsive than the current plethora of courses. In addition, it is recommended that AOs are no longer allowed to offer different qualifications at the same level for the same subject / occupation, as this will simplify the qualification landscape. It might be feasible to allow each qualification to be made up of several units above a minimum size, but each AO will only be permitted to offer one overall qualification per subject / occupation at each level.

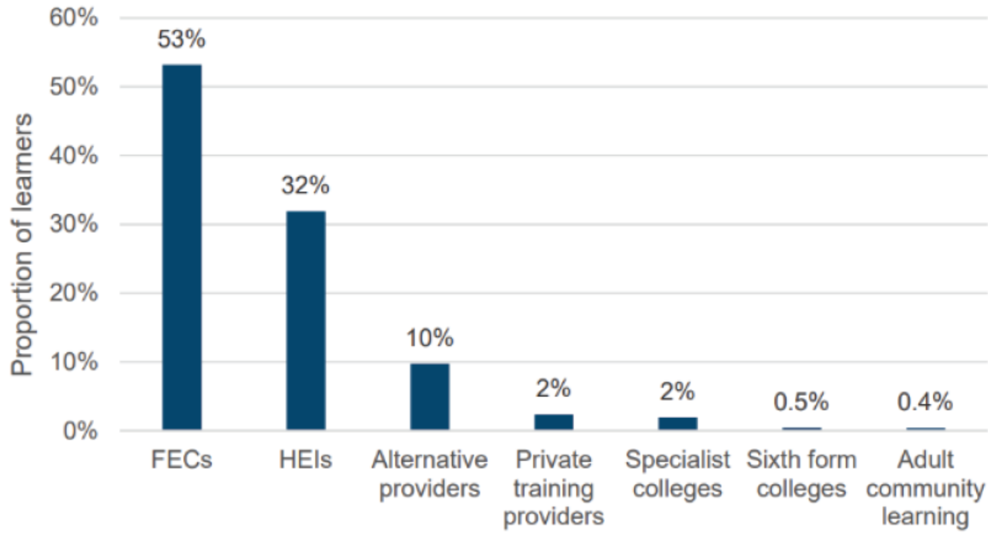
Distinct roles for FE and HE for technical qualifications

In his recent speech, the Education Secretary recognised that "all the energy and effort of our policy experts and media has been concentrated on the route that we took ourselves, driving more people into higher education". That said, he was keen to emphasise that "universities can be an important part of the solution, if they are willing to significantly step up their provision of higher technical qualifications."[85] This links to the government's agenda around, for example, establishing IoTs. What's more, Gavin Williamson stated that "we want learners and employers to have confidence in high-quality courses that provide the skills they need to succeed, whether they are taught in a college in Yeovil or a university in Yorkshire."[86]

However, there is a longstanding issue regarding the institutions that are responsible for providing qualifications at Levels 4 and 5. As shown in Figure 1 (overleaf), FECs deliver just over half of the qualifications at these levels, with Higher Education Institutions (HEIs) such as universities delivering about a third of them. The list of qualifications available at Levels 4 and 5 is a mixture of academic and vocational courses of different sizes and with different purposes. For example, Foundation Degrees are standalone academic Level 5 qualifications delivering mostly in HE over two years whereas Higher National Certificates (HNCs) are vocational qualifications delivered in both HE and FE over one year. There are also hundreds of Awards, Certificates and Diplomas offered by a wide range of AOs that can last anything from a matter of hours up to two years.

The problem is that HEIs currently compete with FECs to offer technical qualifications such as HNCs and HNDs, leaving learners and employers uncertain about who to engage with should they wish to pursue a higher technical pathway. There are currently no restrictions on the courses that HEIs can provide at Levels 4 and 5, while 'prescribed' qualification such as Foundation Degrees and HNCs allow learners to access HE student loans to support their studies. This puts even greater pressure on FECs because any ambitions they might have to become established providers of high-quality higher-level technical qualifications puts them in direct competition with larger institutions such as universities.

Figure 1: take-up of Level 4 and 5 qualifications by provider type [87]



Some HEIs may still view themselves as providers of technical education as much as academic courses such as degrees, despite their 'university' title. Nevertheless, this report has repeatedly emphasised that clarity over the aim and purpose of different institutions is essential if they are to play an effective role in their local communities and economies. It is therefore unhelpful to allow the current setup to continue.

RECOMMENDATION 13
The provision of Level 4 and 5 technical qualifications should be led in future by Technology Colleges. This means that HE providers such as universities should not be allowed to offer these qualifications unless they deliver them in partnership with local FE institutions.

In line with this report's calls for greater collaboration among education providers within each locality, it is counterproductive for HEIs to be able to colonise the higher technical education space without any regard for similar provision available at nearby FECs. As discussed throughout this report, the advent of new 'Technology Colleges' will put the FE sector in a strong position to drive forward skills development and economic growth in their local areas, but this will only be possible if they become a 'hub' for higher technical courses that employers recognise and utilise. It is therefore recommended that universities should be banned from offering higher technical qualifications unless they are delivered through a genuine partnership with their local FE college(s).

This partnership will involve the university delivering their course via the FECs including the open sharing of staff, resources and facilities. This will ensure that Technology Colleges grow into their role as the core institution delivering technical education in every area while still allowing HEIs to contribute if they choose to do so. Consequently, the notion that universities can deliver higher technical qualifications without any regard to the quality and quantity of technical provision available in nearby institutions will be eradicated. It is also worth considering the possibility that universities could be required to join the new group structures for colleges proposed in this report if they want to continue delivering Level 4 and 5 qualifications. The benefit of this approach would be that the FED in each area would be able to coordinate the provision more effectively when other institutions such as HEIs are included in their mapping and planning of higher-level courses.

7. Generating more demand for FE

This report has thus far concentrated on reforming the FE sector so that it is ready to respond to the needs of their community. This chapter will instead focus on how demand for FE provision could be increased alongside an increased supply of high-quality courses, because it is a step-change in demand for FECs that will ultimately put them on course to become respected and responsive institutions. The Augar Review made three recommendations designed to "promote both uptake of higher technical qualifications and flexible study":

- The government should introduce a single lifelong learning loan allowance for tuition loans at Levels 4, 5 and 6, available for adults aged 18 or over, without a publicly funded degree. This should be set, as it is now, as a financial amount equivalent to four years' fulltime undergraduate degree funding.
- Learners should be able to access student finance for tuition fee and maintenance support for modules of credit-based Level 4, 5 and 6 qualifications.
- [Equivalent Level Qualification] rules should be scrapped for those taking out loans for Levels 4, 5 and 6.[88]

The motivation behind these recommendations was clear: "the incentives faced by higher education institutions would change and, therefore, so would their behaviour", meaning that "demand for Level 4/5 and for short courses should grow and be actively encouraged as demand from learners increased."[89] What's more, HEIs would revisit the fees they charge for each course because students "would be looking for institutions which could demonstrate that quality remained high, but charged below the fee cap", and this would in turn "strengthen demand for provision in further education colleges."[90]

Education Secretary Gavin Williamson stated in his recent speech that "we want to do much more to open up more flexible ways of studying, including better support for modular learning" because the ability of FE to "offer flexible, practical training that leads directly to jobs is exactly what this country needs."[91] This chimes with the Augar Review's call for a more 'credit'-based approach to tertiary education along with greater access to maintenance support for FE learners and removing the 'Equivalent Level Qualification' restrictions that prevent learners from accessing funding for tuition fees or maintenance loans when taking equivalent or lower qualifications in HE at Levels 4, 5 and 6.[92]

Just a week before the Augar Review was published in 2019, EDSK released a report on the future of tertiary education that proposed a similar albeit arguably more ambitious version of this same scheme. The EDSK report included the following proposals:

- At age 18, each learner in England can open an 'Individual Education Budget' (IEB). This IEB will act as a 'learning account' into which the government places up to £20,000, with the precise sum being dependent on a number of factors (e.g. whether or not a student is from a disadvantaged background);
- The funding can be spent on any approved qualification at a regulated provider, including university degrees, college courses and apprenticeships.[93]

The proposals from EDSK, along with other reforms in the report, were intended to bring about the following changes – all of which would meet the goals of the Augar Review itself:

- More informed choices and greater transparency about different education options;
- Better value for money for students and taxpayers;
- A strong emphasis on providing the most financial support to learners from the most disadvantaged backgrounds; and
- Promoting a greater diversity of provision, with the aim of reinvigorating part-time university and college courses as well as higher-level technical qualifications that are valued by employers.

RECOMMENDATION 14

Over this Parliament, the government should introduce a tertiary education funding model based on 'Individual Education Budgets' for every learner. The government should place the funding available to each learner into their Budget, and the learners would then be free to choose the course (university degree, college course or apprenticeship) and mode of learning (full-time or part-time; whole course or a course unit) that is most suitable for them.

Although the precise mechanics of the proposals for some form of 'individual learning entitlement' differed between the Augar Review and EDSK, the core principle remains the same: puts learners in charge of the government funding, create a level playing field between the different courses and modes of learning, and allow the learner to choose the most appropriate option for them. The Augar Review rightly stated that this approach to funding tertiary education "would make a fundamental and positive difference to the relative attractions of part-time, adult, and Level 4/5 study".[94]

RECOMMENDATION 15

All learners should be given access to a new 'lifetime loan limit' of £75,000, which they can use to engage in education and training at any time throughout their career after the initial funds in their IEB have been used up. This lifetime loan system would cover both tuition and maintenance costs for university, college and apprenticeships.

The Augar Review opted to keep tuition and maintenance support separate, meaning that their 'lifelong learning loan allowance' would only relate to tuition fees while maintenance loans would be dealt with through other channels. In contrast, the EDSK report proposed that the government convert the existing student loan system into a lifetime 'draw-down' account available to all learners. This would cover the costs of tuition for all forms of provision (university, college or an apprenticeship) and can be accessed multiple times, unlike the current student loan system that operates as a 'single shot' account. At Level 4 and above, the loan system would also be available to cover living costs (i.e. a maintenance loan), meaning that learners could access the same financial support irrespective of whether they are studying at university or college or embarking on an apprenticeship.

As the loan system would now act as a lifetime draw-down account available to learners across all forms of tertiary provision, it would be necessary to place a 'cap' on the total amount of loan support available over a learner's lifetime. A student studying an undergraduate degree followed by a PhD is currently able to borrow a total of approximately £75,000 in tuition and maintenance loans over the course of their studies. This sum therefore represents a sensible 'cap' for accessing financial support from the government over their lifetime. Regardless of the level of the cap, this new lifetime loan limit would deliver the ambitions set out in the Augar Review for their own 'loan allowance' model, as it would:

> *"…encourage young people to think about their higher education in terms of a lifetime of employment. Individuals would be able, under these arrangements, to work, to move on or move up, and still have the opportunity to return to study later, using any outstanding loan allowance, and in the subjects, and at the levels, that suit their careers. A lifetime loan allowance would also ensure that there are new incentives for borrowers both to be price-sensitive, and to take a loan for only part of their current fees, thus retaining some entitlement for future years, should they need it."* [95]

8. Areas for further consideration

The accountability system

Earlier in this report, it was proposed that FE colleges would be split into their separate components (Community Colleges, Sixth Form Colleges and Technology Colleges) with each component being subject to the most appropriate accountability metrics:

- Community Colleges: the number of learners who start and complete their courses
- Sixth Form Colleges: the progress and achievement of learners in each subject
- Technology Colleges: the proportion of learners who progress into employment or further study

At present, Ofsted inspects further education and skills providers using a single inspection framework. Numerous interviewees for this project commented that Ofsted is generally recognised as having greater expertise in judging classroom-based practice than judging work-related training both inside and outside employers' premises. Given that Community Colleges and Sixth Form Colleges would still be heavily focused on classroom-based practice, there is little reason to change their accountability system from that currently used by Ofsted. However, Technology Colleges will represent a different kind of learning due to their significant emphasis on higher level skills and progression into employment as well as the potential involvement of R&D funding, university partnerships (including IoTs) and innovation.

In line with their novel position within local communities and economies, it may therefore be necessary to introduce a new form of accountability for Technology Colleges that goes beyond the judgements currently made by Ofsted and the remit of the Office for Students that acts as the regulator for HE in England. At the very least, a new approach to accountability would involve more attention being paid to education and employment outcomes for learners. It may also require a greater element of feedback from employers (particularly SMEs) and other local stakeholders to reflect the role of Technology Colleges as engines of local economic growth – something that is not sufficiently captured by the existing Ofsted inspection framework. For example, this could involve FEDs or LEPs / MCAs being given a formal role in providing feedback as part of the accountability mechanism for Technology Colleges to ensure that they remain aligned to the overall local strategic plans.

The status and remuneration of FE Directors

As part of the new partnerships model for FE described in this report, the new FEDs in each area – appointed by the FE sector – have a pivotal role in making sure that colleges work together to deliver the right mix of provision for learners and employers. This raises the question of the legal status that should be afforded to the new FEDs. For example, the responsibility for regulating colleges rests with the Education Secretary, which is why even the FE Commissioner – who is appointed to improve the quality and financial sustainability of colleges – is described as a non-statutory role i.e. not set out in law.

It is reasonable to assume that FEDs will be non-statutory appointments, although the question of who is responsible for their remuneration and employment would require consultation with the sector to identify the most appropriate options. For example, all FE colleges could be required to contribute to the salary of FEDs, or alternatively their MCA / LEP may employ them using the funding they receive from the ESFA. Moreover, it was noted earlier in this report that the FEDs would assume the responsibilities currently afforded to MCAs where they exist, so this may require their role to be formally agreed between the DfE and MCAs / LEPs in the same way that the devolution deals are underpinned by a 'Memorandum of Understanding' between these stakeholders.

The incorporated status of FE colleges

In recent months, stories have begun circulating in the sector press about the possibility of FECs being brought back into the public sector. As it stands, FECs are autonomous exempt charities governed by a chair and a board of governors after they moved out of local authority control under the *Further and Higher Education Act* of 1992 and assumed 'incorporated' status. In essence, FECs have a contractual relationship with central government to deliver education and training rather than being owned by government. After several high-profile failures in the FE sector, there has been some suggestion that FECs should be brought back into the public sector to make colleges more stable and accountable to policymakers. For example, colleges can borrow money without needing permission from the government, which has contributed to some FECs falling into serious financial difficulties.

Although the interviews conducted for this report found some degree of support for returning FECs to the public sector, the proposal to separate FECs into their separate components makes the case for reincorporation less compelling. Technology Colleges will need to work closely with local employers and may become involved in R&D and innovation projects, which does not sit well within a public sector environment. Similarly, Sixth Form Colleges operate as independent institutions that have considerable freedoms around their curriculum, pay and conditions and estate management. That said, Community Colleges might be able to operate within the public sector given their emphasis on inclusivity, community learning and basic skills courses (which are already delivered by local authorities in some parts of the country). This report does not express a strong view either way on the matter of incorporation, suffice to say that the focus must be on creating effective, responsive and stable institutions and there is no obvious way of guaranteeing that this could be achieved any more readily with FECs being placed in the public sector rather than the private sector.

Conclusion

> *"In dealing with the question of technical instruction in this country we would, at the outset, state our opinion that it is not desirable that we should introduce the practice of foreign countries into England, without considerable modifications."* [96]

To say that this country has fretted for a long time about the merits of its education and training system relative to other nations is something of an understatement. Politicians from various parties have endlessly expressed their desire to introduce a technical education system in England that is held in the same esteem as that found in countries such as Germany. However, the quote above – warning of the dangers of uncritically importing ideas from other countries – is worth keeping in mind, and not just because it was published in The Samuelson Report in 1884. This Report, which spanned five volumes and took three years to complete, warned that Britain's industrial leadership was being challenged around the world by countries with well-educated populations. It recognised that other nations were making rapid progress in both economic and educational terms, and that our technical education system must adapt and evolve if we were to remain competitive.[97]

As part of his major speech in July this year, Education Secretary Gavin Williamson confirmed that this autumn will see the publication of "a White Paper that will set out our plans to build a world-class, German-style further education system in Britain, and level up skills and opportunities". He added that "this will not be about incremental change, but a comprehensive plan to change the fundamentals of England's further education landscape, inspired by the best models from around the world."[98] There is nothing inherently wrong with trying to learn from more established skills systems but the Samuelson Report was right to guard against simply mimicking practices and processes found elsewhere. Consequently, this report has outlined a plan for FE in England that is explicitly set in the context of the strengths and weaknesses of our existing FE sector rather than trying to directly replicate an equivalent system in another country.

As noted in the introduction to this report, its analysis and accompany recommendations aim to create a model for FE that is **respected**, **ambitious**, **responsive** and **stable**. By giving colleges a clearly defined role in our education system alongside schools and universities, plus a greater emphasis on partnerships and meeting the needs of local communities and employers, the recommendations seek to move the sector towards achieving these four goals. Nevertheless, this report has concluded that such changes will only be possible if colleges around the country work tirelessly in collaboration with each other regarding every major decision that they make. This could best be described as ‘collective autonomy’, whereby colleges remain independent of government, but important strategic choices are based on what is best for college groups and partnerships rather than individual institutions.

After operating for many years in an unsettled and constrained policy and funding environment, many colleges have understandably turned inwards rather than facing outwards to support each other as well as support the learners and employers in their area. Against this historical backdrop, creating a more open and collaborative culture will not be easy. Even so, if a respected, ambitious, responsive and stable FE sector emerges in the coming years then it might not be too long before other countries look with envy on our education and training system rather than the other way around.

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