

National Audit Office value-for-money study: Managing colleges' financial sustainability

Response of the Association of School and College Leaders

A. Introduction

1. The Association of School and College Leaders (ASCL) represents over 19,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary and further education and skills phases. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
2. ASCL welcomes the opportunity to contribute to this study. We understand that the National Audit Office (NAO) is seeking views on whether the financial position of the college sector has improved since this was reported on in 2015; on how effective oversight and intervention arrangements have been; and on the DfE's strategy for the long-term sustainability of the sector.
3. A number of our members have been personally affected by the intervention strategy, implemented in 2015 with the introduction of Area Reviews and again in 2019 with the implementation of the intervention regime. We are aware of a significant number of college leaders whose careers have ended abruptly as a direct result of intervention by the regulators within the framework of these policies.
4. While we understand that it is inevitable that a few of the financially weakest colleges are forced to merge, the reduction in the overall number of colleges in the Further Education and Skills sector by 26% between 2015 and 2019 (with only a 7.5% reduction in college debt)¹ has, in our view, been brutal. This has led, in some cases, to tragic personal consequences for the leaders concerned.
5. This situation is set against a significant reduction in funding for adult learning, and major changes in apprenticeship funding and funding for 16-18s which has failed to keep pace with inflation. These funding reductions have occurred alongside birth rate changes which have significantly reduced the number of young people in Post-16 education – a situation which is only now beginning to change.

¹ Figures from the end of programme report of the Area Reviews.

C. Answers to specific questions

Question 1: What are the main factors which have affected colleges' financial health in the last five years?

6. The relevant factors include:
 - historical factors, including the need to borrow to invest in college estate;
 - funding changes, especially for adult learning and skills, as mentioned above;
 - changes brought about by the introduction of delegation of funding to, and differing priorities of, bodies such as LEPs, Combined Authorities, Local Authorities and Skills Panels;
 - funding changes in apprenticeships, including the introduction of levy funding and restrictions on eligibility regarding the apprenticeship provider register;
 - funding colleges in a provider market;
 - the introduction of, and recent changes to, subcontracting rules;
 - the competitive environment created by both policy changes and the demographic downturn having implications for schools and HE, as well as FE;
 - regulating colleges' HE as if they were universities;
 - short-term funding decisions by government, including both annual funding settlements, capital and support for workforce pensions;
 - the implementation of the support and intervention regime, which is not a supportive process and has meant about a third of colleges are in early or formal intervention;
 - the need for sufficient budget to secure employer and individual college investment;
 - rising pay costs in order to attract skilled staff and employer pension contributions, which are funded only on an annual basis.
7. This is not an exhaustive list. Individual college locations have other specific local challenges, such as competition and the impact of business closure, all of which impact on the funding available to colleges.

Question 2: What has been the impact of these factors on:

i. the quality of provision

8. Colleges have less funding, including less capital, to spend on improvements and innovations.
9. Perhaps surprisingly, given the financial challenges they face, the quality in colleges overall has improved. The most recent Ofsted annual report states that over three quarters of colleges have good or better quality, and that this is improving. In addition, achievement and success rates, although variable year on year, are also improving.

10. This shows that college leaders are committed to improving the quality of learning and the learning environment, despite funding challenges and the consequential stress on leaders.
- ii. **the ability of colleges to help deliver initiatives such as changes to apprenticeship provision, the requirement for English and maths tuition and T Levels?**
11. College leaders and their boards are clearly committed to supporting the growth of apprenticeships and to improving the life chances of their learners by supporting them to achieve at least a pass grade in maths and English GCSEs, even though many of those learners have had to resit these qualifications several times since leaving school. The changes in these qualifications and the funding rules associated with their delivery have been challenging within a background of less funding and more cost. For example, the resit policy for English and maths GCSEs, with its conditions of funding rules, arguably wastes resources which could be better deployed on the resit programmes themselves.
12. The introduction of T Level qualifications has generally been embraced by colleges, although some are finding the cost of introducing these new qualifications a challenge, amid uncertainty from learners as to their value.
13. There is also uncertainty and anxiety about the continuing funding of other vocational qualifications which are currently available to those learners who do not meet the entry criteria for T levels.

Question 3: Are the roles and responsibilities of oversight bodies clear?

14. The roles and responsibilities of oversight bodies are clear.
15. What is not clear is the long-term effectiveness of the approaches used by the ESFA, which are based on a risk-based, rather than a personal or practical, approach. In addition, the methods used by the FE Commissioner, focusing on merger of weaker colleges, removing the Principal and/or Chair of Governors as a matter of course, and publishing reports which those individuals have little opportunity to check or challenge, are questionable.

Question 4: How effective is monitoring and intervention by the ESFA and the FE Commissioner (both individually and when they work together)?

16. The list of colleges still under intervention since 2013 suggests that monitoring and intervention are not necessarily working in the way colleges and their leaders would expect or hope. If the benchmark for 'effectiveness' is the reduction in colleges with weak finances or the reduction in college debt, then the increase in mergers may suggest that monitoring and intervention are partly effective.
17. However, this process essentially just takes out of the system the salaries of the leaders of the weaker colleges, and in some cases raises revenue by selling off college estate. It does not appear to differentiate between good or poor leadership, or bring a long-term improvement to FE and post-16 colleges and their communities.
18. In terms of working together, we have no evidence to suggest the outcome is more effective when the ESFA and FEC work together. However our members, who have experienced both processes, suggest that the process of assessing risk moves into a

process of intervention with an inevitable and fairly quick regularity, with few examples of either the ESFA or the FEC supporting colleges or leaders.

Question 5: To what extent did the area reviews take full account of the strategic needs of local areas and the sector as a whole?

19. The Area Reviews took four years and a significant resource (about £450 million according to the end of programme report). This figure does not take account of the considerable extra workload the reviews meant for colleges, Local Authorities and stakeholders.
20. The result from some of the Area Reviews was very little change. This has arguably meant that the funding used to implement the outcomes of the Area Reviews was spent on a smaller number of organisations than may have been helpful at the time. In most cases, schools and private providers were not included, so in this sense the strategic needs of each local area were not taken full account of.
21. The analysis from the Area Review data was useful and could have been used to good effect to make major, positive, changes to develop the post-16 landscape. Instead, colleges were left to consider the LMI provided in isolation. Subsequently individual, rather than collective, decisions have been made about strategic needs of a sub-regional area.

Question 6: Do you consider that the Department for Education has a clear vision for the role that colleges should play in education and skills development?

22. Yes. However, there is currently little evidence that the intentions of government, as outlined during the election period and in the manifesto, will be implemented to ensure that the Further Education and Skills sector becomes world-class.
23. Government needs to take action to regenerate a sector which has a great deal to offer economic growth but which has been badly neglected, using models of regulator intervention which are out-dated and overly costly.

D. Conclusion

24. This response has drawn heavily on feedback from our members and others in the sector. The process of 'support and intervention' has been based on a deficit model of post-16 education, implying that it is poorly led and ineffective compared to other sectors. This has proved extremely painful for the FE sector and its leaders. There is now a sense of fear about support and intervention and the approaches used. This is not helpful to a sector which supports some of our most disadvantaged communities, while simultaneously working with business and higher education to upskill the nation.
25. The way forward is for the government to deliver on its manifesto pledges, provide the additional funding identified by representative groups such as ASCL, and remove the funding barriers created by pension reforms.
26. We hope that this response is of value to your study. ASCL is willing to be further consulted and to assist in any way that it can.

Dr Anne Murdoch
Senior Adviser, College Leadership
Association of School and College Leaders
11 February 2020