SECTOR DEVELOPMENTS…

THE AUTUMN STATEMENT

The new Chancellor of the Exchequer, Philip Hammond, gave his first Autumn Statement to the House of Commons on 23 November. The ‘good news’ for colleges in England is that the departmental spending plans that affect FE in England will remain in place. These plans include the introduction of the apprenticeship levy (scheduled to be introduced in April 2017), and protection for 16-18 provision and the adult education budget (AEB). However, there are caveats to this, which are as follows:

- The Chancellor restated the need for the Department for Education (DfE) to find £3.5 billion in savings by 2019/20. This was the target set in the March budget by Mr Hammond’s predecessor, George Osborne, and over the next 12 months, the Chief Secretary of the Treasury, David Gauke, will be conducting an efficiency review to find identify ways of making these savings.
- Protection for FE related spending is set in cash terms and will not rise with any inflation that may occur over the next 3 years. The Office for Budget Responsibility (OBR) has forecast that, because of the likely effects of Brexit on sterling exchange rates, annual inflation measured in terms of the Consumer Price Index (CPI) will rise to 2.5% by the end of 2018 and possibly higher beyond that by 2020. If the OBR forecast is accurate, FE funding in real terms will fall by an amount equivalent to the cumulative rate of inflation over the period to the end of the Spending review.
- The OBR is also forecasting that the UK economy will be 2.4% smaller in 2020 than it predicted in March. This is in addition to the earlier 1.5% downgrade for 2019/20 in the OBR’s ‘Economic and Fiscal Outlook’ that accompanied the March budget statement. The Chancellor is still planning to deliver a budgetary surplus by 2022, but if the OBR’s projections prove to be accurate, he may consider that it is necessary to impose future spending cuts. In which case, FE may once again be a ‘soft’ target.
- The OBR’s latest ‘Economic and Fiscal Outlook’ published alongside the Autumn Statement, also forecasts lower earnings growth. If this proves to be accurate, the amount of money generated by the apprenticeship levy will be less than the OBR’s original estimate of £3 billion. The latest OBR forecast is that the levy yield will be downgraded to £2.8 billion, which is in addition to the earlier OBR downgrade of £100 million in March this year (meaning that the OBR has now downgraded its own forecasts of the levy yield twice in the period since the levy was announced in July 2015).
- The £3 billion levy pot previously forecast by the OBR was to be split, with £2.5 billion for apprenticeships in England, and the remaining £500 million for apprenticeships in the devolved nations. The Treasury has given guarantees to the devolved nations that their levy funding deal will be maintained. However, no such guarantee has been given by the Treasury in respect of the level of levy funding for apprenticeships in England.

Looking on the bright side, the OBR does not have a particularly good track record in producing accurate forecasts and it is quite possible that these latest OBR forecasts will also prove to be inaccurate. The chair of the OBR, Robert Chote (who previously worked for the International Monetary Fund and the Institute for Fiscal Studies) recently admitted, ‘we often predict inaccurately, but we do so for the right reasons’, whatever this means. For some examples of OBR predictions that subsequently proved to be somewhat wide of the mark, see:

http://www.telegraph.co.uk/business/2016/11/24/four-times-obr-has-wrong/

Other things relating to the Autumn Statement that are relevant to FE include the following:

- Very little detail was given on the proposed devolution of the AEB to English City Regions, but the Chancellor did confirm that the AEB would be devolved to Greater London in 2019/20, subject to ‘readiness conditions’ (although this timescale is later than the other nine City Region deals). The Association of Colleges (AoC) has previously called for the devolution of the AEB to be delayed because of a 'lack of clarity' in the way in which devolution will operate. For example, the Skills Funding Agency (SFA) has 'still not decided how the system will work for providers that operate across regional boundaries'. In response, an SFA spokesperson has said that the agency would shortly be considering 'how funding and commissioning arrangements will operate for colleges and other providers which deliver in multiple areas in 2018/19', but the AoC has apparently not been reassured by this, and says that it 'will continue to press the DfE and the Department for Communities and Local Government (DCLG) to publish a Skills Devolution Green Paper to help 'clarify responsibilities and priorities' and to 'encourage debate about the potential benefits and risks', before devolution is implemented in full.

- It was confirmed that Local Enterprise Partnerships (LEPs) will receive Local Growth Fund (LGF) allocations of £1.8 billion, but no details were given. The UK government had also previously intended to give LEPs a 'direct role' in decision-making over European Social Fund (ESF) spending for skills training'. However, LEPs have now been told that this approach has been deemed to be 'non-compliant with European Structural and Investment Fund Regulations', which state that only the managing authority (the UK government in England's case) can decide this.
- The £23 billion allocated for the National Productivity Investment Fund (NPIF) will almost entirely focussed on HE research and development, rather than supporting the development of skills.
- £200 million has been allocated over the next four years for the expansion of grammar schools in England. In response to this, a spokesperson for the National Association of Head Teachers (NAHT) said that this was 'the wrong priority', and a spokesperson for the Association of School and College Leaders (ASCL), said that the Autumn Statement in general had 'done nothing to address the severe funding pressures that currently exist in schools and colleges'.
- The National Minimum Wage (NMW) for those aged 25 and over will increase from £7.20 an hour to £7.50. For those aged 21-24, the increase is from £6.95 per hour to £7.05. For those aged 18-20, the increase is from £5.55 per hour to £5.60, and for those aged 16 and 17 it will increase from £4.00 per hour to £4.05. The NMW for apprentices increases from £3.40 to £3.50

A copy of the Chancellor's 2016 Autumn Statement can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571559/autumn_statement_2016_web.pdf

And a copy of the OBR's 2016 'Economic and Fiscal Outlook' can be accessed at:

https://www.gov.uk/government/publications/economic-and-fiscal-outlook-november-2016

FIRST POST-16 AREA REVIEW REPORTS PUBLISHED

The DfE has published reports for the post-16 area reviews included in the first two waves. The only missing areas are for London (West) and London (Central), both in wave 2, which the DfE says have been delayed 'to ensure that the recommendations and outcomes of all four London reviews are co-ordinated at the end of wave 3'. Links to all 13 reports published thus far can be accessed at web links below:

Wave 1

https://www.gov.uk/government/publications/birmingham-and-solihull-further-education-area-review-report
https://www.gov.uk/government/publications/greater-manchester-further-education-area-review-report
https://www.gov.uk/government/publications/sheffield-city-region-further-education-area-review-report
https://www.gov.uk/government/publications/solent-further-education-area-review-report
https://www.gov.uk/government/publications/sussex-further-education-area-review-report
https://www.gov.uk/government/publications/tees-valley-further-education-area-review-report
https://www.gov.uk/government/publications/west-yorkshire-further-education-area-review-report

Wave 2

https://www.gov.uk/government/publications/cheshire-and-warrington-further-education-area-review-report

https://www.gov.uk/government/publications/the-marches-and-worcestershire-further-education-area-review-report
https://www.gov.uk/government/publications/stoke-on-trent-and-staffordshire-further-education-area-review-report
https://www.gov.uk/government/publications/surrey-further-education-area-review-report
https://www.gov.uk/government/publications/thames-valley-further-education-area-review-report
https://www.gov.uk/government/publications/west-of-england-further-education-area-review-report

MORE ON THE RESTRUCTURING FACILITY

The DfE has provided details of the size of the Restructuring Facility to assist with the implementation of area review recommendations. This, says the DfE, will be a *maximum* of £726 million (but 'could be less', says). This amount will be spread over the current Spending Review period up to 2020 and will consist largely of loans, rather than grants. The DfE also says that 'every pound will be subject to scrutiny' and that 'funding will only be made available where applications meet realism, affordability and need'. The DfE says that details of all the grants and loans awarded from the restructuring facility will eventually be published.

Within this absolute maximum, £12 million has already been earmarked for 'Transition Grants', which colleges can use to bring in the' external expertise and consultancy' to help 'ensure that providers can access the best change-management skills and have the capacity to make the changes at the pace required'. The grants are currently fixed amounts, and can be either £50,000 or £100,000. One grant is available for each 'significant change' (meaning that colleges could receive more than one grant). The DfE has confirmed that, as at the end of October, 50 transition grants totaling £3.5 million had been awarded. Transition Grants are administered by the Transactions Unit, which is jointly managed by the SFA and EFA. The lead manager for the Transactions Unit is Matthew Atkinson, (not to be confused with Matt Atinson, the former principal of Bath College) who has been seconded from Price Waterhouse Coopers (PwC). When questioned on the potential conflict of interest, a spokesperson for PwC said 'as far as we are aware PwC is not engaged to provide any services funded by transition grants'. The latest guide for making applications for funding from the Restructuring Facility (dated October 2016) can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/561732/Revised_Restructuring_Facility_Guidance_with_links.pdf

THE END OF THE AREA REVIEW PROCESS WILL NOT BE 'THE END OF THE STORY'

The recently published area review reports show that 88 colleges are working towards merger and that 65 say they are planning to remain as standalone institutions, with around 40 others saying that they are still 'considering their positions'. However, the new FE Commissioner for England, Richard Atkins has warned that the end of the area review process will not be 'the end of the story'. This, he says, is because 'continued limited funding' is 'likely to lead to more mergers in the future'. He also said some colleges are 'unlikely to be able to implement what they've agreed to' because of the costs involved, and that 'once the pot of restructuring funding had run out, colleges would be on their own'. Mr Atkins also predicted that 'significant continuing pressures on funding will result in many colleges being forced to specialise to survive'.

The post-16 area review process only covers general further education colleges (GFEs) and Sixth Form colleges (SFCs) in England, but David Hughes, the Chief Executive of the AoC, told members of the House of Commons Education Select Committee, that area reviews of school sixth forms, university technical colleges (UTCs), and free schools provision also 'had to happen'. He argued that this would allow for the scrutiny of small school sixth forms' and would 'save money and provide better options for learners'. He did not call for post-16 area reviews of private training providers, although they also have been excluded from the process. James Kewin, Deputy Chief Executive of the Sixth Form Colleges' Association (SFCA) told select committee members that area reviews should 'undergo a name change', because 'I don't think you can call it an area review of post-16 education and training, if you exclude over a third of the institutions involved in the delivery of post-16 provision. He went on to say that he also thought ministers had ‘ducked the opportunity’ to use area reviews ‘to tackle underperformance in some school and academy sixth forms’.

TOTAL EFA FUNDING FOR THE FE COLLEGE SECTOR IN ENGLAND CONTRACTS

Data published by the Education Funding Agency (EFA) shows that total allocations to the FE college sector in England in 2016/17 fell by £119 million (2.2%) compared with 2015/16. The data also shows that student numbers fell by around 36,000 (2.8%) compared with 2015/16. Within the total funding allocated, 13 GFE colleges saw their 16-19 allocations for 2016/17 reduced by more than 10% and 3 GFE colleges had experienced a reduction of 20%. One SFC had a reduction of 32%. At the other end of the funding spectrum, one GFE college saw its allocation increase by 29%. The EFA data also shows that 26 GFE colleges across England lost a total of £2,842,016 in EFA funding because of ‘non-compliance’ in respect of the mathematics and English ‘condition of funding’ rule. Further details of 2016/17 EFA 16-19 funding allocations to English colleges can be accessed at:

https://www.gov.uk/government/publications/16-to-19-allocation-data-2016-to-2017-academic-year

2015/16 OFSTED ANNUAL REPORT

Ofsted has published its latest annual report. This will be the fifth and final report produced by Ofsted under the leadership of Sir Michael Wilshaw. Key points for the FE sector include the following:

- The proportion of GFEs rated ‘good’ or ‘outstanding’ dropped from 77% in 2014/15 to 71% at the end of 2015/16, and the proportion of GFEs graded ‘inadequate’ almost doubled compared with the previous year. Of the 82 GFEs inspected, most of those previously rated ‘good’ retained their rating following short inspections but, says the report, ‘a large majority of those that were previously rated as requires improvement or inadequate, did not become good’.
- Ongoing reforms, such as the Post-16 Skills Plan, apprenticeship reforms and the area reviews will result in ‘fundamental changes being made to the further education and skills system. The report goes on to say ‘around half the GFEs inspected in 2015/16 ‘had leadership and management that was less than good’ and that this ‘raises questions about whether they are equipped to manage improvement within inevitable financial constraints, and on the scale, that is required’.
- Against this, 82% of private training providers, and 89% of SFCs were rated as ‘good’ or ‘outstanding’ in 2015/16, both up by one percentage point from 2014/15.
- The requirement that students with a Grade D in GCSE English or mathematics retake those qualifications has ‘resulted in an increase of 156% in the number of students studying GCSE English over the last three years’, with ‘many failing to improve their grades’. The report says that ‘While the policy’s intention to improve literacy and numeracy levels is well intentioned, the implementation of the policy is not having the desired impact in practice’. In addition, many colleges have ‘struggled to recruit enough teachers in English or mathematics’.
- It remains ‘unclear whether the GCSE qualification is the best way of ensuring that students have the English and mathematics skills needed for their intended career’. Inspection evidence shows that, ‘for some students, having to retake their GCSE can be demotivating’ and that ‘attendance at these lessons is low’. Also, for many students ‘an alternative level 2 qualification may be a more appropriate means of improving their English and mathematics and ensuring that they are ready for work’.
- In 44% of the GFEs inspected in 2015/166, 44% had their study programmes rated ‘requires improvement’, with 10% deemed ‘inadequate’. The best providers of study programmes, says the report, are ‘those with the largest numbers of A-level students’. This was ‘regardless of whether the provider is a school sixth form, GFE, or SFC’.
- Schools with larger sixth forms are more likely to be ‘good’ or ‘outstanding’ than schools with smaller sixth forms.
- Too many technical and vocational courses inspected ‘were simply not demanding enough’. Common weaknesses found in GFEs included ‘teaching that did not challenge students enough’, ‘low

expectations', 'standards of work that were not high enough', 'attendance at lessons was low, or an ongoing issue' and there was a 'failure to equip many students with the necessary knowledge, skills and attributes to achieve and progress to their full potential'.

- 63% of apprenticeships inspected were found to be 'good' or 'outstanding'. This was an increase of 12% compared with 2014/15, but some 90,000 apprentices were found to be on programmes rated less than 'good'.
- The increase in apprenticeships has 'not focused sufficiently on the sectors with skills shortages'. For example, 'rather than focussing on digital, manufacturing or technical skills shortages', more than two-thirds of the apprenticeships were in 'business, administration and law', 'health, public services and care' and 'retail and commercial enterprises'. Supply does not yet meet demand for high quality apprenticeships at Level 3', with available data showing 'around 9 applicants for every vacancy'.
- While UTCs 'have the potential to bridge the divide between academic and technical study', this is 'yet to be realised'. Inspection outcomes for UTCs 'are uneven'. Out of the 15 inspected to date, 1 was judged 'outstanding', 7 were 'good', 5 'required improvement' and 2 were 'inadequate'. Some UTCs were 'struggling to recruit pupils at age 14' and were 'finding it difficult to appoint teachers with the relevant industry experience'.

Sir Michael could not resist the opportunity to use his speech at the launch of the report to once again criticise the FE sector. He said 'As a nation, we spend £7 billion on the further education sector'. He said that the performance of the FE sector was still a 'concern', and that 'we can no longer afford to accept mediocrity on such a grand scale'. Sir Michael also said that FE providers 'should not be let off the hook' over the 'high number' of students failing to achieve good passes in GCSE English and mathematics re-sits, although he did admit that 'functional skills qualifications could have a role to play as an alternative to GCSEs', particularly for students 'who had achieved an E or F grade first time around'. He went on to accuse GFEs as being 'places that, instead of specialising, are still trying to do far too much', with the result that FE provision was 'falling through too many gaps', and was 'failing too many young people' in the process. A copy of the Ofsted report can be accessed at:

https://www.gov.uk/government/collections/ofsted-annual-report-201516

And a copy of the speech Sir Michael made at the launch of the report can be accessed at:

https://www.gov.uk/government/speeches/the-power-of-education

OFSTED PUBLISHES A REPORT ON THE EFFECTIVENESS OF SCHOOLS IN PREPARING PUPILS FOR WORK

Ofsted has published a report entitled '*Getting Ready for Work',* which says that 68% of 40 schools in England visited by inspectors last year were described as 'good' or 'outstanding' by inspectors for how they promoted apprenticeships. The schools visited included comprehensive, selective, 11-16, 11-18, mixed, and single gender schools, across both urban and rural areas. Although this suggests that many more schools are now more likely to promote apprenticeships than they used to be, the report also says that:

- 'Parents and pupils remain concerned about the quality and reputation of apprenticeships' and that in 'too many schools, students' knowledge of apprenticeships is poor to non-existent'.
- In many schools, there was a tendency to 'prioritise university applications over apprenticeships'.
- There was evidence of 'divergent practice', with some schools encouraging all pupils to consider vocational courses' while others just 'steered lower-ability pupils towards them'. In 'too many' schools, technical and vocational education is associated with lower-attaining pupils', or those with 'challenging behaviour'.
- Schools did not have a 'close enough relationship with local businesses'.
- Many schools still did not have a careers adviser, or even a point of contact for pupils to access careers advice.
- The government should do more to encourage enterprise education in schools 'including the promotion

of economic and business understanding and financial capability' among pupils.

- There should be an inspection judgement included in reports on 'not only on how well schools prepare pupils for employment, but also for self-employment'.

The report concludes that a 'lack of an overarching government strategy' means that 'a generation is leaving school unready for work'. Recommendations made in the report will also impact on FE colleges since they now share the same Common Inspection Framework (CIF). A copy of the Ofsted report can be accessed at:

https://www.gov.uk/government/publications/enterprise-education-how-secondary-schools-prepare-young-people-for-work

ANOTHER UNIVERSITY TECHNICAL COLLEGE (UTC) IS TO CLOSE

The UTC for New Technologies based in Daventry is to close on 31 August 2017. The reason cited for the closure was once again low student numbers. The UTC is currently running at 25% capacity, and last year and had just 151 students enrolled despite a capacity of 600. Daventry UTC was also the first UTC to be served with an EFA financial improvement notice.

HALF OF THE TOTAL APPRENTICESHIP LEVY WILL BE PAID BY 'JUST 400 EMPLOYERS'

Speaking at the recent AoC annual conference, Keith Smith, the Director of Funding and Programmes at the Skills Funding Agency (SFA), said that 'while 20,000 employers were expected to fall within the scope of the levy when it launches in April 2017, just 400 larger employers (2% of those in scope) will contribute about half of the entire levy'. He said that currently, 'more than half of these 400 employers have fewer than 200 apprentices', and that 'some have none', but that despite this some of the bigger employers would be 'paying over £30 million a year'. When asked who these employers were, he replied that it was 'not as simple and straightforward as being able to just publish a list of the names of those firms that would bear the brunt'. Data published by the DfE in August confirmed that there will be 19,150 employers in scope of the levy in 2017/18 (equivalent to 1.3% of all businesses), but makes no mention of the 400 larger companies that Mr Smith said would pay half of the levy. The DfE data can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545145/Apprenticeships_-expected_levy_and_total_spend_-_Aug_2016.pdf

PROVIDERS FAIL TO FOLLOW SFA RULES FOR APPLYING FOR INCLUSION ON THE NEW RATP

Providers wanting to deliver apprenticeship starts after 1 May 2017, must be included on the new Register of Apprenticeship Training Providers (RATP). In earlier SFA guidance on this, providers were told that they could apply for inclusion on the RATP under *only one* of three routes available. These are the:

- 'Main route': This is for all colleges and independent training providers that want to deliver apprenticeship training to levy-paying employers, either directly or as a sub-contractor.
- 'Supporting route': This route is for providers that *only* want to deliver apprenticeship training as a subcontractor.
- 'Employer-provider route': This route is specifically for employers that *only* want to offer apprenticeship training for their own employees.

It seems that despite instructions that were unusually clear (for the SFA, that is), many providers submitted applications to deliver apprenticeship training through more than one route. Those that did so have now been told by the SFA that they must decide which one is their preferred route and withdraw their other applications before they can be considered for inclusion on the RATP. The SFA has also reminded providers wanting to deliver apprenticeship training to smaller, non-levy paying employers, that they need to submit a 'main route' application alongside a tender for funding, and that failure to do so will mean the SFA will be unable to process their application.

The RATP closed for applications at 5.00 pm on 25 November, and it has subsequently emerged that:

- Total applications for inclusion on the RATP through all routes were 2,327. Of these:
- 1,753 applications were made through the 'main route'
- 336 applications were made via the 'supporting route'
- 238 applications were made via the 'employer-provider route'

Of those providers that applied through the 'main route', 1,310 (75%) also tendered for funding to deliver training to smaller, non-levy paying employers. This means that around a quarter of all providers have declined to apply for funding to deliver apprenticeships to companies that are not subject to the apprenticeship levy, even though these firms make up overwhelming majority of businesses in England.

In addition to the RATP, there are currently 798 'prime' apprenticeship providers on the *existing* Register of Training Organisations (ROTO), and a further 3,815 providers that are apprenticeship training subcontractors. The SFA says that the RATP and the ROTO will 'complement each other', although the protocols for achieving this are not at present entirely clear. More details on the RATP can be accessed at:

https://www.gov.uk/government/collections/register-of-apprenticeship-training-providers

PAC SAYS THAT A 'MUCH BROADER RANGE OF SUCCESS MEASURES IS NEEDED FOR APPRENTICESHIPS'

The Public Accounts Committee (PAC) has now published its report on the new apprenticeship levy and other reforms scheduled to be introduced next April. In the report, the PAC suggests that the government appears to be 'only interested in achieving its target of 3 million apprenticeship starts by 2020', thereby putting 'quantity ahead of quality', and calls for new success measures to be introduced, for example:

- The level of learner progression to higher apprenticeships.
- The extent to which successful apprentices benefit from increased earnings.
- Whether apprenticeships are delivering improved access for under-represented groups.
- The extent to which apprenticeship programmes are addressing the skills needs of employers.

The PAC report goes on to say that although the DfE has 'good data on which apprenticeships provide the greatest return on investment', it is 'unclear how the programme will address the needs of emerging industries and skills shortages in major programmes, such as HS2'. The report also calls on DfE to clarify 'who is responsible for the success of the programme, who has the power to intervene when value is not being delivered, and who takes the lead if the programme is not working as planned'. Addressing the potential for fraud, the report says that the DfE needs to 'identify the full range of risks associated with potential abuse of the system', adding that there should be more clarity about 'who is responsible for managing the risks, detecting problems as they arise, and taking action quickly should concerns emerge'. The PAC's concerns come after the National Audit Office (NAO) warned in September that the DfE appeared to have 'no contingency plan if funding reforms do not work out as planned' and that the apprenticeship funding reform programme 'risked repeating fraud that plagued earlier initiatives such as Individual Learning Accounts (ILAs)'. A copy of the PAC report can be accessed at:

http://www.publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/709/70902.htm

And a copy of the earlier NAO report can be accessed at:

https://www.nao.org.uk/report/delivery-value-through-the-apprenticeships-programme/

THE USE OF PUBLIC FUNDS TO PAY BROKERS' FEES IS TO BE BANNED

'Prime' providers (i.e. those with a direct SFA or EFA contract to deliver training), sometimes find that they do not have the capacity to deliver all or part of their contract themselves. To avoid having funding 'clawed back' by funding agencies and the likelihood of being given a smaller contract in subsequent years, prime providers will sometimes pay other training organisations (usually independent training providers) to deliver the provision on their behalf. This is referred to as 'subcontracting'. Over recent years, brokerage firms have sprung up to take advantage of opportunities for making money by charging fees for matching subcontractors with ‘prime’ providers. Brokers will typically charge subcontractors (that may have been unable to secure a direct SFA or EFA contract themselves) commission of up to 5% of the sums paid by the prime provider to the subcontractor. These brokerage fees can sometimes run into many millions of pounds. Brokers justify their fees by saying that, in addition to matching prime providers with subcontractors, they will also carry out due diligence and other checks on subcontractors on behalf of prime providers, in advance of any contract for delivery with a subcontractor being signed.

However, the payment of brokerage fees has been the subject of considerable concern, and have been criticised by politicians as a ‘waste of public money’ primarily provided to pay for the delivery of training. Because of this, the SFA now says that from 1 May 2017, no public money can be used to pay brokers’ fees, and action will be taken against those found to have broken these rules. In other words the charging and payment of brokerage fees has been banned, Although there is no specific reference to this in the recently published ‘Draft Apprenticeship Funding Rules for Training Providers’, section 67.11 of the rules state that *‘Funds in an employer’s digital account or government-employer co-investment cannot be used for specific services not related to the delivery and administration of the apprenticeship; including company induction, bespoke or additional training or assessment not needed to meet the apprenticeship requirements’*. Further details of the funding rules, which are applicable from next May, can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562444/Apprenticeship_funding_rules_May_2017_to_March_2018_Provider_Final.pdf

SUB-CONTRACTING IS ALSO UNDER PRESSURE

Brokers are not the only organisations that take a cut of the public money provided for training. Prime providers also often retain significant amounts of the cash from subcontractors in ‘administrative fees’ or for ‘management charges’. This is colloquially known as ‘top slicing’. However, this practice is also under increasing levels of scrutiny, including from the NAO and the PAC and, although the practice has not yet been banned, the SFA has made it clear that ‘subcontracting should not be used by prime providers to meet short term funding objectives’. One of the largest SFA contractors in England is Learndirect (a wholly owned subsidiary of Ufl Ltd, which is wholly owned by the private equity firm Lloyds Development Capital Ltd, which in turn is part of the Lloyds Banking Group). In 2015/16, Learndirect charged its 64 subcontractors, management fees totalling £19,831,208. This was around 36% of the £55,321,135 it received from the SFA, (and was roughly the same proportion as in 2014/15, when the firm charged and retained from subcontractors £24,222,618 of the £68,133,913 it received from the SFA).

In August 2013, providers were required by the SFA to publish the fees they charged subcontractors, with a sanction that funding would be withheld if providers failed to do so. However, it seems that the threat has never been carried out and has therefore been ignored by many providers. The SFA has now given firmer instructions to providers in respect of subcontracting. These include such things as: ‘You must tell us the actual level of funding paid and retained for each of your subcontractors in 2016/2017’. ‘You must email this information to your central delivery service adviser using a template we will supply to you’. Full details of these more rigorous requirements, and the sanctions for non-compliance, can be accessed in sections A46 through to A47 of the SFA ‘Common and Performance Management Funding Rules’ at the link below:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/533870/SFA_common_and_performance_management_funding_rules_2016_to_2017_V3.pdf

CONCERNS AT ‘LACK OF TRANSPARENCY’ IN THE WAY PUBLIC FUNDS ALLOCATED LEPS ARE BEING DISBURSED

LEPs already control £7.3 billion of capital and revenue funding, and the recent Autumn Statement confirmed government plans to devolve a further £1.8 billion to the LEPs in respect of the ‘Local Growth Fund’. However, an investigation carried out by the Daily Mail alleges that, across the whole of England, and on at least 276 occasions, at least £100 millions of LEP funding has been used to make payments of between £1 million and £13,000 to LEP board members themselves, or to their own companies, or to projects they stand to benefit from. Examples of this given by the Mail include the following:

- A board member received a £1million LEP grant to support his own call centre.
- A board member (who is also a multi-millionaire banker) received payments of £13,000 for LEP board events held at his family's Norman castle.
- A board member's multi-millionaire business partner received a £40,000 LEP grant to renovate a luxury barn on his estate that they both used as their offices.
- A £60,000 LEP grant intended for local companies was awarded to a chemical company based in Saudi Arabia after its UK boss joined the LEP board.

The Mail says that government rules on whether the LEP boards members can award the money to themselves, or the businesses or projects they are involved with, are 'unclear', and that many LEP board members appeared to be 'unaware that taxpayers' money must be accounted for'. The Mail also alleges that in many cases, LEPs have 'refused to explain payments', or have 'been unable to provide any records of how decisions involving expenditure tens of millions of pounds of public money were made'. The Mail says that it took months of Freedom of Information (FOI) requests to establish where the £7.3billion had gone, and that 'at least £3.7billion' was 'unaccounted for publicly'. The Mail also says that around £500,000 worth of grants were labelled as 'miscellaneous', or 'redacted' altogether in accounts provided.

Commenting on the allegations, Meg Hillier MP, the Chair of the PAC, said the matter was 'of deep concern'. And a government spokesperson said that it was vital that LEPs demonstrate 'transparency in the way taxpayers' money is spent'. In response, a spokesperson for the LEP Network Board, said that LEPs 'continuously seek ways to improve transparency' and that 'all LEPs take any allegations of improper conduct extremely seriously'. However, the spokesperson also said that it was 'not the role of the LEP Network to monitor how LEPs allocate grant funding or assess conflicts of interest'. This was 'because the government had vested this role in the democratically elected councils who are accountable for monitoring conflicts of interest'. A copy of the Daily Mail article which alleges improper use of public funds by LEPs, and provides examples of the projects and businesses the cash has been spent on, can be accessed at:

http://www.dailymail.co.uk/news/article-4000010/Exposed-Secretive-fat-cats-carving-7bn-cash-friends-family-including-40-000-renovate-barn-155-000-Jamie-Oliver-s-charity-restaurant.html

THE CHARTERED INSTITUTION FOR FURTHER EDUCATION (CIFE) APPOINTS A NEW CHIEF EXECUTIVE

The CIFE has appointed Dan Wright, who is currently CEO of Kennedy Scott, (a 'welfare-to-work' provider designed to help long-term unemployed people into work) as its new Chief Executive Officer. Mr Wright will take over from the current chief executive, Ed Quilty, in January. The aim of the CIFE is to 'develop the standing of the FE sector, and to promote and celebrate good practice'. Colleges and training providers with an overall Ofsted Grade 1 or 2, and that are in receipt of SFA funding are eligible to apply for CIFE membership. To date, 5 GFEs have successfully applied for 'Chartered' status, and will able to add this accolade to what will no doubt be a myriad of other quality kite marks on their college's letterheads.

DELAY IN DFE DECISION ON MAINTENANCE LOANS FOR HE STUDENTS IN FE IN ENGLAND

In September, the DfE published the outcome of a consultation on the provision of maintenance loans for students aged 19+ studying higher level technical courses at Levels 4 to 6 in FE colleges (and in private training providers) in England. These loans are already available to HE students in English universities. The DfE said that 'the overwhelming majority of respondents' believed that maintenance loans should made available for HE students in FE colleges, and that around 75% of respondents thought that maintenance loans should also be made available to part-time students. The DfE initially said that a 'full announcement' on this would be made in November, but no announcement has yet been made. When questioned about this, a DfE spokesperson said that the government needed more time 'to consider the value for money case and the national fiscal position before taking any decision on the case for FE maintenance loans' and that information 'would be made available in due course'.

BREXIT AND HE

Under current rules, undergraduate students from EU member countries outside of the UK pay the same tuition fees (currently £9,000 per year in England, but free in Scotland), and are eligible to receive the same tuition fee and maintenance loans as UK residents. EU nationals who have resided in the UK for over five years are also able to apply for undergraduate maintenance support and postgraduate loans. Senior academics now warn that 'universities will close, and tuition fees will need to rise' unless the UK government gives 'guarantees over Brexit'. They have also called on the government to 'reassure EU students and academic staff they will not be used as bargaining chips' in Brexit negotiations and want international students to be removed from government immigration statistics. (Although to date, the government has resisted this because of concerns that study visas can be used a backdoor to illegal immigration). Universities UK, the universities 'umbrella' organisation, have also expressed concerns about Brexit, claiming that the HE sector is worth £73 billion per year to the UK economy (equating to almost 3% of the UK gross domestic product, and more than the £71.4 billion in tax the financial services sector claims to be paying to the Treasury). They also point out that around 15% of UK research funding comes from the EU.

In response, the UK government has confirmed that all EU students starting their courses before, or during, the academic year 2017/2018, will have their fee levels and immigration status guaranteed for the duration of their course, but has given no assurances beyond that date. The government has also promised that EU funded research and other projects (such as Erasmus and Horizon 2020), will be protected while the UK remains a member of the EU, and that the same level of funding will be maintained after the UK leaves from the £10.5 billion net contribution the UK contributes to the EU budget each year. The government also points out that EU students will continue to be able to attend UK universities, paying tuition fees as they do now, although they will not be able to access tuition fee and maintenance *loans* once the UK leaves the EU. A DfE spokesperson insisted that the UK will remain 'an attractive destination for all qualified international students that would benefit from UK universities *and can support themselves to study'*. This latter was no doubt intended to assuage concerns expressed about the growing number EU students who return to their home countries without repaying their loans. (Currently, around 8,600, or 11%, of EU students are in default of their loans).

Meanwhile, data from the Higher Education Statistics Agency (HESA) shows that the number of EU students at UK universities has reached a record high of more than 132,000 (with tuition and maintenance loan debts currently exceeding £100 million). Applications for university places in 2016/17 from EU students increased by 11% compared with the previous year, and proportionately were significantly more than the increase in applications of 3% from UK students. The increase is thought to be partly explained by students wishing to take advantage of still being able to access HE tuition fee loans (or free HE tuition in the case of Scotland) ahead of the UK leaving the EU, and partly explained by the abolition of the student numbers cap that came into effect last year, and gives universities in England the freedom to recruit as many students as they want. Against this, the Russell Group of universities says that applications from EU students received by them for courses commencing in 2017/18 are down by 14% compared with the same time last year.

UNDERGRADUATE SUES UNIVERSITY FOR LOSS OF EARNINGS CAUSED BY POOR TEACHING

An Oxford graduate is suing the university for £1 million on the basis that the 'appallingly bad' and 'boring' teaching that he received resulted in him receiving an upper second class honours degree, rather than the first-class honours degree he was expecting. His barrister says that this has prevented him from having a successful career as an international commercial lawyer and that the £1 million claimed was a fair estimate of loss of earnings he had suffered. Oxford University argues that the claim is 'baseless'. However, if it loses the case, it could set a precedent for other students making similar claims against their universities for 'inadequate' teaching and the negative impact of this on their future earnings potential. Commenting on the case, a representative of the Russell Group of universities said that the fact that undergraduates are now paying much higher fees can lead some to think that they are 'buying their degrees'. A judgement on the case is expected later this month (December). Meanwhile, universities in England are in the process submitting their cases to the DfE that they offer excellent teaching to their students. The deadline for this is January 2017. If they meet the DfE's criteria, they will be allowed to raise their tuition fees. External observation of teaching is *not* one of the criteria being used by the DfE to assess teaching excellence.

THE CASEY REVIEW

Amid concerns about increasing levels of radicalisation in the UK, and that the country is becoming more divided as it grows more diverse, Dame Louise Casey was commissioned by former Prime Minister David Cameron to conduct a review into the integration of minorities. The review findings include the following:

- Successive governments have 'failed for more than a decade to ensure that social integration in the UK has kept up with the unprecedented pace and scale of immigration'. 'They have allowed some local communities to become increasingly divided', with the result that segregation and social exclusion are now at 'worrying levels' and are 'fuelling inequality'.
- Some aspects of multiculturalism could be incompatible with integration if it leads to the creation of separate communities, separate housing, separate schools and even separate courts. Some minority communities displayed what Trevor Phillips, a former chair of the Commission for Racial Equality (CRE), calls 'aggressive resistance' to integration.
- Cultural and religious practices have been allowed to develop that are not only 'holding some citizens back', but 'run contrary to British values and sometimes British law'. Public bodies have 'ignored or condoned divisive or harmful religious practices for fear of being called racist'.
- Women in some communities are being denied their basic rights as British residents (e.g. some women were not allowed to leave their homes without their husband's permission). There have been examples of politicians 'legitimising extreme views', for example a major political party had allowed political meetings to be organised on a gender-segregated basis.
- The 'Trojan Horse' episode in Birmingham 'highlighted weaknesses in how education leaders had dealt with robust requests from individuals claiming to represent minority communities', and that 'while such requests were made based on accommodating religious and cultural needs of Muslim children, they were actually about sustaining the power of self-appointed community leaders, intent on perpetuating inequality and regressive attitudes'.
- Segregation between White British pupils and all other ethnic groups' is highest in Blackburn, Lancashire and Birmingham, with pupils overwhelmingly from just one ethnic group despite the huge diversity of each city's population. In one non-faith school in Birmingham, when asked, pupils said that they thought that the UK population was between 50% and 90% Asian. In England and Wales, more than 50% of ethnic minority pupils attend schools where pupils from that ethnic minority are in the majority.
- The 2011 Census shows that, in England and Wales, more than 760,000 people aged 16 and above could not speak English well, or at all. A lack of English proficiency was particularly prevalent among Muslim, Polish, Pakistani and Bangladeshi communities, and women were more likely than men to not be able to speak English. The impact of poor English language skills includes lower wages, lower community integration and less civic participation, and have a negative effect on children's integration, education and life chances.
- Some towns and cities were 'struggling to adjust to an influx of foreign nationals'. The report cited one school in Sheffield that had seen an increase in Eastern European children from 150 to nearly 2,500 over a five-year period. One ward 'had more that 6,000 Roma, half of whom were under the age of 16'. In Birmingham, one ward 'had more than 90% of the people drawn from one single ethnicity'.
- There was a 'persistent disadvantage facing black men in the workplace', as well as 'white working class children on free meals who underperformed at school'.

The report's recommendations include the following:

- Promote British laws, history and values within the core curriculum in all schools.
- People who apply for a visa to stay in the UK and are likely to settle permanently should be given advice about how to fit in to British society as soon as they arrive in the country.
- The government should consider requiring people who apply for British citizenship to deliver an 'Oath of Integration' at the start of the process.
- Ensure that children from different ethnic groups attend the same schools together.
- As well as English language classes, the government should provide additional funding for classes for adults 'to tackle cultural barriers born out of segregation which are identified as a barrier to work'.
- More funding for community-based English language classes. (The report says that in 'one recent year more government money was spent on promoting the Cornish language than English').
- The government should work with local councils to understand how housing and regeneration policies could ensure people are not living in segregated communities.
- Everybody holding public office, such as politicians, should be expected to swear an oath pledging to uphold 'the fundamental British values of democracy, the rule of law, individual liberty and mutual respect for and tolerance of those with different faiths and beliefs and for those without faith'.

Although the government has yet to respond to the review recommendations, Sajid Javid, Minister of State for Communities and Local Government in England said, 'I've seen for myself the enormous contribution that immigrants and their families make to British life, all without giving up their unique cultural identities. But I've seen, with my own eyes, the other side of the equation. For too long, too many people in this country have been living parallel lives, refusing to integrate, and failing to embrace the shared values that make Britain great'. However, the report is criticised for 'singling out the Muslim community', and Labour MP Shabana Mahmood said that it was important to remember that 'integration needs to be two way'.

Of significance for the FE sector is the recommendation that 'The government should support further targeted English language provision by making sufficient funding available for community-based English language classes', and that the 'adult skills budget for local authorities should prioritise English language to help boost social integration'. In January, the government announced that £20 million would be made available for English language tuition to 'help Muslim women integrate into British society'. Some find this ironic, given that the funding for English Speakers of Other Languages (ESOL) was previously cut by £45 million (around 50%, resulting in 50,000 fewer learners) on the basis that those choosing to migrate to another country should be expected to pay for their own language tuition. A copy of the Casey Review can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574565/The_Casey_Review.pdf

EDUCATION POLICY INSTITUTE (EPI) REPORT CRITICISES GOVERNMENT PROPOSALS TO EXPAND FAITH SCHOOLS

The number of new faith schools (usually set up as free schools) has increased significantly in recent years. Although long established faith schools have no limits on the percentage of pupils they can recruit on religious grounds, because of concerns about faith based segregation, *new* faith schools are currently only allowed to recruit a maximum of 50% of pupils on the based on their faith. Faith schools tend to be oversubscribed because they are thought to be high performing. And the more oversubscribed a faith school is, the more likely it is to have higher numbers of pupils admitted on religious grounds (up to the applicable limit). This usually means that for a child to be allocated a place, their families are required to be seen regularly attending the local church, synagogue, temple or mosque.

Being accused of promoting social segregation has not deterred the government from proposing the expansion of existing faith schools, and the recently published DfE Green Paper, '*Schools that Work for*

Everyone', sets out a range of proposals, including plans to open new grammar schools and to encourage high performing schools to become grammar schools, but also for the expansion of faith schools, arguing that they are 'amongst some of the best and most popular', and that children 'do better in these schools'. The Green Paper does appear to contradict itself, saying that the proposals were also intended to 'improve inclusivity and diversity', and then going on to say 'we want to remove the ineffective faith cap to establish even more good schools'. However, the Casey review (see above) has warned removing the cap on the number of students that faith schools can recruit on a religious basis could exacerbate social segregation, and now, a new report published by the EPI has questioned assumptions that faith schools are necessarily 'high performing'. The report's authors argue that:

- 'Faith schools are more socially selective than non-faith high-performing schools. At both primary and secondary level, they tend to admit fewer pupils from disadvantaged backgrounds, fewer pupils with special educational needs, and more pupils with prior attainment higher than the national average'.
- 'Pupils in primary and secondary faith schools, including disadvantaged ones, do tend to get better results. But this is primarily because faith schools recruit a higher proportion of children with high prior attainment (defined as those scoring highly in assessments and tests in the early years of school). The evaluation of the comparative performance of faith schools with other schools does not take account of the inherently bright nature of these pupils. Once this has been considered, faith schools perform little or no better than non-faith schools at primary level. And at secondary level, pupils recorded small average gains of just one-seventh of a grade higher in each of eight GCSE subjects'.

The report concludes that, 'given that the average faith school admits fewer pupils from poor backgrounds, there is a risk that increasing the numbers of faith schools will come at the price of increased social segregation, along with a risk of lower social mobility'. A copy of the DfE Green Paper can be accessed at:

https://consult.education.gov.uk/school-frameworks/schools-that-work-for-everyone/supporting_documents/SCHOOLS%20THAT%20WORK%20FOR%20EVERYONE%20%20FINAL.pdf

And a copy of the EPI report can be accessed at:

http://epi.org.uk/report/faith-schools-pupil-performance-social-selection/

AND NEARLY FINALLY…

From all of us here at ***Click***, we would like to take this opportunity to wish you and yours a very merry Christmas and a prosperous and happy new year.

Alan Birks – December 2016

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