Potential Realised or Same Old Cinderella?
Future Options for England’s Further Education Sector

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Editor’s Foreword

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Abstract

On size alone the further education (FE) sector forms a central part of the English post-16 education and vocational training system. But historically English FE colleges have not been given the degree of attention by policy-makers, the media or indeed academic researchers that their scale and strategic importance would appear to warrant. While this state of affairs seems rooted in the nature of the socio-economic groups FE colleges serve and the FE sector’s considerable heterogeneity, there are indications that FE’s role and profile may be growing in response to policy developments relating to higher education, greater freedoms for FE and the continuing emphasis of successive British governments on skills as a key to enhanced national economic competitiveness. Such a future is by no means certain, however. As pressures from greater competition in the post-16 education/training market and the Coalition Government’s programme of public expenditure reductions intensify, FE’s strategic and financial position could weaken, choking off these aspirations.

The paper considers the strategic options facing English FE colleges at this critical time for their future. It examines three issues of particular importance to the sector’s development – the potential to expand and develop the delivery of higher education in FE colleges; the role of FE in delivering vocational qualifications in light of shifts in government policy and employer attitudes; and the future sustainability of the current FE sector given the risk of reductions in colleges’ incomes and increases in their costs. It concludes that FE’s aspirations to enhance its impact and recognition in relation to national learning and skills are achievable, although not a given, with much depending on developments over the next two to three years. Increased research would help inform the policy and operational decisions that achieving this will require. The paper draws upon a review of the literature; contributions from a panel of the sector’s strategic decision-makers, influencers and practitioners; and the author’s experience as an FE college principal and funding council executive director.
Introduction

From its size alone it is clear that the further education (FE) sector is central to the English post-16 education and vocational training system; for example, in 2010/11 40 per cent of the 16-18 cohort was in FE (at a general or sixth form FE college) compared with 22 per cent in state school or academy sixth forms. In addition 2.4 million adults trained or studied in FE colleges (Association of Colleges 2011a: 2, 4). However, it is widely held that historically English FE colleges have not been given the degree of consideration by policy-makers, the public or researchers that their scale and strategic importance would appear to warrant (see Foster 2005: 15, LSIS 2011). This was best articulated by Chris Hughes of the then Learning and Skills Development Agency, who described a ‘persistent concern that Further Education remains unrecognised and undervalued, in the media and by government’ (Hughes 2004: 1).

Explanations for this state of affairs usually cite the relatively low socio-economic class of FE learners and the colleges’ associated lack of public profile and political leverage compared with that of universities and school sixth forms. FE is often characterised as a ‘Cinderella sector’ or ‘neglected middle child’, largely invisible to policy-makers and commentators educated exclusively at school and university (see New Statesman 2003, FE News 2010b, Pearson 2011).

While such arguments carry weight, they do not tell the whole story. Because FE colleges collectively fulfil the crucial role of ‘gap filler’ for the post-16 education and training system, the range of different functions they perform from institution to institution and locality to locality, together with the complexity of their funding arrangements, hinders the sector’s capacity to promote a unified and compelling narrative of colleges’ purpose, role and strategic needs. In his 2005 review of FE for the Blair Government, Sir Andrew Foster noted this disadvantage:

FE colleges are striking in their heterogeneity. They deliver in a wide variety of settings and the range of learning opportunities they present is extraordinary. Some see this variety as a strength, but there is another view that it reflects a lack of clarity about key purposes and an inefficient dilution of focus and effort. (Foster 2005: 15)

Other factors weakening the FE ‘brand’ include colleges’ lack of control of their products and the range of intermediaries between them and their customers, what Hughes has called ‘Further Education’s inability to command uncontested territory of its own’ (Hughes 2004: 1).
In his review, Foster argued for concentrating on a college’s ‘primary purpose’ of improving ‘employability and skills in its local area’ to counter this lack of coherence and profile (Foster 2005: 20). Despite efforts by policy-makers to promote a more vocational remit for FE of this sort over the six years since Foster reported, the sector remains diverse, with a strong continuing role in relation to academic as well as vocational programmes. For example, in 2009/10 some 200,000 students were studying A and AS levels in colleges compared with around 350,000 in schools (YPLA 2011). Thus the FE sector continues to be affected by the factors which constrained it in previous decades.

However, while the strategic disadvantages of the FE sector have been entrenched for many years, changes to the policy context in which FE colleges operate may be creating the opportunities necessary for them to establish a stronger and higher profile role for themselves. Those opportunities are to be found in FE’s response to policy developments concerning higher education, greater freedoms for FE and the continuing emphasis of successive British governments on skills as a key to enhanced national economic competitiveness.

Government’s focus on increasing the supply of skills through an ‘expansion of publicly-funded initial education and training’ reached its high point under New Labour in the mid 2000s (Payne and Keep 2011: 1). This reflected the Leitch Review of Skills’ argument that, given intensifying global competition and lightly regulated labour markets, skills supply was ‘the most important lever within our control to create wealth and reduce social deprivation’ (Leitch 2006: 2). As Payne and Keep point out, while sharply deteriorating public finances in the late 2000s have ruled out ambitions of winning a global skills race through increasing public expenditure on skills supply, the Coalition Government which came to power in May 2010 attaches similar importance to skills supply as its predecessor (albeit with more emphasis on shifting the associated costs away from the state, reducing bureaucracy and, rather vaguely, encouraging improved skills utilisation by employers).

That sustained government policy in favour of skills supply has helped many FE colleges to restore their finances after widespread financial weaknesses in the 1990s and receive greater attention than hitherto from policy-makers (FE News 2010a). This has led to claims from Government that FE is ‘no longer the neglected middle child between schools and HE, but the prodigal son’ (Hayes 2011: 2). Additionally the sector has become more proactive in asserting its case to the policy
community and general public with the formation of the 157 Group of large, successful FE colleges (157 Group 2010) and the 2008 reform of the Association of Colleges, including the appointment of a serving college principal as president to lead lobbying efforts (AoC 2012). As one respondent observed in relation to FE’s public profile, ‘We should never be satisfied with what we have, but there has been progress’. Admittedly these improvements are from a particularly low base and in many respects the colleges’ position remains inferior to that of universities and schools, but within the sector there are expressions of hope that this positive direction of travel can be maintained (see FE News 2010b, FE News 2011).

Such a future is far from certain, though. As pressures from greater competition in the post-16 education and training market and from the Coalition Government’s programme of public expenditure reductions intensify, FE’s strategic and financial position could weaken, choking off these aspirations. As the Learning and Skills Improvement Service’s study of future scenarios for 2020 puts it: ‘we believe that further education providers sit tantalisingly between two long term futures… retrenchment and… being a creative partner in local growth and service reform agendas’ (LSIS 2011: 7).

The present paper considers the key strategic options facing English FE colleges at this critical time for their future. It examines three issues of particular importance to the sector’s future development: the potential to expand and develop the delivery of higher education in FE colleges; the role of FE in delivering vocational qualifications in light of shifts in government policy and employer attitudes; and the future sustainability of the current FE sector given the risk of reductions in colleges’ incomes and increases in their costs. Given the heterogeneity of the English FE sector it is not surprising that this study identified a variety of views over FE’s strategic priorities among consultees and in the sources reviewed, but these three themes were found to resonate widely as critical issues for FE’s future.

The paper concludes that FE’s aspirations to increase its impact and recognition in relation to national learning and skills are achievable, although certainly not a given, with much depending upon developments over the next two to three years. There is a case for increasing research on issues key to those developments in order to inform the policy and operational decisions that they will require.
For its sources the paper draws on literature reviews, interviews with a panel of FE decision-makers and practitioners, supplementary contributions via professional networks and the author’s experience as an FE college principal and funding agency executive director. These sources are listed in an expanded references annex.

**Higher Education in Further Education Colleges (HE in FE)**

It is important to recognise that there is already a significant amount of higher education delivered by FE, reflecting shifts in modes of HE study over the past 20 years. Over 260 English FE Colleges (the great majority) are involved and the Association of Colleges (AoC 2011b) calculates that this activity accounts for 171,000 students, around one in ten of all HE enrolments below postgraduate level in England and some £500 million in annual income for the FE Sector.

The way in which this provision has been structured and funded may help explain why it has had relatively low visibility until recently:

- HE students in FE are fragmented administratively. Of the 113,000 full-time equivalent HE students in FE colleges currently supported by HEFC(E), the colleges are funded directly for only half, with funding for the remainder channelled via university sub-contracting or ‘franchising’ arrangements. A further 38,000 students are funded by the Skills Funding Agency and others are either self-supported or sponsored by their employers to study for professional qualifications or development (HESA 2011, Information Authority 2011).

- Most (but not all) of this provision is at Foundation Degree level or below and much is part-time (just under half of HEFC(E) funded students, but almost all of the others). Typically these students fit study around work and family commitments and therefore tend to be less visible ‘as students’ than full-timers.

- Around 100 of the FE Colleges involved in this work have low concentrations of HE students (fewer than 200 HEFC(E) funded full-time equivalents) leading to relatively low profiles for HE within those institutions.

- HE qualifications obtained by FE-based learners have been awarded by universities, so students achieving them have tended to present as university rather than FE college graduates, without developing a distinct further education identity within the graduate labour market.

An analysis of FE college higher education strategies undertaken by HEFCE in 2010 (HEFCE 2011b) identifies common themes around employer engagement,
widening participation and raising student aspirations, but does not reveal widespread signs of a strategic goal to drive up their HE student numbers significantly.

That position has changed rapidly as FE Colleges have become aware of the opportunities for expansion created by the Government’s policy decision set out in its HE White Paper to reallocate an increasing number of higher education places to students seeking lower annual fees, initially 20,000 places at below £7,500 (DBIS 2011). Responses to the White Paper by the Association of Colleges and 157 Group have articulated FE’s bid to assume a much greater role in the delivery of HE on social, economic and cost grounds. Thus the AoC’s submission argues that:

FE Colleges are not choosing to offer HE courses at a lower price because they want to take hundreds of potential students from universities, they are doing so because they want more people, particularly adult students who want to study around work or family commitments, to have the opportunity to study for a higher education qualification. (AoC 2011b: para 51).

Similarly the 157 Group’s response concludes that the changes ‘will almost certainly give opportunities for FE colleges to expand their HE offer’, asserting that ‘HE provision in FE colleges is very cost-effective for learners, and typically involves more hours a week of tuition than in universities, which is reflected in very high rates of reported student satisfaction.’ (157 Group 2011).

While it appears the Government’s primary purpose in introducing this pool of lower fee places is to help offset the very sharp increases in fees triggered by its wider changes to student funding (following an unanticipated preference for the highest rates on the part of universities) the measure also offers the possibility of achieving a strategic shift in HE provision in favour of the FE sector. Indeed the White Paper makes explicit reference to the goal of further improving ‘student choice by supporting a more diverse sector, with more opportunities for part-time and accelerated courses, sandwich courses, distance learning and higher-level vocational study,’ to be achieved by removing ‘the regulatory barriers that are preventing a level playing field for higher education providers of all types, including further education and other alternative providers’; making it ‘easier for new providers to enter the sector’; and simplifying ‘the regime for obtaining and renewing degree awarding powers so that it is proportionate in all cases’ (DBIS 2011: 5).

There are three main reasons why FE colleges should be well placed to take advantage of these changes. First, the colleges tend to have lower costs than
universities and are therefore positioned to compete on price. As the Association of Colleges points out in its submission to the White Paper consultation (AoC 2011b: paras 47-50) ‘the higher education provided in FE colleges is distinct from traditional university education and operates on a different cost basis’, with colleges not having to bear ‘the cost overheads associated with research’ for example, ‘as this is not a core part of their HE offer’. For that reason ‘the vast majority of FE Colleges teaching higher education will be charging fees of below £6,000 or below next year’.

Second, colleges usually function as highly localised providers, with over 70 per cent of those accepted to study HE at an FE college living within 25 miles of their chosen college, compared to fewer than 40 per cent of all acceptances across the higher education sector (UCAS data in AoC 2011b: para 42). This helps many of these students financially by allowing them to continue to live at home and in some cases to work in existing employment.

Third, the FE sector has asserted that students’ growing focus on HE qualifications as routes to higher level careers should play to FE’s strengths in terms of its vocational emphasis, close links with local employers and growing experience of delivering professional qualifications/updating (AoC 2011b: para 32). Although it is true that vocational and employer credentials are well-developed in a number of colleges, they are likely to prove a less persuasive general argument in favour of FE than the first two factors given some of the reservations expressed over this aspect of colleges’ performance over the years. For example, Hughes and Smeaton (Learning and Skills Network n/d: 5) noted that although most of the employers in their research ‘were reasonably satisfied with the services provided by the colleges’, ‘even employers who were keen supporters of the colleges pointed to failings in the service they had received’ and concluded that there was a ‘lack of consistency between and across colleges’ over employer engagement. While colleges have improved their standing with employer customers in recent years, with the percentage ‘very satisfied’ up from 33 in 2003 to 48 in 2009, and more employers that train using FE colleges than universities (28 percent against 11 percent) universities are nevertheless rated more highly than colleges by the employers who use them: 56 percent for the universities against the colleges’ 48 percent (UKCES 2010: 49-50).

HEFCE’s February 2012 announcement of the outcomes of its bidding exercise for the 20,000 places set aside for institutions with 2012/13 tuition fees of £7,500 or less has been reported as a victory for the FE colleges. For example, Times
Higher Education (2012) led with the fact that ‘Further education colleges are set to receive more student places from the price-based “margin” than universities’.

That colleges have been awarded more than 9,500 of the 18,800 places allocated to date no doubt will be encouraging for the FE sector. However, as the article later acknowledges, the degree to which FE will actually increase its overall share of higher education places is currently less clear, chiefly because a number of colleges have bid for these ‘margin’ places to make up for universities’ withdrawal of franchised ones. FE’s representative bodies have been alive to such a risk for some time and highlighted it in their submissions on the HE White Paper, with the AoC calling for preventative action against ‘these anti-competitive behaviours’ (AoC 2011b: para 12) and the 157 Group advocating degree-awarding powers for colleges as the best solution to ‘potential conflicts of interest, if colleges are to compete with universities, while still relying on them for validation of degrees and student numbers’ (157 Group 2011).

At this early stage in the process of opening up the higher education market, it is too early to predict its eventual impact on the FE sector with any degree of certainty. However it is clear that some significant changes have already taken place, including 60 FE colleges having a direct funding relationship with HEFCE for the first time, colleges beginning to seek and obtain degree awarding powers, and the more strained relationship that has resulted between many colleges and their partner universities (Times Higher Education 2012).

Research has a significant role to play in helping inform the policy and operational decisions that will be required as the effects of these changes unfold for both the HE and FE sectors. For FE, key themes for future research should include the following:

1. The extent to which competition for low cost places between FE Colleges and the ‘New’ Universities will erode current collaborative models under which the latter franchise their programmes for delivery by the former.

The colleges’ representative organisations have already provided examples of emerging concerns and difficulties here, for instance, in relation to the Leeds Metropolitan University/ FE College partnership (AoC 2011b: para 12), concerns which appear to have been confirmed by the outcomes from the 2012/13 ‘margin’ places bidding process. However the views of this study’s respondents would suggest that not
all university/college partnerships are likely to break down in this way, even if competitive relationships become far more common. Research questions to be addressed include:

- What proportion of partnerships will end as the partners come to regard themselves as in competition for the same potential students?

- Will partnerships founded on a strong ethos of progression or meeting local needs fare better than those with a largely commercial focus?

- Will the existence of clearly differentiated roles and well-developed administrative and supporting arrangements prove significant in determining partnerships’ survival?

2. The extent to which FE Colleges secure their own degree awarding powers.

The 2007 Further Education and Training Act made it possible for FE colleges to award foundation degrees without validation by a university (DBIS 2012). In 2011, two – the Newcastle College Group and New College Durham – obtained such a power, freeing them from dependency upon university partners. As Newcastle’s Chief Executive put it, this ‘creates a platform for us to forge ahead with our plans for taught degree-awarding powers’, a move which is already being pursued formally by Bradford College (Times Higher Education 2011). The FE sector’s vocational awarding bodies have also identified this market opportunity and are working on their own applications for degree powers to use in conjunction with colleges. For example, ‘Pearson, which owns exam board Edexcel, plans to start by offering four vocational degrees with a further education college. But it wants to award degrees itself…” (House of Commons Library 2011: 11). Potential research questions include:

- How many other FE colleges will follow this lead and seek their own foundation and taught degree awarding powers?

- How successful will such bids be for taught degrees, which can be regarded as core university territory?

- Will many colleges look instead to working in partnership with other institutions, like vocational awarding bodies, to perform degree-awarding roles (acting as umbrella bodies to minimise the colleges’ cost overheads and to strengthen their employer linkages and credibility)?

3. Whether non-university awarded degrees would prove marketable to employers and therefore attractive to prospective students and their parents.
Non-university awarded degrees will be new territory for the UK, but public perceptions of lower status institutions like the post-1992 universities (Telegraph 2011) and their graduates’ generally weaker employment rates (HESA 2011b) would suggest that FE college awarded degrees are likely to be at a disadvantage in employment and student recruitment markets. However, where an FE college has established particular areas of strength it may be able to use these to create ‘through routes’ to HE qualifications that are attractive to students. Research questions include:

- How much resistance would there be from employers, potential students and their parents if the trend outlined at 2 above gains momentum?

- Will degrees conferred by vocational awarding bodies prove more marketable than those from FE colleges, or will they suffer a similar ‘non-university’ disadvantage?

- To what extent will FE colleges be able to exploit existing strengths to create attractive progression routes using their own level 3 and HE provision?

4. Whether increasing the proportion of full-time 18-21 year old HE students in FE Colleges would change their educational character and mission.

As already noted by this paper, the majority of HE students currently in FE colleges are following part-time programmes of study, usually because of family and/or employment commitments. For this reason they tend not to demand the same level of social or domestic facilities as university students and acquire a relatively low profile compared to the (predominantly full-time) 16-18 year old students at their colleges. This could change if greater numbers of full-time HE students enrol at FE colleges for reasons of cost, which in turn might weaken the vocational missions of certain colleges and alter the 16-18 character of others. While FE managers and policy-makers consulted by the present study believe that most of the additional HE students enrolling in FE colleges will be similar to those already there, a possibility of changes remains at some institutions at least. Research questions include:

- If greater numbers of HE students study at FE colleges for reasons of cost, will an increasing proportion follow full-time programmes?

- If there are more full-time HE students at FE colleges, will this have an appreciable effect on the demand for college social, domestic and academic facilities?

- If there are more HE students at FE colleges, will this alter the nature and ethos of the colleges where this change is most pronounced?
5. The extent to which these changes stimulate significant innovation by colleges, for example, through much closer linkages with local employers and new modes of delivery, adapting work-based programmes, apprenticeship agencies and similar models for HE.

As well as lower fees, the Coalition Government wishes to see further education colleges bring greater innovation and adaptability to the delivery of HE (DBIS 2011: 5). In response, FE’s leaders highlight their record of applying those qualities to other challenges and their capacity to act as a ‘dynamic nucleus’ for the future (FE News 2011). Research questions include:

- Will an expanded role for FE colleges in HE result in greater innovation of delivery through more part-time or accelerated programmes, sandwich courses, distance learning, higher level vocational study and the like, as government wishes and the colleges contend?

- Will the need to achieve the lowest fees possible restrict the future development of HE in FE by bearing down on delivery costs at the expense of teaching quality and genuine innovation?

- Will the Coalition Government’s imposition of tighter visa restrictions on international students coming to the UK to pursue lower level courses encourage those FE colleges catering to this market to move up into degrees, as has been the case at Ealing, Hammersmith and West London College which now delivers some 350 MBAs a year (Mackinnon 2012)?

Whether or not FE develops a genuinely new HE offer along the lines outlined above will be influenced by the degree to which this is educationally driven (reflecting College missions to improve learner participation /progression and the local supply of vocational skills) or financially driven (reflecting an imperative to find alternative sources of income in response to flat or declining traditional funding streams).

The present study’s discussions with decision-makers and influencers would suggest that, whatever is said publicly, colleges’ true strategies are evenly balanced between the two at the moment. Of course, educational and financial considerations need not be mutually exclusive: for example, while Ealing, Hammersmith and West London College earned over £5 million from the international market in 2010/11, it has found that drawing in so many committed international students is helping improve the motivation and outlook of its home students (Mackinnon 2012). The
ways in which colleges might develop their HE strategies in response to such a changing environment would form a useful theme for further tracking and research on this strategically important area.

The Role of Further Education Colleges in Delivering Vocational Qualifications

Programmes leading to vocational qualifications at Levels 2 and 3 form the central part of FE colleges’ curriculum offer for both 16-18 and 19+ learners. This provision plays a crucial role within the national system, with for example:

- 36 per cent of all vocational qualifications being awarded through FE colleges
- 40 per cent of all 16-18 year olds being enrolled at an FE college (while a proportion of these are studying A levels and GCSEs or on Level 1 courses, the majority are following Level 2 and 3 vocational programmes) (AoC 2011a: 4,6).

Because the traditional UK apprenticeship system, together with its associated arrangements for ‘day release’ study at a local college, virtually collapsed in the 1970s and 1980s, full-time vocational courses at FE colleges and schools were developed and expanded as part of attempts to fill the gap (West and Steedman, in Machin and Vignoles 2006: 11). While colleges are now rebuilding their involvement in apprenticeships in response to the promotion of a reinvented apprenticeship system by New Labour and the Coalition, most vocational provision in FE remains college (rather than employer) based, with only 6 per cent of 16-18 year olds in FE on apprenticeships in 2010/11 (AoC 2011a: 2). Despite their scale and dominance of the market, these college-based vocational programmes have faced a number of difficulties and been subject to criticism for some years.

The main charges against the system of vocational courses and qualifications that developed in the wake of the collapse of traditional apprenticeships are that it is

- complex
- offers only limited work-based experience
- has undergone frequent changes,

leaving students and parents ‘confused about the content and economic value of different vocational qualifications’ and employers ‘not even sure what a person has
learned as a result of taking a particular vocational qualification’ (Machin and Vignoles 2006: 9-14).

Moreover, failed attempts to achieve ‘parity of esteem’ with academic qualifications have made matters worse by triggering a series of further reforms that undermined the stability and public recognition of many of the newer vocational courses and qualifications. However, Machin and Vignoles’ most telling criticism is that many of the newer vocational qualifications have ‘minimal economic value in the labour market’, with those at level 2 actually creating a negative impact on individuals’ wages in many sectors of work, suggesting ‘a negative signalling effect from taking these low level qualifications, i.e. employers perceive that individuals who take these vocational qualifications to be of low ability and actually prefer individuals with no qualifications at all’ (pages 11-12). They make clear, however, that the new apprenticeships at level 3 and many older vocational qualifications do have substantial labour market value.

While concerns about the relevance and value of certain college-based vocational courses have existed for years, they appeared to intensify and gain greater leverage with Professor Alison Wolf’s review of vocational education (Wolf 2011) and the endorsement of her report by the Secretary of State for Education (Department for Education 2011). From its positive formal response and the follow on policy announcements made to date, it appears that the government will be implementing most of Wolf’s recommendations.

Coverage of the Wolf Report and the government’s response to it gave a high profile to criticisms of vocational education. Broadsheet headlines at the time of the report’s publication included ‘Vocational courses waste of time, says government adviser’, ‘Our mad system – education for unemployment’, and ‘Vocational education not good enough, says Wolf report’ (Guardian 2011; Times 2011; BBC 2011) with The Guardian describing how ‘up to 400,000 teenagers are wasting their time on publicly-funded college courses that do not lead to a job or further training’ and the BBC reporting that students are ‘steered into notching up strings of qualifications which may not help them in to work or higher education’.

Given that college-based vocational courses play such a major part of FE’s curriculum offer, these high profile criticisms of the relevance and quality of English vocational education could be regarded as a significant risk to the future position of the FE sector as a publicly-funded provider of skills. That threat appeared to be
reinforced by the government response to Wolf, which focused on policies designed to reassert core academic subjects at A level and GCSE, a continuing political drive to aggressively grow apprenticeships, and a further opening up of publicly-funded skills budgets to private training providers alongside FE colleges (DfE 2011).

Thus a potential outcome from the above developments might be a contraction of non-apprenticeship vocational programmes at FE colleges over the next few years. However, while the full impact of the relevant policy and reputational responses to Wolf have yet to work through, views from the Sector canvassed by this study consider such a scenario increasingly unlikely.

There are several reasons for this conclusion, but the most significant lies with Alison Wolf’s report itself. While much of the initial media coverage gave the impression of a blanket dismissal of all non-apprenticeship vocational education, in fact the report concentrates its criticisms on low level vocational courses rather than those at level 3 and above. Thus the report argues that level 1 and 2 vocational qualifications:

- Are not valued by employers.

- Often fail to develop the core skills that employers do require, like GCSE maths and English at A*-C.

- Encourage young people to commit to a particular business sector prematurely, when employers give priority to generic rather than sector-specific skills at this level.

In support of these conclusions the report cites evidence that:

- Young people tend to change jobs, occupations and business sectors frequently in their early years of employment, so early vocational specialisation does them a disservice (and is out of line with what happens in other developed economies) – when ‘14-19 education should equip young people to follow different routes successfully, and not operate as a tracking system’ (Wolf 2011: 69).

- ‘many English low level vocational courses currently have little to no apparent labour market value’ in relation to qualifications at level 2 and below, and even have a negative return for males ‘who obtain them in college or on public training schemes’ (pgs 31-32).

- More should be done to achieve GCSE A*-Cs in English and maths, plus greater work experience (pg 14).
Indeed, in many respects the Wolf Report is supportive of FE colleges’ role within vocational education. Thus Wolf is generally positive about the broader vocational qualifications at level 3, like BTEC Diplomas, which form such a central part of colleges’ curriculum offer and acknowledges that these programmes act as a successful route into higher education courses for over 11 per cent of the cohort (pgs 49-51).

In addition the report recommends that the power of colleges to recruit 14-16 year olds directly should be made more explicit (pg16) and, on apprenticeships, favours the idea that employers should work directly with colleges providing the associated general and technical education, without recourse to an intermediary in the form of a training provider (pgs79-80). It is worth noting too that a significant element of the report’s criticism of the current state of affairs is directed at schools rather than FE and the way in which the system of GCSE equivalencies has encouraged them to use level 2 vocational qualifications at 14-16 to enhance their position in league tables to the detriment of their learners (pg48).

Another important set of reasons why college-based vocational courses are likely to remain an important feature of the educational landscape has to do with numbers of learners and places. The continuing decline of the 16-18 cohort until 2017/18 and replacement of the Educational Maintenance Allowance with less generous learner financial support are likely to reduce the demand for FE places to some extent. But this will be offset by historically high levels of youth unemployment and the raising of the participation age to 18 by stages in 2013 and 2015, which should serve to expand the role of FE. Furthermore, after 2017/18 there will be an upturn in the 16-18 population, so that by around 2024 total numbers will exceed the cohort’s recent peak in 2008/09.

In light of this continuing overall demand at 16-18 in the medium term, A levels and apprenticeships cannot be expanded sufficiently to compensate for any major reduction in the volumes of FE-delivered vocational programmes. In the case of A levels, this is because they already account for around 39 percent of the cohort (Wolf 2011: 51) and, in the view of principals consulted for this study, current entry requirements cannot be relaxed to any significant extent without risking falls in success rates and adverse judgements by OfSTED.

In the case of apprenticeships, although they have expanded significantly in recent years, this has been principally among adults because of employer resistance to
taking on 16-18 year olds, leading Wolf to conclude ‘It is extremely unlikely that, under the current model of provision, apprenticeship for 16-18 year olds will expand much, let alone meet the demand generated by the virtual disappearance of the traditional youth labour market and the raising of the compulsory participation age’ (2011: 79). Despite strong government support for apprenticeship expansion, the unwillingness of employers to participate in sufficient numbers has acted as a brake on the growth of apprenticeships in the past and seems likely to continue to moderate their rate of increase.

Thus, although the headlines from the coverage of Wolf signal strong criticisms of non-apprenticeship vocational programmes, the report itself and the likely government implementational response is rather more nuanced. It recognises that a significant amount of this provision does in fact meet learner and employer needs, particularly at level 3 and when taking generic rather occupation-specific skills into account.

Therefore the general FE sector view is positive about the future of college level 3 vocational courses, provided they are developed to reflect the general thrust of the Wolf recommendations. At level 2 a more fundamental change will be necessary of course, with programmes modified to incorporate greater emphasis on obtaining A*-C in GCSE core subjects, but given schools’ past difficulties in achieving this for a substantial proportion of the cohort through conventional approaches at Key Stage 4, it would appear that there is an important role for the colleges here too.

Nevertheless, from the strategy statements of the AoC and 157 Group it is clear that FE Colleges will put increasing emphasis on growing the volume and quality of their apprenticeship offers, given the strong government incentives for apprenticeship growth and the associated policy signals (157 Group 2010, AoC 2010). Colleges will also want to further improve links with local employers to strengthen the relevance of their college-based vocational courses and to help them develop their role as sponsors for Studio Schools, University Technical Colleges and similar vocational initiatives.

Given the scale of the colleges’ role in vocational education, even relatively small shifts in the nature and balance of their provision would have significant impacts on the vocational education and training system as a whole. For that reason it is important that the research community continues to track and investigate potential changes as the Wolf-related reforms are implemented.
The Future Financial Sustainability of the Further Education Sector

The third theme of the paper concerns the financial health of the FE sector itself and the extent to which this may impact on its future capacity to contribute to the post-16 education and skills system. Given the scale of the FE sector this is potentially a very serious matter.

As has been noted, historically the FE sector has not been well funded in comparison with universities and schools and has had to operate on tight margins. Thus in 1994, a year after the creation of independently incorporated colleges, some 30 per cent were classed as financially vulnerable or weak. That said, from the late 1990s until recently the financial trends for the FE sector onwards have been broadly positive. Funding council assessments of FE colleges’ financial health show a steady improvement over the lifetime of the Labour Government, with the percentage classified as financially vulnerable or weak falling from a peak of 57 in 1997 to 22 in 2008 (FE News 2010a: 2; KPMG 2010: 5-10). The key factors behind these positive trends are considered below.

Many interviewees pointed to the beneficial effects of the incorporation of FE colleges as stand-alone institutions under the 1992 Further and Higher Education Act, which removed them from the restrictions of local authority control and initiated a migration to national funding rates that were more transparent and equitable than the previous local arrangements. Despite this, funding remained constrained through most of the 1990s and in every year since 1992 a minority of FE colleges has experienced financial difficulties. The relevant funding agencies’ established response to such problems was to promote merger with financially stronger colleges, utilising varying packages of monetary incentives, advice and more prescriptive interventions. The impact of these policies has been to reduce through mergers the total number of FE colleges in England from 492 at incorporation to 346 now, an average of eight mergers per year. While strategic and educational factors were present in a number of cases, the majority of college mergers have been financially driven (KPMG 2010: 12, AoC 2011a: 1).

In seeking to explain the gradual strengthening of college finances up to 2008, the respondents to this study cite a range of factors. These include marked improvements in the quality of college management post-incorporation and the benefits of rationalisations and restructuring in delivering efficiencies and economies
of scale. However they reference in particular the significant increases in government-backed funding streams and capital grants during the 2000s, plus growing learner numbers, especially among 16-19 full-time students.

However, a major review of the sector’s finances, ‘Delivering Value for Money through Infrastructural Change’, undertaken in 2009 by the accountants and educational consultants KPMG for the Learning and Skills Council (LSC), concluded that ‘the financial health of FE sector is in general deteriorating rapidly, and requires urgent action’ (KPMG 2010: 16). The review predicted a sharp deterioration in FE’s financial position over the following three years, from 22 per cent of colleges in financial difficulty in 2008/9 to 44 per cent (FE News 2010: 2). The main thrust of this analysis was accepted by the LSC’s successor body, the Skills Funding Agency (SFA) which held meetings with each FE college corporation in the autumn/winter of 2010 to urge governors to take early radical steps to avert a financial crisis, as documented by college corporation minutes (see for example, Bury and Croydon Colleges’ minutes 2010).

Among the factors influencing this bleak prognosis in the report were:

- Average reductions for 2010/11 of 16 per cent in adult learner budgets, which had already been rendered far more volatile by changes to the relevant funding methodology and greater competition from private providers.

- Other significant funding reductions as part of the wider programme of public spending cuts following the international credit crisis.

- Major costs arising from the LSC’s capital programme (which required colleges to maximise their borrowings) and the programme’s subsequent collapse (which led to a net write off of £171 million in college accounts for 2008/9).

- Higher costs for colleges arising from the increase in VAT to 20 per cent from January 2010, greater pension charges, and rising general price inflation.

Despite these recent pessimistic assessments, work undertaken for this paper indicates that the financial health of the FE sector (and thus its future capacity to contribute to the learning and skills system) may not be greatly impaired if FE colleges continue to make the progress they appear to have achieved over the past 12 months. In particular:
• Respondents, commentaries and publications generally support this more positive outlook (although a minority are less optimistic).

• College financial forecasts from mid-year 2011 would seem to confirm a stronger position: 56 per cent are rated as good or outstanding, while only 7 per cent are rated as inadequate (SFA 2011). Even allowing for a long-standing element of institutional bias towards the positive, this is an encouraging outlook.

Why should the financial outlook for FE colleges appear significantly better than officially predicted? The likely reasons would include the following:

• Most colleges appear to have heeded the SFA’s warnings and taken urgent action to bring down their costs through restructuring and redundancies (as evidenced by this study’s review of a sample of corporation minutes and trade union feedback, see UCU 2011).

• Staff paybills, which account for some two thirds of college costs (KPMG 2010: 6) are being contained because of the relatively weak bargaining position of FE staff in the current labour market alongside improvements to working practices and productivity.

• The financial implications of the collapse of the LSC’s capital programme were severe in 2008/9, but are diminishing over subsequent years.

• While adult budgets were cut sharply in 2010/11, the reductions for subsequent years are much less severe.

• The interaction between learner numbers and funding rates, which means that any sharper than anticipated decline in volumes of learners usually eases downward pressure on funding rates to some extent (unless of course the funding in question is clawed back by HM Treasury).

• Forward funding for colleges’ 16-18 year old learners is now generally flat, but as this follows a prolonged period of sustained increases it should prove easier to absorb cost inflation here. As 16-18s are usually on full-time programmes and account for the biggest share of college income, the impact of this factor on the overall financial position will be considerable (YPLA 2011).

• From mid 2009 until late 2011, ministerial concerns about the desirability of college mergers (under both Labour and Coalition Governments) served to constrain the number implemented. While research evidence indicates that not all mergers deliver the savings anticipated (DBIS 2009b: 14) it seems reasonable to conclude that delaying or stopping locally-initiated mergers in this way reduced the capacity of a number of colleges to make significant cost savings through economies of scale or the rationalisation of provision. Now the Education Act 2011 has now streamlined the merger
approvals process, corporation clerks and other consultees believe this is likely to lead to an increase in colleges using mergers to help them realise savings (see Eversheds 2011: 2).

- The reduction in regulatory requirements and controls introduced by the 2011 Act may also bring down compliance and bureaucratic costs for colleges. The National Audit Office put the total cost to the further education sector of dealing with the government’s funding, qualifications and assurance system at around £250-£300 million a year and suggested that early annual savings in the order of £60-£70 million should be possible (NAO 2011: 7). However the same report (pg 8) made clear that such an outcome is far from certain as the improvements being pursued still ‘fall short of an integrated approach’ and ‘need a detailed design of the final system supported by a clear migration plan’. In light of these remaining concerns the issue would benefit from continuing examination by researchers.

- Some attempts have begun to exploit alumni and foundation funding support for FE, although its proponents acknowledge that this will be of marginal consequence in its early years (Giving to Colleges 2012).

- The major changes to HE financing/delivery and the further growth of apprenticeships offer FE significant opportunities to grow new funding streams to help offset those that are static or in decline.

- From 2013 colleges will be free to recruit full-time students aged 14 -16, which many general FE colleges will use to help expand their vocational learner numbers and income (DfE 2012: 27).

However, as noted, there is a counter view to that broadly optimistic outlook. This more pessimistic assessment is made by a minority of respondents and cites:

- The institutional bias towards the positive in FE college financial forecasts.

- A 2011 survey by Capita indicating concerns among a (relatively small) sample of senior managers about college finances over the short to medium term (Capita 2011: 1).

- The likelihood that some of the solutions being promoted by government, like shared ‘back office’ services for example, will struggle to deliver a significant contribution, if informal feedback from the current AoC partnered pilot projects are a guide.

- Increased vulnerability of some of the smaller Sixth Form Colleges (FE colleges that specialise in A levels for 16-18s) to competition from the growing number of school sixth forms being established in local authority maintained schools, general academies, 16-19 academies and free schools.
(while general FE colleges are not immune to such pressures, most are shielded by their wider curriculum offer and more vocational focus).

- A reduced capacity for the funding agencies to intervene in cases where colleges approach insolvency, given significant changes to their remits and staffing resources.

But the pessimistic assessment gives most weight to the likely impact of the Government’s plans to move, from 2013/14 onwards, to a loans-only system of support (similar to that in HE) for FE learners aged 24 and above at Level 3, as set out in BIS’s ‘Skills for Sustainable Growth’ Strategy (DBIS 2012b: 9-11). The pessimists believe this will seriously dampen demand from adults for FE courses and therefore damage the financial position of those colleges with significant provision for adults. There will be an important role for research in modelling and assessing the impact of these changes on learner demand in order to inform appropriate educational and financial responses.

Whether the optimistic or pessimistic scenario proves the more accurate, some aspects of colleges’ financial future are clear. Like most public services, the FE sector faces significant financial challenges over the next three years and beyond as it seeks to grow and secure new income streams, while tackling a range of cost pressures through improved productivity, procurement and financial management. The cumulative effect of the second and third years may well draw out more financial difficulties than the sector currently anticipates. And while there are indications that its influence and public profile are strengthening, FE still remains relatively weak in terms of political leverage, putting it at a disadvantage in any future competition with schools and universities for additional resources.

That said, the general view amongst the sector’s leaders and decision-makers is significantly more optimistic than might be predicted. The factors listed above inform that more positive view, as does an enduring and widespread belief in FE’s capacity to adapt to changing circumstances. As one college principal interviewed for this study put it: ‘FE colleges are resilient – we spot opportunities and exploit them – that’s how we’ve survived up to now, and that’s how we’ll survive in the future’.

**Methodology and Sources**

See *References* section below for sources in relation to:
• A review of the literature, including policy documents from
government, funding agencies, representative bodies and lobbying
groups; research reports from consultancies, representative bodies
and academics; news coverage by specialist media; plus college
corporation minutes/papers.

• Additional contributions/commentary via professional/specialist
networks and meetings (e.g. FE specialist groupings on Linked-In;
the Institute of Education’s post 14 network research seminar
series).

See separate Consultees section below in relation to:

• Contributions from a panel of 19 interviewees drawn from a cross
section of FE strategic decision-makers, influencers and
practitioners – for example, college chairs of governors/ principals;
independent clerk to FE corporations; funding agency senior
managers; specialist consultants and commentators. While panel
members generously contributed information, views and advice
through interviews, email exchanges and comments on drafts, the
conclusions reached in this paper, together with any inaccuracies or
omissions, remain the sole responsibility of the author.

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**Consultees**

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