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FACING THE FUTURE:
FUNDING FURTHER
EDUCATION COLLEGES
TO PROVIDE TECHNICAL
AND VOCATIONAL
EDUCATION
RESPONSIVE TO
NATIONAL AND LOCAL
NEEDS

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INTRODUCTION

This paper focuses on the future of further education (FE) colleges in England and considers their role as providers of technical and vocational education. It deals particularly with how colleges are funded and their future prospects in a climate of unprecedented financial constraint. The first section of the paper provides a brief overview of the history of FE colleges. It traces their origins from the mechanics institutes movement of Victorian England, through the era municipal control which characterised English further education for much of the twentieth century until their removal from the local authority framework in the 1990s. The second section provides an overview of the institutional terrain in which FE colleges are now located, describes the increasingly straitened circumstances in which they now operate, and considers some alternatives to colleges' shrinking core funding. Each of these funding streams, it is argued, is, under present circumstances, unlikely to provide a solid basis upon which FE colleges can build a viable future as providers of high-quality technical and vocational education.

The central thesis of the paper is that a radical rethink of both FE and skills funding and the institutional architecture of the system through which such provision is delivered is necessary, and the third section of the paper considers a range of possible futures for further education colleges. The first of these sets out a future without FE colleges as we know them today, and in which technical and vocational education is delivered through alternative institutional arrangements. The second scenario paints a picture of a FE system in which colleges have a meaningful role working alongside a range of partners to deliver technical and vocational education organised and funded much more collaboratively than currently – although it is argued that a range of social, economic and political reforms would be necessary to enable such an approach to work effectively. The final option envisages a significantly expanded role for FE colleges, operating as comprehensive tertiary institutions in a much simplified educational terrain, a scenario which it is argued would offer a range of educational and financial advantages over and above current arrangements, although it is recognised that significant resistance to such a model would be likely from a variety of parties.

PART I: FURTHER EDUCATION IN ENGLAND – A BRIEF HISTORY

It is difficult to describe a 'typical' FE college but most serve a diverse student body and offer a broad and varied curriculum. Usually this includes everything from basic skills programmes, English for speakers of other languages (ESOL) and courses for those with special educational needs, through to degree-level study. Foundation degrees, which combine academic and work-based learning for particular occupations, are usually delivered by FE colleges, often in partnership with local universities, although a few large 'mixed-economy' colleges now have their own degree-awarding powers. In some ways, the work of FE colleges also overlaps with that of schools, both in terms of competition for young people, especially those over the age of 16, but also via collaborative provision for 14-16 year olds thought more suitable for practical, 'hands-on' learning rather than academic study. Work-related vocational learning for those above the minimum school-leaving age has, however, always been further education's 'core business', and most FE courses focus on teaching the skills and knowledge needed for everyday employment – whether this is on the construction site, in the engineering workshop, the care home, office or hotel. Technical and vocational education has therefore always been their 'bread and butter', although one consequence of this is that few policymakers have direct experience of FE colleges or detailed knowledge of how they work.

The roots of some FE colleges can be traced back to the mechanics institutes of Victorian England. The history of FE is therefore closely inter-twined with that of the various industries which characterised local labour markets at that time. These early technical institutions were often founded by philanthropic industrialists and the bulk of their income came from student fees, voluntary contributions and payment from local businesses. Later, local education authorities (LEAs) played an important role in the development of further education and many colleges were established by LEAs

in the early decades of the twentieth century both to serve the needs of industry and as a signifier of civic pride. Initially, however, local authority involvement in technical and vocational education was essentially voluntary and so great variations in provision existed across the country. LEAs became central to running FE when the 1944 Education Act placed a statutory requirement upon them to secure 'adequate facilities' for further education in their localities. University extra-mural departments, the Workers' Education Association and other voluntary bodies continued to run various forms of post-compulsory education, and certain specialist institutions remained outside the local authority framework, but the vast majority of FE – and especially technical and vocational education - came under LEA control for almost fifty years after the end of World War Two. The remit given to local authorities by the 1944 Act was, however, open to more than a little interpretation and consequently some LEAs created extensive and well-funded provision, whilst others were more frugal in their approach. With over 100 local authorities running colleges, possibly the best description of further education under LEA control is that it was 'variable' – this variability existed at a number of different levels: between different authorities; within individual LEAs; and even between different departments within individual colleges (Simmons 2008, p. 361). Rather more bluntly, Ainley and Bailey (1997, p. 103) describe further education under municipal control as a "mishmash of brilliance...and diabolical practice".

The way in which each local authority discharged its responsibilities depended, to a large extent, upon what Waitt (1980, p. 402) describes as the 'local ecology', and the size, remit and ethos of each college was shaped, at least in part, by the absence or presence of local schools, polytechnics or universities, as well as other colleges. It would, however, also be fair to say that LEAs had variable levels of enthusiasm for and commitment to further education, and there were significant differences in the amount of funding different LEAs awarded to colleges to run similar provision. More generally, some LEAs allowed colleges considerable autonomy and discretion in their affairs whilst others were, at worst, stifling and restrictive (Waitt, 1980, pp. 307-402). Either way, FE colleges were basically unglamorous, locally-run organisations on the periphery of the education system and technical and vocational education, especially for apprentices, technicians and other workers from local industry, was their standard fare (Reeves, 1995, pp. 38-39).

Although central government became increasingly interventionist from the 1970s onwards – through, for example, using the Manpower Services Commission (MSC) to pay colleges directly to run various work-related training programmes – and the 1988 Education Reform Act (ERA) devolved a number of financial responsibilities down to the level of the individual college, FE remained a municipal responsibility until the 1992 Further and Higher Education Act (F&HE Act) removed all colleges from LEA control. Local authorities were then effectively reduced to bit-part players on the margins of post-compulsory education. Part of the rationale for 'freeing' colleges from local authority control was a feeling that they were not sufficiently attuned to the needs of business and industry, and a perceived lack of responsiveness to the communities they were supposed to serve, including women, ethnic minorities and others outside the 'aristocracy' of the working class who traditionally formed the bulk of colleges' intake (FEU, 1979). Gravatt and Silver's (2000, pp. 116-117) critique of FE under local authority control encapsulates official discourse in the run-up to colleges' removal from municipal control – that parochialism, inefficiency and 'vested interests' dominated at the expense of consumer needs. Officially at least, local authorities were accountable through the democratic process, but decision-making could be slow, some LEAs were not particularly open to change and many colleges were quite closed and inward-looking institutions (Simmons, 2008). But, whilst some principals were undoubtedly happy to be freed from the restrictions of county hall bureaucracy, self-governance and a new funding regime would place many colleges under severe pressure (McClure, 2000).

Nowadays the bulk of colleges' funding comes from the state but there is a long history of co-payment in FE – as has already been explained, the technical colleges and mechanics institutes of the late-nineteenth and early-twentieth century drew their funds from a multiple sources. Later, the 'day-release' system whereby many apprentices and other young people were released from their place of

work to attend college, often for a day each week, meant that a proportion of college income continued to come from employers. Some students, often adults attending classes for leisure or self-improvement, continued to pay fees too. Nevertheless, for several decades after the end of World War Two, most of the money came via county hall although, for the majority of the time, LEA funding was attached to the course rather than the individual student. This meant that colleges normally paid little attention to matters of retention and achievement, and high levels of student failure and non-completion were commonplace (Carter, 1962, p. 241). Things tightened up after the 1988 ERA required local authorities to provide colleges with funding based on the number of 'full-time equivalent' students (FTEs) recruited and retained. Each LEA was required to submit a scheme of funding by FTE to the Secretary of State and, in most instances, the level of funding was weighted according to perceived differences in the cost of providing courses in different subject areas. In practice, however, local peculiarities and *ad hoc* adjustments meant that significant discrepancies continued to exist and different colleges continued to receive different levels of funding for running apparently the same courses (McClure, 2000, p. 37).

College funding changed once again after the F&HE Act when the newly-formed Further Education Funding Council (FEFC) began applying a common funding formula to FE provision across the country. A detailed appraisal of FEFC funding is beyond the remit of this paper but it is worth noting that two key principles underpinned the FEFC's approach. One was a philosophy of payment by results, with funding tied to particular census dates and paid in instalments attached to the recruitment, retention and achievement of individual learners. The second principle was that of 'efficiency', whereby colleges were effectively required to compete with each other and other providers to gain funding from what was effectively a shrinking pot of money. Cumulative reductions in funding meant that the overall amount that colleges received per FTE student was cut by over 20% in the five years after they were removed from local authority control (FEFC, 1998). Burchill (1998) argues that the pressure placed on colleges during this period was greater than that experienced by any other part of the public sector up to that point – although, as we will see, the current scenario facing colleges is significantly worse.

PART 2: FE TODAY

Although there have been several changes of government and a series of different funding regimes since colleges were removed from LEA control, there have been certain continuities in the way they are funded since that time. One of these is the quasi-market system in which colleges are expected to compete, and which successive governments have actively encouraged. Whilst the English FE system has never had a particularly clear or coherent structure, it has, over recent years become increasingly complex and nowadays a highly diverse range of providers offers education and training to adults and young people over the minimum school leaving age. These include sixth-form colleges, school sixth forms and what remains of adult education services run by local authorities. Specialist colleges catering for subjects such as art and design, agriculture, and performing arts also exist, and other institutions serve particular groups of students such as adult returners or learners with special educational needs. There are also thirty University Technical Colleges (UTCs), which specialise in technical and scientific education for 14-18 year olds, across the country - and the plan is to open a further twenty of these institutions by 2016 (utcolleges.org, 2014). Technical colleges dedicated to industries deemed to be of strategic national importance are also in the pipeline, with industry-specific institutions for the railway and nuclear industries planned. Nowadays there are also literally thousands of private and voluntary organisations offering various forms of FE and skills training across England. These organisations often focus on delivering particular forms of technical and vocational education, such as business administration, IT training, or pre-vocational 'employability' programmes. Many employers also receive public funding to deliver various forms of work-related learning – and recent developments mean they are becoming increasingly central to the delivery of apprenticeships (Allen and Ainley 2014). General FE colleges nevertheless remain the largest and most 'weighty' providers of

technical and vocational education in England with approximately 220 such institutions across the country – although, as we will see, their future is far from certain and substantial changes in the way that FE is organised and funded will be necessary if these colleges are to continue to play a significant role going forward.

FE colleges have been self-governing corporations for over twenty years now but the majority of their funding comes via various agencies of the state, and they effectively remain within the public sector. Despite this, colleges are required to operate in an increasingly crowded marketplace which is effectively a ‘mixed-economy’ of public, private and voluntary sector providers. FE is therefore complicated and difficult to understand, not only for those with little experience of the sector, but also for many working or studying within it (Orr and Simmons 2010). It would, moreover, also be fair to say that the institutional terrain in England is more complex than is the case in comparable nations and, even within other parts of the UK, arrangements are somewhat more straightforward. In Scotland, for example, sixth-form colleges do not exist and there is a clearer division of labour between schools, colleges and universities. Private providers also play a much less significant role in Scottish FE than is the case in England.

FE FUNDING TODAY

Complexity in the FE system – if indeed system is the appropriate term - is not limited to its institutional structure or the nature and remit of the organisations involved. Funding is also far from simple, although most colleges have two main sources of funding: the Education Funding Agency (EFA) which funds provision for learners under the age of 19 at the beginning of their studies; and the Skills Funding Agency (SFA) which finances 19-23-year-old students and older learners taking courses up to and including Level 2. Colleges also have a number of other funding streams though, including:

- Income received via the Student Loans Company for students studying courses of higher education (HE), and for those aged 24 or above taking Level 3 FE qualifications.
- Fees paid directly to colleges by individual students, many of whom are pursuing non-vocational education.
- Funding from voluntary and community groups, for which FE colleges run education and training, provide accommodation, or offer other services.
- Business and industry. Some colleges provide consultancy and bespoke training services for employers, for example, IT, management or health and safety training. Some employers also continue pay fees to send individual workers on courses, although such funding makes up a much smaller proportion of colleges’ income than when day-release students provided their staple diet.
- Commercial services. Nowadays most colleges run hair and beauty salons, restaurants, cafeterias, and various other enterprises which are open to the public, and from which they generate income.

Each of these funding streams has its own complexities. The EFA funding methodology, for example, pays colleges a set amount for each student according to the number of guided learning hours (GLHs) each student undertakes, with those undertaking a minimum of 540 GLHs attracting the highest funding tariff. EFA funding is also paid at different census points during the academic year, and some is linked to the delivery of Functional Skills in English and Mathematics. It is therefore in colleges’ interests to enrol students on Functional Skills programmes and this, coupled with some students’ resistance to undertake such provision, can cause significant difficulties on the ground, especially for learners who struggle to produce evidence of prior attainment, and those who feel they are obliged to re-take tuition previously covered at school. Anecdotally, it seems this can create a disincentive to participation, especially for those young learners who may already be somewhat diffident towards their main programme of studies.

Leaving aside such operational matters, the financial climate for colleges more generally is dire. Whilst spending cuts have been deep across the public sector, reductions in the FE budget have been particularly severe. Although spending on schools has been more or less protected, DBIS's Further Education and Skills budget was slashed by almost 25% between 2010/11 and 2014/15 – and even sharper cuts seem likely looking forward (Whittaker, 2013). If whichever government comes to power in 2015 complies with existing deficit reduction targets, the overall fall in the DBIS budget between 2010 and 2018 is predicted to be over 42%. Given those budgets for science, innovation and support for industry are protected, and that much spending on universities now resides with the Student Loans Company, it seems that FE will be forced to bear the brunt of future cuts (Westwood, 2013). Most colleges are therefore seeking other sources of funding to compensate for their shrinking 'core revenue', and there are various possible alternatives. Some of these are considered below but, as we shall see, none of these offer an easy solution – at least under present conditions.

COLLEGE-BASED HIGHER EDUCATION

After the Browne Review (2010) of higher education (HE) funding, there was a feeling afoot that many colleges would be able to substantially increase their HE provision, and make good shortfalls in funding from other sources by doing so (see, for example, Fletcher, Hall and Widdowson, 2010). Despite such predictions, however, by and large, substantial increases in college-based HE have not taken place so far. Although some college leaders are optimistic that the removal of the cap on HE student numbers in 2015 will present them with the opportunity for expansion, this may not be the case. There is little evidence to suggest the discounted fees on offer in FE will attract significant numbers of new students into colleges. Universities are powerful foes and it may be that lifting the cap on student numbers will simply allow continued university expansion which may, in turn, squeeze college-based HE. Most young people, at least, do not seem particularly sensitive to fee differentials, with most opting for the 'full university package' and eschewing cheaper options (Ainley and Allen, 2012, p. 115).

It is also worth noting that the quality of college-based HE varies widely. Although some specialist colleges, particularly those offering degrees in agriculture and horticulture, have been praised by the HE watchdog, the Quality Assurance Agency (QAA) has also judged that HE provision either 'requires improvement' or 'does not meet expectations' in around 30% of the FE colleges it inspected in 2013/14 (BBC, 2014). Moreover, proposed changes to the system of loans available to those studying HE in FE may actually make it more difficult for colleges to offer higher education, especially at sub-degree level (Batchelor, 2014). Meanwhile, Ed Miliband's proposals for new 'technical degrees' for science and information technology suggest such an initiative is developed as a partnership between employers and universities, rather than FE colleges (AoC, 2014). College leaders will be disappointed by this. FE has a long tradition of working with employers and it would have been unreasonable to expect colleges to be involved in such provision. They were, after all, always key players in delivering technical and vocational education for many working in engineering, construction and other sectors, at least until the 1980s.

EMPLOYERS AS AN ALTERNATIVE SOURCE OF FUNDING

Over the next few years, all colleges will have to make hard choices – particularly in relation to adult FE and skills training. A combination of factors, including increasing numbers of school pupils moving through the age cohort, a rise in the age of compulsory participation in education and training to 18, and the additional funds necessary to run academies, free schools, UTCs and similar flagship initiatives, all mean that it will be difficult to greatly reduce the EFA budget in the foreseeable future. Cuts in post-19 provision are therefore likely to be savage and colleges with a significant proportion of such work will suffer most and there is little evidence to support the Coalition's assumption that employers will, under current circumstances, be "willing to...invest far more than they do at present – in the skills of their workforces..." (DBIS, 2010, p. 13). Although there are certain exceptions, many of which, it should be noted, can be found in the public sector, data suggests that that overall employer spending on training has been on a downward trajectory since the turn of the millennium (Mason and

Bishop, 2010). Moreover, reductions in both employer expenditure on training and the time devoted to such activities appear to be long-term trends, despite both constant exhortation and a series of state-subsidised initiatives, such as the ill-fated Train to Gain and various other schemes (Keep, 2014, p. 5).

For many years, UK education and skills policy has been predicated on the premise that the nation is facing a 'skills crisis' and that there is a pressing need to improve both the quantity and quality of skilled workers in order to save the economy from impending doom – but the elephant in the room is that the British economy is not suffering from significant skill shortages and that most employers do not demand highly-skilled workers. Recent research by the OECD (2013) shows that the UK has a lower demand for workers with experience of post-compulsory education than any member state other than Spain. The same research also reveals that, with the exception of Japan, the British workforce is more over-qualified than any other OECD nation. This relatively low level of demand for skilled workers reflects a series of structural problems embedded within the economy and evidence suggests that the UK remains trapped within what Finegold and Soskice (1988) once described as a 'low-skills equilibrium'. Or, in other words, despite official discourse to the contrary, the UK economy still contains a significant proportion of low-skill and low-paid workers producing relatively poor quality goods and services. Whilst, at least for the last two decades, much effort has been expended on driving the workforce to amass formal qualifications, policymakers have largely ignored deficiencies in both the overall demand for skills, and how effectively skills are deployed in the workplace (Keep, Mayhew and Payne, 2006).

THE STUDENT AS AN ALTERNATIVE SOURCE OF FUNDING

Another potential source of increased revenue for colleges is the individual learner, but there are serious questions about the willingness or ability of many to pay for FE and skills training in any sustained or substantial way. Traditionally, direct fee paying by students was usually related to non-vocational learning and leisure activities rather than work-related learning, and there is little evidence to suggest that individuals are prepared to invest in FE in the same way as is the case with HE. According to human capital theory, individual investment in education and training will reap dividends in terms of career advancement and increased earnings (see, for example, Becker, 1994), but for large segments of the population wages are predicted to stagnate for many years to come (Whittaker, 2013). In a world where many university graduates are either unemployed or chronically underemployed in non-graduate jobs, assumptions that individuals with multiple calls on their income be willing to invest substantial amounts of money in FE, either directly or via loans seem highly questionable. It is worth noting that Advanced Learning Loans for those over the age of 25 on apprenticeship programmes were withdrawn in March 2014 and Individual Learning Accounts, introduced in the early-2000s, were an unmitigated disaster.

At least until the 1980s, graduates were a rare species and the local 'tech' could offer the young person an alternative route to self-improvement and career advancement - but the nature of the labour market in twenty-first century Britain is now radically different. Gone are the days when the hard-working individual would progress steadily up the career ladder accumulating national certificates and the like, either through day-release or college 'night school' classes. Meanwhile, evidence suggests that labour market returns for many lower-level vocational qualifications are often very low (Keep and James, 2010). During the 1950s and 1960s especially, increasing participation in FE was associated not only with the demand for apprentices, technicians and other industrial workers but also with increased opportunities for white-collar employment in health, local government and various other parts of the expanding welfare state (Thompson and Simmons, 2013). Far-reaching changes in nature of employment, significantly higher levels of government intervention in all forms of education and training, and differing social expectations more generally mean that the remit of FE colleges has, over time, been pushed progressively 'downwards'. Whilst FE has always been regarded as something of a 'Cinderella' sector, most colleges now serve a substantially more disadvantaged and marginalised

constituency of learners than was the case for much of the twentieth century (Simmons and Thompson, 2008).

ARE APPRENTICESHIPS THE ANSWER?

In the mid-1960s, 25% of all young people left school to take up an apprenticeship, and local industry provided colleges with a steady intake of day-release students (Mizen 2004, p. 51). In theory at least, the renewed emphasis on apprenticeships by all mainstream parties could offer a way forward for FE colleges today. There have been significant increases in the number of individuals beginning apprenticeships of late, with numbers rising from 160,000 in 2002/3 to 869,000 in 2012/13 (SFA, 2012). This is perhaps unsurprising. Successive governments have championed such provision and the term 'apprentice' holds a certain appeal for many young people and their families, especially those from working-class backgrounds. Further substantial increases the number of apprenticeships available is planned, although the level of demand is expected to exceed supply for the foreseeable future (Allen and Ainley, 2014, p. 4). In some ways, this is understandable. Apprenticeships with Rolls-Royce, British Aerospace and other blue-chip companies are highly sought after and entail a combination of rigorous work-based learning and off-site study. Such companies often provide allowances to their apprentices over and above the minimum rate, and their apprenticeship programmes often lead to full-time employment. But not all apprenticeships are equal and, although apprenticeships have been promoted as the answer to everything from solving youth unemployment to kick-starting social mobility, there is no doubt they also been oversold as a cure for various social and economic ills.

Most of the recent growth in apprenticeships in England has been in predominantly low-skill areas of the economy such as in retail, business administration, and social care. Moreover, in 2012-13, and over 57% of English apprenticeship starts were at Level 2 (SFA, 2012), whereas, in Germany, 90% of apprenticeships are at Level 3 or above. Although there are a few exceptions, UK apprenticeships are also generally far less robust than those found in Germany and other countries using the renowned 'dual system' of vocational education, where all apprentices have full employee status from the day they begin work and undergo a combination of work-related training and designated blocks of more abstract classroom-based learning. A quarter of all German employers are involved with apprenticeships and those with more than 500 hundred employees are obliged to participate. By contrast, employer participation in the English apprenticeship system is voluntary and, although there has been some tightening up of late, loose regulation has allowed abuse of the system by some organisations. A well-known national supermarket chain simply reclassified many of their employees as apprentices in order to gain public funding, and accredit existing workers for carrying out their existing roles (see Fuller and Unwin, 2012). Although the image conjured up by the term apprenticeship is of young workers being inducted into a new occupation, there are almost as many on apprenticeship programmes in England as there are young people (Allen and Ainley, 2014, p. 5).

Whatever the strengths or weaknesses of particular programmes, all apprentices are officially required to take part in at least 280 guided learning hours. But 'guided learning' is a malleable concept and it is important to highlight that only 100 hours or 30% of all guided learning (whichever is greater) need be delivered outside the workplace. Moreover, there is no requirement for employers to send apprentices to FE colleges and there is nowadays a vast array of providers competing to run such training. It must also be noted that the drive to 'put employers in the driving seat' which followed the *Richard Review of Apprenticeships* (2012) may actually reduce the availability of apprenticeships. Funnelling funding through employers rather than training providers will mean they have to deal with additional bureaucracy and this may deter rather than incentivise some employers from taking on apprentices (Allen and Ainley, 2014, p. 9). The Richard Review, after all, revealed that over a quarter of employers said the main reason they took on an apprentice was because they were approached by a training organisation (p. 11). The underlying question, which links to broader issues about the demand for skill and the nature of the UK labour market is: how much do employers actually need apprentices? Under current arrangements what is clear is that apprenticeships will not offer most colleges a secure lifeline for the future.

PART 3: FACING THE FUTURE

FE colleges face severe and multiple challenges and combination of deep funding cuts, institutional competition, and a hostile policy climate mean their prospects are far from assured. With this in mind, the following section of the paper considers three possible futures for FE colleges. These scenarios should be regarded as heuristic and, whilst other variations are possible going forward, the three positions discussed each provide a critical insight into how colleges could fare in a climate where a paucity of public funding is highly likely for the foreseeable future. The first scenario is based on an extension of current trends and the prospect of long-term decline. This, it is argued, may even result in the demise of FE colleges as an identifiable cohort of institutions as many are effectively squeezed out of existence and others are swallowed up by rival organisations. The second position is not as bleak as the first, and describes a scenario which provides colleges with a limited but nevertheless meaningful future within a more co-ordinated and collaborative FE and Skills system. The third scenario suggests a radical restructuring of post-compulsory education and training in England, and placing FE colleges at the centre of a simplified system of comprehensive tertiary institutions catering for all adults and young people outside the higher education sector. It must, however, be stressed that fundamental changes in the nature of the labour market, and especially the demand for and the utilisation of skills will be necessary if either of the two latter scenarios are to be viable going forward. The third would only be possible as part of a far-reaching shift in the way that education is conceived and delivered, and would need considerable political will and sustained commitment to deliver.

MORE OF THE SAME, OR THE BEGINNING OF THE END?

FE colleges have throughout their history proved to be remarkably durable organisations. At least since the 1980s, they have existed in a turbulent policy environment and most have managed to cope with what has been a period of intense and ongoing change. It may, therefore, be tempting to think that FE colleges will be able to weather the storm going forward. Perhaps they will be able to absorb the deep funding cuts they are facing, slim down, and become more agile in the marketplace. Each college is, after all, an independent self-governing institution and they may be able to adapt to local circumstances, form partnerships and cut themselves a meaningful future. This is a possibility, but there is also no doubt that FE colleges are facing a far more difficult situation than ever before. The institutional landscape is significantly more cluttered and competitive than in the past and further increases in competition from private, voluntary and specialist institutions is likely unless there is a significant shift in state policy. Moreover, whilst colleges have, in the past, managed to absorb steep funding cuts, the scale of the reductions they are facing is unprecedented, and they have far less fat to cut than was previously the case.

The 2011 Education Act made it easier for FE colleges to merge than had been the case hitherto and more mergers are likely over the next few years (FE News, 2013). Inherent inefficiencies were built into the FE system when colleges were removed from local authority control in the early 1990s. Historically, personnel, finance, estates management and a range of other administrative functions were centralised at county hall, but each college became responsible for providing their own management, administration and support structures when they were removed from local authority control. This, combined with the performative requirements of state, has led to a proliferation of managerial and support roles, and currently teaching staff – lecturers, tutors or trainers – constitute 49% of the workforce in FE colleges (LSIS, 2013, p. 10). Whilst the outsourcing of various functions may result in cost savings for individual institutions, college mergers provide opportunities for larger economies of scale, and may be the only way that many small colleges will be able to survive into the future. There are, however, also potential drawbacks to mergers and large amalgamated institutions may not be sufficiently nimble to operate in what is an intensely competitive environment (FE News, 2013). There are alternatives to full mergers, such as formal collaborations or college federations, similar to the one run by Newcastle College Group, but it is difficult to envisage such arrangements working on a national basis without a much clearer strategic vision for the FE system, and strong local

and regional co-ordination. The next part of the paper will deal with how a more collaborative FE system might look work but the remainder of this subsection presents a rather bleak alternative.

Without both significant alterations to the way that colleges are run and funded and a step-change in employers' demand for skill, it is quite possible that the FE college sector as we know it will not exist in, say, ten years' time. Whilst such a suggestion may seem extreme, in the past, whole categories of institutions have been subject to *de facto* abolition. The ten years after the somewhat ironically named education White Paper *A Framework for Expansion* (DES, 1972) saw some 150 specialist teacher-training institutions either closed down or taken over by FE colleges, polytechnics and universities (Hencke, 1978). Just as nineteenth century Poland was dismembered by Germany, Russia and Austria-Hungary, FE colleges could effectively be obliterated from the map of post-compulsory education. Between them, employers and private training organisations could run apprenticeships and other forms of work-based learning, whilst schools, perhaps alongside sixth-form colleges, could expand into general vocational education, with UTCs and other institutions focusing on industry-specific education and training. College-based HE could either be turned over to private providers or annexed by universities which focus on widening participation in higher education. Some general FE colleges may be able to recreate themselves as specialist institutions, a few large mixed-economy colleges could abandon FE and find their way into the HE sector, but the viability of many colleges could be under threat. Should colleges close, their premises could perhaps be taken over by universities, private providers or voluntary groups and run for educational or other purposes. Even if the next government is Labour-led it may, after all, be necessary for the incoming Chancellor to 'shoot a puppy' in order to enable increased spending elsewhere (see Pearce, 2014, p.8).

LOCAL COLLABORATION?

It is almost inevitable that substantial reductions in the level of public funding available to FE colleges are likely at least for the foreseeable future, but there are alternatives to terminal decline. Different systems architecture and a more distributed model of power than the current top-down, 'command and control' approach will be necessary to facilitate this, however. At the same time, at the macro level, a far more coherent skills policy will also be needed to drive the demand for FE and skills training. Whilst official discourse continues to emphasise supply-side solutions to perceived national skills crises, evidence suggests that over-qualification and under-employment are in fact more significant problems for the UK (see, for example, OECD, 2013). There is therefore a need to rethink skills policy at both the strategic and the operational level – or, in other words, what its overall purpose should be, and how provision is organised and delivered.

First, it must be acknowledged that FE and other forms of education and training can make a significant contribution to economic performance, and help improve individual and social well-being. But it is also necessary to recognise that the level of expectation placed on education in general, and FE in particular, is disproportionate to what it can reasonably be expected to achieve without being accompanied by a range of broader social and economic reforms. If the UK labour market continues to contain a large proportion of low-paid, poor-quality work, and the excess supply of qualified workers means that significant levels of underemployment endure, then it is difficult to see why employers or individuals would invest significant amounts of their own money in FE (Keep, 2014, p. 12). A more integrated set of policy initiatives drawing together social, economic and skills initiatives is necessary if FE colleges are to remain attractive to business and other users. This would need to entail increasing underlying levels of demand for FE and skills training and improving skills utilisation in the workplace, as well skills-supply initiatives. Improving the underlying level of demand for skill is the key to persuading employers and individuals to pay for education and training, although this is only likely to be achieved by increased levels of state intervention in labour and product markets. Continuing to throw public money at skills supply is unsustainable under current financial constraints, even if continuing with such an approach were thought desirable (Keep, 2014, p. 13). A more cost-effective alternative would entail refocusing FE and skills policy towards workforce development, and

need to be integrated with a range of initiatives which aim to promote workplace innovation, enhance productivity, and improve the quality of employment (see, for example, Keep and Mayhew, 2014).

In order to understand what the role of colleges might be within this new settlement it is necessary to think what the FE system would look like more generally, and to consider how it would be organised, governed and funded. Whilst the White Paper *Rigour and Responsiveness in Skills* (DfE/DBIS, 2013) proposed giving colleges more freedom about how they operate, it essentially allows the state to offload responsibility for cutting back services to individual colleges. Meanwhile, government continues to pull the strings as both 'market maker' and market regulator. Essentially there are two problems with this: first, quasi-markets coupled with diminishing resources usually results in beggar-thy-neighbour competition with deleterious consequences for quality; and, second, markets tend to cater poorly for those with less spending power and so it is likely that FE colleges – institutions which cater disproportionately for disadvantaged students – will be forced to act as providers of last resort. Continually fighting for survival in an increasing crowded marketplace also means that colleges tend to lack strategic direction both collectively and as individual institutions (Keep, 2014, pp. 15-16).

If colleges are to have a viable future, a different way of planning and co-ordinating the FE system is necessary. The Association of Colleges recognises this (see AoC, 2012) and the Sharp Commission (2011) has argued that partnership working rather than competition is the way forward. Amongst the Sharp Commission's recommendations were:

- A more flexible funding regime with fewer rules and regulations relating to students' age, employment status, and the level of qualification sought.
- More discretion for colleges to allocate resources as they see fit.
- A more flexible curriculum able to respond to local needs.
- Developing partnerships with local employers, including small and medium enterprises.
- Working in closer partnership with local authorities, health services, the justice system, and in collaboration with voluntary sector organisations.
- New local social and economic planning partnerships focused on stimulating the demand for skill, and in which FE colleges are included.

Potentially, there are a number of advantages to such arrangements. These include cutting back the wasteful duplication of provision, and reducing the over-supply of learners leaving FE providers with certain vocational qualifications. It is, for example, highly unlikely that the hair and beauty industry will ever be able to provide gainful employment to all those with the necessary credentials who wish to work in this field. What is needed is a strategic approach whereby technical and vocational education is closely matched to local labour market demand, which is itself part of a planned partnership approach between the state, employers, training providers and other relevant parties. Sharp's (2011) proposals offer other potential benefits, such as bringing together colleges and other training providers with employers and public and voluntary sector organisations to share staff expertise, financial resources, premises and other facilities. Two significant changes would be needed to allow such a system function effectively though: first, as has been discussed, an industrial policy which stimulates employer demand for education and training; and, second, effective local and regional governance systems need to be put in place so FE and skills training can be tailored to local needs. Both developments would, however, require a shift away from the dominant paradigm of market-led competition and the disproportionate emphasis placed on skills-supply initiatives.

In the past, local authorities were responsible for a greater range of social, economic and educational activities than is the case today, although they have been given the responsibility for implementing the raising of the participation age across England, and have obligations relating to the promotion of economic development, community cohesion and so on. Whether local authorities have either the capacity or will to lead an integrated model of educational, social and economic development is nevertheless questionable, although potentially the composition, remit and function of local enterprise

partnerships could be broadened and deepened. It is also possible, however, that entirely new forms of governance are required. Either way, it is important that such bodies engage strategically with local labour markets and are empowered to make both strategic and operational decisions about the nature and range of provision offered in partnership with employers.

FACING THE FUTURE: GOING TERTIARY

A third model for the future of FE and skills training in England – a national system of comprehensive tertiary colleges – would offer a more radical alternative than other alternatives discussed in this paper, and create a much simplified structure of post-compulsory education and training. The term tertiary college is sometimes applied to any institution which provides a combination of academic and vocational programmes but, in their purest form, tertiary colleges are the sole providers of publicly-funded post-compulsory education and training in any given area, except that which located within higher education institutions (RCU, 2003, p. 1). Young people of all abilities progress from local schools on to a single organisation providing a broad, inclusive curriculum – although tertiary colleges also serve adult learners and provide a wide range of education and training opportunities to their communities more broadly. Full-time and part-time courses, technical, vocational, pre-vocational and academic education all take place within one institution, and the traditionally divergent streams of academic and work-related learning are united. Effectively, tertiary colleges are comprehensive institutions for post-school education and training (Simmons, 2013, p. 93-94).

Research suggests that tertiary colleges offer significant educational advantages in comparison to other forms of post-compulsory education and training, and that these benefits are experienced by students from across a broad spectrum of ability and background. Drawing comparisons between tertiary, general FE and sixth-form colleges, the Responsive Colleges Unit (RCU, 2003) found tertiary colleges to have higher achievement rates at almost all levels and much better success in encouraging learners to progress on to higher levels of study. It also found they have significantly better retention rates than general FE colleges, with levels nearly as high as those found in sixth-form colleges, despite having a far more diverse curriculum and a much more inclusive ethos; and that a genuinely tertiary structure helps to increase overall participation rates, especially for students from relatively deprived backgrounds. Moreover, tertiary colleges enable students to access a wider range of courses and have greater flexibility of choice in the options available to them, including access to a range of specialist and 'minority' subjects. With full-time and part-time students; arts, sciences and technology; general and vocational courses offered within one institution the potential to begin to break down, or at least reduce, the barriers between academic education and applied training becomes possible (Cotterell and Heley 1981, pp. 10-11). Tertiary restructuring would also eliminate the wasteful duplication of provision and institutional inefficiencies associated with market-driven models of FE, and provide a far more cost-effective model of provision than other arrangements. All this has been known for some time but here a brief review of the history of the tertiary college movement will be useful.

England's first tertiary college was established in 1970 when Devon LEA abolished school sixth-forms in Exeter and created a single post-16 college in their place. As is the case today, during the 1970s, successive governments were focused on reducing public expenditure and, somewhat ironically given their hostility towards the principles of comprehensive education, Conservative-controlled LEAs, particularly those in rural areas with small, unviable sixth-forms and under-used FE colleges were most likely to establish tertiary colleges - and by the end of the decade fifteen tertiary colleges existed across England. In 1979, the incoming Conservative Government set up a post-16 working party under the chairmanship of Under-Secretary of State for Education, Neil Macfarlane with a remit to review the provision of post-compulsory education across England and Wales. The Macfarlane Committee found a range of evidence in favour of tertiary re-organisation, including cost savings through the rationalisation of existing provision; the ability of tertiary colleges to offer a wider programme of full-time and part-time courses than is possible through other arrangements; and the opportunity for young people to select the courses best suited to their needs (Macfarlane 1980, p. 31). Consequently, it initially recommended, both educational and cost reasons, that a national system

of tertiary institutions, based upon existing FE colleges, should be created. If implemented, such a proposal would have had far-reaching consequences including the dissolution of school-sixth forms and sixth-form colleges across England. The ‘Cinderella service’ would, for the first time, have been brought into the mainstream and the ethos of comprehensive education would have been extended to the post-compulsory level (Simmons, 2013, p. 96).

Senior figures in the Conservative Party were, however, alarmed at Mr Macfarlane’s proposals and he was forced to water down his plans, the final draft of the Macfarlane Report recommending only that LEAs consider tertiary re-organisation in light of their own local circumstances. Nevertheless, by the early-1990s there were almost 70 tertiary colleges in existence, although often school sixth forms and sixth-form colleges were allowed to exist alongside many so-called tertiary colleges. The lack of a national policy also meant that, even in the few areas where a fully tertiary model was implemented, competition for students with institutions in neighbouring authorities undermined the tertiary principle. The 1988 ERA made tertiary re-organisation considerably more difficult by allowing some schools to opt out of local authority control and enabling them to set-up sixth forms outside the local authority framework. The threat of leaving LEA control was also used by some schools as a defence against the prospect of re-organisation. The possibility of creating more tertiary colleges was effectively extinguished when local authorities lost all responsibility for running further education following the 1992 F&HE Act. But had Macfarlane’s initial recommendation, the creation of a national system of tertiary colleges, been implemented this would have created a much more coherent institutional framework than had existed hitherto – and a far more transparent and efficient system of post-compulsory education and training than exists today. Rather than competition and duplication of provision, national tertiary reorganisation today would enable innovative practice and students would have access to a wider range of courses and greater flexibility of study in both the number and type of subjects available to them.

Perhaps the Macfarlane Report represents a key moment that has been lost forever. The economic and political climate since the time of the Report has consistently run contrary to the principles of the tertiary college movement, and there is no doubt that the Coalition is fiercely hostile to the ideals of comprehensive education. Yet, despite all this, tertiary reorganisation may still return to the agenda because ‘going tertiary’ is, in many ways, the obvious answer to a number of pressing questions. Perhaps most importantly under present conditions, tertiary colleges, as we have seen, allow education and training to be delivered in a more cost-effective way than is possible through other arrangements. Other developments, such as raising the participation age to 18, present both educational and logistical challenges and only tertiary colleges can provide the broad, flexible curriculum and the inclusive ethos necessary to engage disadvantaged and marginalised young people who may not otherwise participate in education and training. So, in many ways, tertiary colleges offer a solution to a variety of conundrums – although the logistical challenges involved in creating such a system should not be underestimated. Nor should the obstacles presented by those with vested interests in schools, sixth-form colleges, and in what Keep (2014, p. 10) describes as the ‘skills industry’ easily be overcome. More broadly though a paradigm shift amongst policymakers would be needed to revive the tertiary college movement and strategic labour market intervention to stimulate the demand for particular forms of knowledge and skill would still be necessary at local, regional and national levels. All this will mean a radically different approach not only to organising and providing FE but also in the way that the relationship between technical and vocational education and academic learning is conceived more broadly.

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