



House of Commons
Committee of Public Accounts

**Getting value for
money from the
education of 16– to 18–
year-olds**

**Forty-second Report of Session 2010–
12**

*Report, together with formal minutes, oral and
written evidence*

*Ordered by the House of Commons
to be printed 18 July 2011*

HC 1116

Published on 16 August 2011
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Rt Hon Margaret Hodge (*Labour, Barking*) (Chair)
Mr Richard Bacon (*Conservative, South Norfolk*)
Mr Stephen Barclay (*Conservative, North East Cambridgeshire*)
Dr Stella Creasy (*Labour/Cooperative, Walthamstow*)
Jackie Doyle-Price (*Conservative, Thurrock*)
Justine Greening (*Conservative, Putney*)
Matthew Hancock (*Conservative, West Suffolk*)
Chris Heaton-Harris (*Conservative, Daventry*)
Joseph Johnson (*Conservative, Orpington*)
Rt Hon Mrs Anne McGuire (*Labour, Stirling*)
Mr Austin Mitchell (*Labour, Great Grimsby*)
Nick Smith (*Labour, Blaenau Gwent*)
Ian Swales (*Liberal Democrats, Redcar*)
James Wharton (*Conservative, Stockton South*)

The following member was also a member of the committee during the parliament:

Eric Joyce (*Labour, Falkirk*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Philip Aylett (Clerk), Lori Verwaerde (Senior Committee Assistant), Ian Blair and Michelle Garratty (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Accountability	7
2 Achieving efficiency and the benefits of size	9
3 Monitoring performance and dealing with failure	11
Formal Minutes	13
Witnesses	14
List of printed written evidence	14
List of Reports from the Committee during the current Parliament	15

Summary

In 2009, over 1.6 million 16- to 18-year-olds participated in some form of education and training at a cost of over £6 billion. Most of these young people studied full-time for Level 3 qualifications (such as A levels or National Vocational Qualifications) at a general further education college, sixth form college or school sixth form. The Government's approach is to encourage choice and quality of education through a market of providers. Young people choose where they want to study, subject to entry criteria, with funding following the student.

The system governing the education of 16- to 18-year-olds is devolved and complex. The Department for Education (the Department) has overall responsibility, and the Young People's Learning Agency funds education providers and monitors their performance. At a local level, local authorities have a duty to secure provision but they have limited powers, and having duties without powers cannot work effectively. The Skills Funding Agency oversees provision for students over the age of 19, on behalf of the Department for Business, Innovation and Skills, and has lead responsibility for general further education colleges. Hence, many colleges report to two Departments and two funding agencies.

The Department cited reductions in funding per student as one incentive to make education providers more efficient, but there is a risk providers simply spend up to this unit price. We took evidence from the leaders of three highly performing institutions, and they emphasised the value of reliable comparative information and benchmarks in enabling them to improve efficiency.

There has been an overall improvement in the achievements of 16- to 18-year-olds over the last four years. Students in larger providers have generally achieved better results. Smaller providers, by collaborating, can achieve some of the benefits of size, including economies of scale and improvements to quality and choice. However, the competitive market in which providers of 16 to 18 education operate can be a barrier to collaboration and aspects of inspection and assessment are not aligned with collaborative delivery.

In a market, consistently poor providers should fail because they lose funding as students choose to study elsewhere. For the 16 to 18 education market to work effectively, there needs to be consistent and relevant information so the Department can assess value for money and students can make informed judgements about their courses and what they lead to. Also, where a provider's performance is poor, there must be clarity about the criteria for intervention, and the timing and extent of intervention. Neither is fully in place at present, leading to negative consequences for students, and limiting the speed and effectiveness of actions to deal with poor performance.

While participation of 16- and 17-year-olds in education and training has increased in recent years, further increases are required to reach the legislative requirement of full participation by 2015. The Department must assess the impact of recent changes to policy, such as its replacement of the Education Maintenance Allowance, on its plans to have

everyone up to age 18 in education or training by 2015.

On the basis of a report by the Comptroller and Auditor General,¹ we took evidence from the Department for Education, the Young People's Learning Agency and the Principals of three education institutions on the effectiveness and efficiency of the current education system for 16- to 18-year-olds.

1 C&AG's Report, *Getting value for money from the education of 16- to 18-year-olds*, Session 2010-11, HC 823

Conclusions and recommendations

- 1. Educational achievements of 16- to 18-year-olds have improved over the last four years, but more needs to be done to enable the market to operate effectively.** The Department's market-based delivery model will not deliver its objectives of improving choice and quality for students unless good comparative information between providers is available, relevant advice and information is provided to students, and the Department intervenes effectively to address poor performance. The recommendations set out below include steps the Department should take to help it achieve these aims.
- 2. The framework of accountability for 16 to 18 education is complex and risks over-burdening providers.** For example, general further education colleges are answerable to two Departments, two funding agencies and a wider web of accountability including Ofsted, local authorities, governors and students. To manage the burden of audit and performance reporting, the Departments should clarify roles and eliminate duplication of demands on providers.
- 3. Local authorities have a duty to secure provision, but they lack an effective means to influence providers.** The Department emphasises the duty and important role of local authorities. However, local authorities have limited powers and the effectiveness of their engagement with the sector varies. The Department must address this issue so that those with obligations are able to enact those obligations effectively.
- 4. Reducing funding does not in itself guarantee efficiency.** Reductions, if carefully managed, can help drive efficiency, but a consequence of unit pricing can be that institutions simply spend up to that amount. Cuts may also have unintended consequences, such as reducing the provision of courses that require more intensive resource. The Department should require providers to produce comparable cost information as benchmarks to increase the transparency of the costs of courses and drive efficiency.
- 5. Smaller providers can best provide choice and realise economies of scale by collaborating, yet the incentives to collaborate are weak.** Larger providers benefit from economies of scale and can provide a wider choice of courses for their students. The evidence also suggests student achievement is higher in larger institutions. Some smaller providers achieve these benefits by collaborating in different ways, from informal co-working to establishing federations. Many do not collaborate, however, partly because of the market emphasis on competing for students. Furthermore, the inspection and assessment regimes are not aligned with collaborative delivery, with different parts of the same federation being subject to separate inspections. The Department should promote the benefits of effective collaboration between providers, and address anomalies between the way providers are configured and how their performance is assessed.
- 6. Information to measure the performance of providers is not comparable, making it difficult to assess the value for money they offer and inhibiting the operation of**

a market driven by student choice. The Department has plans to improve the comparability of information and to make it more accessible to students. It should require all providers to compile and publish comparable performance information to support the assessment of value for money. The information should be sufficient for prospective students to use in choosing the right course, thereby improving student engagement and retention.

7. **There is a lack of clarity about when and how the Department requires intervention in the event of failure.** For a market to be effective, poor providers must be allowed to fail. Some poorly performing providers continue for too long before action is taken, with potentially serious consequences for their students. The criteria for intervention are clearer for colleges than for schools, with actions to tackle poor sixth forms in maintained schools at the discretion of the local authority. The Department should clarify how it will address failing providers, whether they are school sixth forms or colleges, and the criteria that will determine the extent and timing of intervention.
8. **The Department has indicated that it believes that, by definition, it is better value for money to spend less on a replacement for the Educational Maintenance Allowance scheme, targeting it and removing deadweight costs. However, the potential impact on participation in education and training of the replacement for the Education Maintenance Allowance has still to be assessed, and the Committee will come back to this.** The *Education and Skills Act (2008)* requires all young people to continue in education or training up to the age of 18 from 2015. With participation by 16- and 17-year-olds running at 89% in 2009, there is still a way to go to reach 100% participation by 2015. The Education Maintenance Allowance, with a budget of over £560 million, was established to increase participation. The allowance is to be replaced in the 2011/12 academic year by a £180 million bursary scheme, which will be administered by providers. As the Department develops its implementation plan for this policy change, it must assess the impact on participation, particularly for disadvantaged young people, and the burden on providers of managing the changes, including the costs of administration.

1 Accountability

1. In 2009, over 1.6 million 16- to 18-year-olds participated in some form of education or training at a cost of over £6 billion. Most of these young people undertook full-time education at either a general further education college, sixth form college or school sixth form. Most 16- to 18-year-olds study for Level 3 qualifications (such as A levels or National Vocational Qualifications) but other levels of qualification are available, such as GCSEs.²

2. The system governing the education of 16- to 18-year-olds is devolved and complex.³ The Department for Education (the Department) has overall responsibility and sees its role as to encourage and maintain diversity of provision, creating choice for students. It is then up to institutions to improve quality and attract students.⁴ The Young People's Learning Agency funds education providers and monitors their performance. Local authorities have a duty to secure provision but limited powers, and their engagement with 16 to 18 education varies.⁵

3. The Young People's Learning Agency is to be replaced by the Education Funding Agency, an executive agency of the Department, in April 2012.⁶ The Skills Funding Agency, which oversees provision for people over the age of 19 on behalf of the Department for Business, Innovation and Skills, also has lead responsibility for general further education colleges. Therefore, responsibility for general further education colleges is split between two Departments and two Agencies.⁷

4. The current accountability framework and reporting requirements can create a burden for providers.⁸ A Principal from a general further education college described to us a web of accountability, including two Departments and their agencies, Ofsted, the local authority, the institution's board of governors, students, staff and the wider community.⁹ We heard from an Academy Principal who emphasised the need for the organisations to communicate with one another and not to duplicate actions or requests for information.¹⁰

5. The Department told us it took seriously its responsibility to work closely with the Department for Business, Innovation and Skills to eliminate duplication. The two funding agencies had been charged with joining up systems and processes as far as possible. So far, this has included: sharing some services to avoid duplication; creating a single point of contact for colleges to communicate with central government; and establishing mutual assurance, so the Department for Education takes assurance from the Department for

2 C&AG's Report paras 1, 1.1

3 Qq 1,99

4 C&AG's Report paras 2.2-2.5

5 Qq 1-7, 100-103; C&AG's Report paras 2, 2.2-2.6

6 C&AG's Report para 2.7

7 Qq 2, 104-106; C&AG's Report para 2.3

8 Q7

9 Q2

10 Qq 6-7

Business, Innovation and Skills' auditors where both Departments have provided funding to a general further education college.¹¹

6. Local authorities have a statutory duty to secure the provision of education and training for 16- to 18-year-olds and are well placed to reach young people in their area who are not participating in education. However, local authorities do not have powers to perform their duties and there are, in practice, marked differences between local authorities in how they undertake their role.¹² Government needs to address this issue and ensure that legislative obligations are matched with appropriate powers to ensure effective working. Authorities which perform well champion the needs of the community by identifying gaps in provision, avoiding unnecessary duplication, and coordinating education with other public services. For example, it is important that education support for students with learning difficulties and disabilities is joined up with health and social care.¹³

11 Q 98

12 Q 100

13 Qq 31-33, 99-103, 131-136; C&AG's Report paras 2.3, 2.5

2 Achieving efficiency and the benefits of size

7. School sixth forms currently receive £280 per student more than colleges. The recent Spending Review created the impetus for the Department to commit to eliminating this funding difference by reducing all funding to the amount colleges currently receive. Convergence of funding is to be achieved by 2015 to help manage the impact on schools. As a result of fewer resources in the past, further education colleges have become more adept at making tough choices to improve value for money.¹⁴

8. The Principals of the three education institutions described to us how they had found efficiencies and made savings, for example by:

- i. Reducing costs through economies of scale such as larger set sizes.¹⁵
- ii. Examining costs in depth and benchmarking them against comparable costs in other institutions.¹⁶
- iii. Restructuring and staff redundancies to meet specific cost pressures, such as when colleges had to absorb increases in VAT.¹⁷
- iv. Identifying expensive courses and closing them when funding falls below a certain level. Resource-intensive courses were the most at risk, such as construction, science and technology.¹⁸
- v. Differentiating the workforce to create innovative roles, such as employing mentors to help students to organise themselves academically and overcome personal hurdles.¹⁹

9. The risk with funding based on a unit price per student is that providers will simply spend up to the unit price, so there is a need for further incentives towards efficiency.²⁰ The Principals told us where there had been reductions in funding, such as for capital expenditure, this had been an incentive for institutions to operate efficiently in order to create surpluses for reinvestment in their estate.²¹

10. As the level of funding for all types of provider is aligned it should become easier to compare the value for money of different providers.²² However, the processes to assess the

14 Qq 62-69; C&AG's Report paras 9, 2.15

15 Qq 17,21

16 Q 18

17 Qq 18, 44-48

18 Q 21, 49

19 Q 18

20 Qq 14, 17, 73

21 Qq 36-41

22 Qq 60,74

value for money of individual providers are currently weak. In particular, Ofsted was not well equipped to provide a value for money assessment. The Department told us that the new financial management standard to assist school governors and headteachers would include a much stronger value for money component, to encourage further efficiency.²³

11. Students in larger providers achieve, on average, better academic progress and results. The Principals of the three education institutions told us that large providers could benefit from economies of scale and be more responsive to local demand, offering a wider variety of courses. Choice of providers did not necessarily mean a wider choice of courses as a large number of small providers might compete for the same students and collectively offer a narrower range of courses.²⁴

12. The Department told us that not all students wish to attend a large institution, and some valued the more intimate atmosphere that a school sixth form could provide.²⁵ Parents might also feel comfortable and secure with an institution they knew and trusted. Sixth form federations (groups of two or more providers that have a joint governing body) such as the Academy federation with 600 students that was described to the Committee, can offer benefits of scale, while providing a school sixth form experience.²⁶

13. Although there are recognised benefits from collaboration, competition for students can be a barrier to collaboration.²⁷ In addition, inspection and assessment regimes are not aligned with collaborative delivery. For example, a federated academy sixth form receives separate Ofsted judgements for each part of its federation, even though they are run as a single entity.²⁸

14. The Department told us that it did not intervene to close institutions on the grounds of small size.²⁹ It acknowledged the tension between choice and efficiency, but believed that over time efficiency would prevail because institutions would succeed or fail on the basis of student choice.³⁰ One of the consequences of the recent Spending Review could be greater collaboration between providers, sometimes leading to federations being formed. Smaller school sixth forms that did not collaborate would be at greatest risk from the reduction in funding.³¹

23 Q74; C&AG's Report para 2.30

24 Qq 9-11; C&AG's Report paras 5, 1.15, 1.16, 1.18

25 Q 62

26 Qq 28-30, 35, 62; C&AG's Report paras 3, 6, 1.23

27 Q9

28 Qq 6-7; C&AG's Report para 2.35

29 Q 69

30 Q 61

31 Q 64; C&AG's Report para 2.34

3 Monitoring performance and dealing with failure

15. The Department told us there were three important pre-conditions for a market-driven system to work effectively. These were: comparative information between providers; the right kind of advice and information for students; and appropriate interventions to address poor performance.³²

16. Comparative information on performance at the level of individual courses, and on the continuing education or employment that they might lead to, is not widely available.³³ The Department has committed to align success rate data, and the assessment of different provider types by 2013. Ofsted is seeking to bring inspection arrangements for school sixth forms and colleges more closely together, though these will not be fully aligned because school sixth forms are still to be judged as part of the wider school setting.³⁴

17. To improve advice and information to young people, the Department is considering what information potential students need to inform their decision about where and what to study.³⁵ One of the Principals we heard from suggested that providers should be held to account based on where their students progress onto: for example, their own institution tracked the progression of students after they left, and monitored long-term progress through its alumni association.³⁶ The Department proposed to introduce, by 2013, subject-specific information and a measure showing how many students had progressed into further learning or employment.³⁷

18. The Department's approach to poor performance in providers was to have mechanisms to intervene when there are quality problems but ultimately to allow the market to force poor providers to improve or close. There is, however, some doubt about how prepared the Department is to let schools or colleges fail.³⁸

19. The interventions for dealing with poor performance in providers were inconsistent. Colleges were required to meet minimum levels of performance (based on success rates), and the Young People's Learning Agency set clear action plans where colleges failed to meet them. In contrast, local authorities were not consistent in their approach to dealing with poor performance in school sixth forms.³⁹ The Department told us that it looks to facilitate solutions that safeguard the position of learners and that every effort is made to keep an institution open in an area where there might be a shortage of places. Therefore,

32 Q59

33 C&AG Report para 7

34 Q70

35 C&AG's Report para 1.22

36 Qq 11-12

37 Q 70; C&AG's Report paras 7, 1.22, 1.27

38 Q 59

39 C&AG's Report paras 15-16, 3.10, 3.15

when failing institutions are identified, they are more likely to merge with or be taken over by other institutions than be closed.⁴⁰

20. The *Education and Skills Act (2008)* introduced the requirement for all young people to continue in education or training up to age 17 (from 2013) and 18 (from 2015). Average participation across all 16- and 17-year-olds in 2009 was 89%. The Young People's Learning Agency told us that it was on track to meet the target of full participation and that sufficient funding is in place.⁴¹ The participation rates for 16- and 17-year-olds had been steadily increasing and for 16-year-olds were 93.7% in 2009-10, and were estimated to increase to 96.1% for 2011-12. Participation of 17-year-olds was 85.2% in 2009-10, and was estimated to reach 88.5% for 2011-12. An important factor in securing the participation of the older students is to make sure they are on the right course from age 16, to reduce the risk of them dropping out.⁴²

21. The Department is replacing the Education Maintenance Allowance (EMA), which cost over £560m, with a bursary scheme to be administered by providers. The aim of the scheme, to be introduced in academic year 2011-12, is to target £180 million to students who might otherwise be deterred from participating in education. The Department has indicated that it believes that, by definition, it is better value for money to spend less on a replacement for the Educational Maintenance Allowance scheme, targeting it and removing deadweight costs.⁴³ In some further education colleges, 70% of students received the EMA.⁴⁴ A consultation has recently closed on the bursary fund to replace the EMA. The Young People's Learning Agency told us providers had not yet been informed of how much funding they would receive for the new scheme or how they were to administer it. They were likely to be allowed to use up to 5% of total funds to administer the scheme and the Association of Colleges had been working with colleges to develop joint arrangements and to share expertise.⁴⁵

40 Qq 81-95; Ev 19; C&AG's Report paras 15-16, 3.5, 3.10, 3.15

41 Qq 75-79,120

42 C&AG's Report paras 1, 2.10; Ev 19

43 Q 113

44 Qq 114 - 116; C&AG's Report para 1.24

45 Qq 107-120

Formal Minutes

Monday 18 July 2011

Rt Hon Margaret Hodge, in the Chair

Mr Richard Bacon

Mr Stephen Barclay

Dr. Stella Creasy

Jackie Doyle-Price

Matthew Hancock

Mrs Anne McGuire

Austin Mitchell

Nick Smith

Draft Report (*Getting value for money from the education of 16- to 18-year olds*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 21 read and agreed to.

Conclusions and recommendations 1 to 8 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Forty-second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Monday 5 September at 3.30pm]

Witnesses

Wednesday 8 June 2011

Page

Maggie Galliers, Principal, Leicester College, **Jonathan Godfrey**, Principal, Hereford Sixth Form College, and **Declan Jones**, Principal, Haberdashers' Aske's Federation

Ev 1

David Bell, Permanent Secretary, Department for Education, and **Peter Lauener**, Chief Executive, Young People's Learning Agency

Ev 8

List of printed written evidence

1 Department for Education and the Young People's Learning Agency

Ev 19

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Support to incapacity benefits claimants through Pathways to Work	HC 404
Second Report	Delivering Multi-Role Tanker Aircraft Capability	HC 425
Third Report	Tackling inequalities in life expectancy in areas with the worst health and deprivation	HC 470
Fourth Report	Progress with VFM savings and lessons for cost reduction programmes	HC 440
Fifth Report	Increasing Passenger Rail Capacity	HC 471
Sixth Report	Cafcass's response to increased demand for its services	HC 439
Seventh Report	Funding the development of renewable energy technologies	HC 538
Eighth Report	Customer First Programme: Delivery of Student Finance	HC 424
Ninth Report	Financing PFI projects in the credit crisis and the Treasury's response	HC 553
Tenth Report	Managing the defence budget and estate	HC 503
Eleventh Report	Community Care Grant	HC 573
Twelfth Report	Central government's use of consultants and interims	HC 610
Thirteenth Report	Department for International Development's bilateral support to primary education	HC 594
Fourteenth Report	PFI in Housing and Hospitals	HC 631
Fifteenth Report	Educating the next generation of scientists	HC 632
Sixteenth Report	Ministry of Justice Financial Management	HC 574
Seventeenth Report	The Academies Programme	HC 552
Eighteenth Report	HM Revenue and Customs' 2009-10 Accounts	HC 502
Nineteenth Report	M25 Private Finance Contract	HC 651
Twentieth Report	Ofcom: the effectiveness of converged regulation	HC 688
Twenty-First Report	The youth justice system in England and Wales: reducing offending by young people	HC 721
Twenty-second Report	Excess Votes 2009-10	HC 801
Twenty-third Report	The Major Projects Report 2010	HC 687

Twenty-fourth Report	Delivering the Cancer Reform Strategy	HC 667
Twenty-fifth Report	Reducing errors in the benefit system	HC 668
Twenty-sixth Report	Management of NHS hospital productivity	HC 741
Twenty-seventh Report	HM Revenue and Customs: Managing civil tax investigations	HC 765
Twenty-eighth Report	Accountability for Public Money	HC 740
Twenty-ninth Report	The BBC's management of its Digital Media Initiative	HC 808
Thirtieth Report	Management of the Typhoon project	HC 860
Thirty-first Report	HM Treasury: The Asset Protection Scheme	HC 785
Thirty-second Report	Maintaining financial stability of UK banks: update on the support schemes	HC 973
Thirty-third Report	National Health Service Landscape Review	HC 764
Thirty-fourth Report	Immigration: the Points Based System – Work Routes	HC 913
Thirty-fifth Report	The procurement of consumables by National Health Service acute and Foundation Trusts	HC 875
Thirty-seventh Report	Departmental Business Planning	HC 650
Thirty-eighth Report	The impact of the 2007-08 changes to public service pensions	HC 833
Thirty-ninth Report	Department for Transport: The InterCity East Coast Passenger Rail Franchise	HC 1035
Fortieth Report	Information and Communications Technology in government	HC 1050
Forty-first Report	Office of Rail Regulation: Regulating Network Rail's efficiency	HC 1036
Forty-second Report	Getting value for money from the education of 16- to 18 year-olds	HC 1116

Oral evidence

Taken before the Public Accounts Committee

on Wednesday 8 June 2011

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Stella Creasy
Jackie Doyle-Price
Matthew Hancock

Chris Heaton-Harris
Mrs Anne McGuire
Ian Swales
James Wharton

Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General and **Angela Hands**, Director, National Audit Office and **Marius Gallaher**, HM Treasury, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Getting value for money from the education of 16- to 18-year-olds (HC 823)

Examination of Witnesses

Witnesses: **Maggie Galliers**, Principal, Leicester College, **Jonathan Godfrey**, Principal, Hereford Sixth Form College, and **Declan Jones**, Principal, Haberdashers' Aske's Federation, gave evidence.

Q1 Chair: Can I welcome you? Thank you for attending. We are time-framed by a vote today at 4.15, so we hope that you will be able to add some value to our discussion when we talk to the Permanent Secretary and the leader of—whatever it is called—the newly christened reinvented agency afterwards. We are very grateful, and it is an opportunity for all of you, as excellent leaders of a variety of institutions, to talk us through a little bit about what you think has made it work in relation to value for money. Our interest is not the policy aspect of it, only in so far as it impinges on value for money.

I want to start by giving you an opportunity to perhaps talk a little bit about accountability, because it is a good sector and the Report is complimentary about the way you have raised standards, achievement and participation. But the accountability structures look to us pretty complex, and it would be interesting to hear how they feel for you, as providers, on the ground. Two Government Departments, two agencies, local authorities having a say as well—it looks a bit muddled to me. What does it feel like to you? Does it work and what could be done to improve it? If we could start there I think that would be helpful.

Maggie Galliers: Clearly, there is complexity around the accountability systems, and that can sometimes feel burdensome. But I would want to state quite firmly that as we are all chief accounting officers, it is right that we should be accountable. I believe that it is through accountability and transparency that we genuinely—

Q2 Chair: Who are you accountable to?

Maggie Galliers: I have made a list, just to be helpful. Clearly, there are the two Departments and their agencies. We are also accountable to regulatory bodies of various sorts, like Ofsted, but in my case also

higher education: IQER and so on. We are also theoretically accountable to the local authority in their shaping role, although it is less than clear what power they have to make us accountable, but of volition we would want to be accountable because that is part of our local community. In my own college, I feel very accountable to my corporation, which is my board of governors. Very specifically, my board of governors is composed of local stakeholders, but also national figures who understand policy intent and make sure that I keep on track with all of that. Finally, I would say I am accountable not only to the learners in my institution, and the staff who teach them, but to the wider community. We are working hard at how we might become more transparent for them. It is a very big web of accountability.

Q3 Chair: You do not want to spend your time being accountable, you want to spend your time doing. What could be done to improve that?

Maggie Galliers: If we could get some robust key performance indicators, and I think the NAO Report is helpful in that respect, those will serve for a number of different purposes. Clearly you would always want streamlined central systems, and I think the NAO does make the point that the 16 to 19 landscape and its total system has perhaps not been thoroughly reviewed yet.

Q4 Chair: So what would you want? This is your opportunity to tell us. We will come on to value for money, but let us deal with accountability. All these guys keep coming round expecting you to answer to them. What do you want that would make your life easier?

Jonathan Godfrey: Shortly after she was appointed as HM Chief Inspector of Education, I asked Christine Gilbert how she measured value for money, because

she often commented on it in inspection reports. She had to admit that Ofsted did not have measures for value for money; they were working on them but had not yet produced anything that resembles measures of value for money. Therefore one possible body that could help hold schools and colleges accountable for delivering value for money does not at the moment. I agree that is something that we need to pursue: are there performance indicators that could measure that, which Ofsted could have regard to? It is important to say that those indicators should address not simply the whole school, if it is an 11 to 18 institution, but specifically the 16 to 19 element. Colleges have certainly responded robustly to the Ofsted consultation that they feel the sixth forms of schools should continue to be inspected and graded separately because at the moment there are issues concerning the merging of judgments. Ofsted is a fantastic body, and I am very supportive of it and regard it as a positive institution, but in terms of value for money measurements I am not terribly impressed.

Q5 Chair: Are you answerable to BIS as well?

Jonathan Godfrey: No, we are currently just responsible to the DfE. We are sponsored by the DfE.

Q6 Chair: Whereas Declan Jones is only answerable to Ofsted.

Declan Jones: And the YPLA. We are an academy with a hard federation. On the Ofsted question, to give a practical example, we run one sixth form of 600 students with one leadership team, yet because they are based on two campuses Ofsted will only inspect one part of the campus. Therefore when they have made judgments, one half gets "outstanding", the other gets "good with outstanding features". This has happened three times now in this regime, so I am glad that the report recommends that a federated sixth form should be inspected as one sixth form. Our journey has been that we have expanded our sixth-form capacity at a school that was in difficult circumstances. It became an academy, our sister academy; we expanded our sixth form provision there, and within five years I think we have improved the social capital of the neighbourhood and given opportunities for those children. When it comes to questions about value for money, they are the kind of measures I would like to see some sort of recognition for. On all the usual standards of NEETs, points per candidate and progress measures, we seem to do exceptionally well for our children; we can answer that game. But the joined-up bit we want is that those who come and see us—we don't mind how many people come to see us—

Q7 Chair: You don't mind?

Declan Jones: We don't—as long as they talk to each other. We find we are repeating the same thing, and saying, "Well, did you not read the Ofsted report?" when someone else comes. That is the area: we find that we are just repeating the same thing and showing the same measure. I have to admit that I am very, very grateful that if this does come to pass, Ofsted will inspect my school as one federated sixth form with

one leadership team, and not come up with differing judgments as we currently have.

Chair: Dear, dear.

Jonathan Godfrey: In addition to Ofsted of course, there were the quangos, once the Learning and Skills Council, now the YPLA.

Q8 Chair: And being changed to something else?

Jonathan Godfrey: The EFA in the future. The Learning and Skills Council established what it called Framework for Excellence to determine a range of performance indicators across the post-16 sector. One of the intentions was to produce performance indicators specifically to measure value for money. I was on the group that attempted to do that, and in my written submission I indicated the difficulties. How do you define value for money? You have to look at cost per successful outcome. But what is the cost? The funding that the colleges or the school sixth forms receive is so complex. It is not simply the LSC funding, as it was, there are all sorts of funding streams that schools can receive that obviously colleges do not. Schools do not pay VAT, and there are standards funds and all sorts of extra funding. Even simply defining the funding element of funding per successful outcome was terribly difficult. Then of course, what is a successful outcome? Is it a valued-added pass rate? Is it raw examination results? Obviously you have to look at retention and success rates. I think the document that the NAO has produced is very good in that regard, in that it does stress the importance of success rates. It poses some suggestions about measuring funding input.

Q9 Chair: One of the things the Report says is that "big is beautiful" in this sector. Do you agree with that?

Maggie Galliers: I am one of the largest providers here. I have about 5,000 16 to 18-year-olds within a much larger general further education college. We have just been judged as outstanding for value for money. It is certainly our experience that, somewhat counter-intuitively, large providers can be very agile and responsive. The Report does point out that choice of providers does not necessarily mean more choice of courses because sometimes when there are many smaller providers in a particular place they will effectively be competing for the same students and offering a diet that is much more linear. In a college like my own we can offer a climbing frame of opportunity through all levels, from entry to level 4 or level 5. In my experience, big can be beautiful.

Q10 Chair: Do you think that should be a policy driver or should you let the market find its own equilibrium?

Maggie Galliers: It is difficult, because some of the work of the OFT around choice and competition does mention that public services often have a much wider remit than simply getting a slice of the market. It is about policy intent. In my world it would not be just about the qualifications I offer but the impact I make in Leicester on community cohesion, NEETs and some of those other things as well. Although it is helpful to have some choice, if that is a proliferation

of very small 16 to 19 institutions, often sixth forms, it is not necessarily in the best interests of either the learners or the taxpayer.

Q11 Chair: That is the FE view. What is the school view?

Declan Jones: Five years ago we were a sixth form of 300; we are now a sixth form of 600 and there are benefits of scale. I am not saying there are any cost savings, but there are definitely benefits of scale in terms of provision that we can provide for our students. We are finding that more of our students want to stay because we can offer a better breadth, and they want to have a sixth-form experience that their school has provided. Our unique selling point at the moment is that we are an all-through academy now, so we take them from three to 18. Our commitment is that we take them at three, and after 15 years we think we will make something good of them. So I am very interested in a next-step measure. There is talk about asking us to look at where they go until they are 25; I am slightly frightened about that one, but I am interested in making me accountable for where they have been sent.

Q12 Mr Bacon: Do you track your students after they have left?

Declan Jones: We track our students when they leave, and then through our alumni association, but we don't sit down after three years and ask, "Where are they now?" But through the alumni association we might invite them back into school.

Jonathan Godfrey: I was extremely surprised reading the document that its recommendations were not a wee bit more bullish about proposing a coherent approach to planning post-16 provision given that the evidence is so strong. For sixth-form colleges in particular—I would say this—if there is a reorganisation planned, that ought to perhaps be the first option. I also think local authorities or the YPLA should be seriously steering planners to look at more rapid closure of inefficient and low-quality school sixth forms.

Q13 Chair: We will come to the questioning with the officials, but the interesting thing letting the market do it. I think we probably all know from our constituency experience how the market works for schools: they hang on to their kids and do not necessarily tell them about the alternative opportunities that are available to them. Do you have a plan, and if so, in this plethora of organisations, who takes the decision? This is going back to the accountability question.

Jonathan Godfrey: Can I answer the point you made about destinations? I did some research for the sixth-form colleges to look at retention rates in higher education based on the secondary sector that students had attended prior to going into HE. This was based on HESA statistics, which my college paid for, but I was quite happy to do that bit of research. Interestingly, the independent schools were top of the retention, then sixth-form colleges, secondary schools next, and FE next. There are many obvious reasons why that should be the case. Nevertheless, it is interesting that the secondary schools' sixth forms and

sixth-form colleges' intakes are fairly similar. Those data are not published, but it is one more bit of evidence to suggest that the experience students have in sixth-form colleges is something that ought to be available to students wherever they live. There can be a plethora of other providers, which would fit in with the choice agenda, but the Sixth Form Colleges' Forum strongly believe that a sixth-form college ought to be an option for everybody.

Q14 Chair: I have one final question. What would drive efficiency? Reading this Report and looking at the sector as a whole, even if you move to a unit of funding, everybody will spend up to that unit per person. So what mechanisms, if any, would drive efficiency in your institutions?

Jonathan Godfrey: I think the funding methodology is doing that. Convergence is doing that, and we are accountable.

Q15 Chair: You are getting more out of that.

Jonathan Godfrey: No, actually we are getting less. We are all converging to a lower figure. The schools are converging more quickly than we are, although there are safeguards to stop us going down too quickly.

Q16 Chair: But the sixth-form colleges are doing best, because you were more poorly funded previously. You are 5% less funded than the schools, and they are going to put that right by 20-whatever.

Jonathan Godfrey: We are all converging to a much lower level, but that reduction is less for us, so if you want to say that that's great—

Q17 Chair: But that is a different issue. Your money is less so you are having to cut. Is the only way to drive efficiency to cut your unit funding?

Jonathan Godfrey: No, but currently it is the major factor that is ensuring that colleges are raising set sizes and deploying staff as efficiently as they possibly can.

Q18 Chair: Anything else?

Maggie Galliers: If I look at how I have driven efficiency in my organisation, benchmarking has been a very important tool, looking at my non-pay costs in depth and making sure that I am getting best value for money. In terms of the pay element, which is the element that most of our organisations will have as the largest percentage—often between 60% and 70% will be pay—the key to driving efficiency is around differentiation of the workforce. I think we see that in schools, but more particularly in colleges where we think less in terms of traditional roles and much more in terms of innovative roles. For example, in my own college one of the ways I get students to stay and to succeed is by employing mentors who are there specifically to help the students organise themselves academically, but also to overcome personal hurdles. Similarly, if I am teaching some kind of vocational or practical skill I will of course always need the high-quality input that lecturers will make, but I will also need trainer assessors who can supervise the repetition of tasks until people are competent. Because colleges

have been subject to a lower resource historically, we have become very adept at restructuring, differentiating our workforce, benchmarking on non-pay, and driving value for money in all sorts of ways. We are really quite entrepreneurial.

Q19 Chair: But the message we get from that is that cuts drive efficiency.

Jonathan Godfrey: All sixth-form colleges are having 75% of their enrichment funding taken away next year.

Q20 Stella Creasy: You have had your funding cut; are your student rolls rising?

Jonathan Godfrey: No, especially in an area where the demography is going the opposite way. During the '90s when the Further Education Funding Council was making its efficiency gains with great enthusiasm, it was a period of great demographic rise in the age group that we are mainly responsible for. Most colleges grew dramatically in those years and were able to fend off the efficiency gains they had to make. At the moment, in many parts of the country, with perhaps the exception of the south-east, there is a demographic downturn in the 16 to 19 cohort; therefore it is not possible to grow in order to fend off those cuts.

Seventy-five per cent. of my enrichment funding has been taken away. That is for student support, careers guidance, sport, music and drama. All of those are an integral and inherent part of the offer I make to my students. Therefore, I have a major responsibility to do the best by my students, so I will not cut any of those under any circumstances, and I will tighten my belt. It is that responsibility we all feel passionately for our students that drives the efficiency gains in the face of cuts. It is not an acceptance that this is great; this is how we have to save money.

Q21 Chair: Do you want to add anything to that?

Declan Jones: Only in answer to your question. We have increased our role, and our class sizes have gone up as a result of the funding going down. It is making me think that A-level subjects such as Latin, German and Greek—which may be better supported at your schools and colleges—may become less of a luxury that I can afford to run, unless we can get the right number of students taking them up. That is the downside for us.

Maggie Galliers: I was the person who gave the impression that only cuts drive efficiency, and I apologise for that. Clearly they do, because we have a duty to provide for as many learners as possible. It is not just cuts that do that, it is good management, wishing to create bottom-line surpluses to reinvest in the very learners we care about. There is a point at which, when funding diminishes below a certain level, there are unintended consequences such as the closure of classes that Declan has mentioned, or a decline in quality.

Q22 Stephen Barclay: This is a sector that deals with two Government Departments with their own sets of agencies, different sets of data requirements, and often approving very similar courses in slightly

different ways, as I understand it. On the issue of efficiency, what scope do you think there is for that to be streamlined, and how might that help you as a sector?

Jonathan Godfrey: I think the document is very good in stressing, as we all have, that there need to be common data to assess performance and a range of other issues pertaining to the 16 to 19 sector. My understanding is that the YPLA and, I guess, the EFA will have responsibility for providing data for the 16 to 19 sector, regardless of how it is funded, which will be very helpful. So although SFA is based in BIS, and the YPLA's successor will be part of the DfE, the data staff within the EFA will be responsible for producing facts and figures about 16 to 19 across the board, so that will be helpful. We have been told, which again is helpful, that we will be funded by only one Department rather than two—FE through BIS, and schools through the DfE. Again, that is helpful.

Q23 Stephen Barclay: Are you able to share with the Committee any examples of where additional costs are in the system at the moment because of the complexity of accountability that you have? Are there things that could be streamlined?

Jonathan Godfrey: We all have a huge audit burden in FE, which has significant costs to us. The audit burden on FE and sixth-form colleges is very large and we feel there is scope for saving.

Q24 Stephen Barclay: Could you give us some numbers around that? What do you mean by large?

Jonathan Godfrey: A college of mine that has a budget of £9 million spends something like £50,000 on audits a year.

Q25 Mrs McGuire: What is the comparison on that? **Chair:** Can the Comptroller and Auditor can help on that? What does that sound like to you?

Q26 Mrs McGuire: Is that the complexity of the audit, that it is unnecessarily—

Jonathan Godfrey: There is a requirement for internal audit to cover 20 days' worth of internal audit even on a very simple sixth-form college that is essentially a monoculture, just dealing with 16 to 19 full-time students arriving in September and leaving in July.

Q27 Chris Heaton-Harris: At Mrs Galliers' college, you have a budget of £51¹million. Is your audit fee seven times, eight times or nine times as big?

Maggie Galliers: I would imagine so. I would have to look at the figures. But in terms of the original question about being answerable to two Departments, the original policy intent was to try to put 16 to 19 education under a coherent system under the DfE, whereas previously colleges sat in another Department. So there were huge amounts of logic there, and I think there are things to be gained from that. For example, it is causing Committees like yours to ask questions about whether there is a similar Ofsted regime across the piece, whether there are similar KPIs, and whether we getting value for money. It is joining all of that up. But perhaps a more negative

¹ Q27 The actual college figure is £56,000

consequence is that we are having to deal with two sets of Departments, two sets of agencies and so on. Inevitably that means that more senior leadership time is taken up with that kind of interface, which might be better spent internally. But I do not have a perfect answer to this because I can understand the intent.

Q28 Jackie Doyle-Price: I would like to direct some questions at you, Mr Jones. The Report, in paragraph 3.14, says that “small sixth forms are more likely to be deemed underperforming”. It also mentions that students find it difficult to make the transition. Arguably it might be easier for them to make the transition to post-16 teaching styles in a new institution. I am interested because traditionally in my local authority provision has been given in this area by FE colleges and a very good sixth-form college. At the moment we are seeing a real rush to become academies, which is great, and those academies are looking at developing their own sixth-form provision. In the light of these findings, what do you think you bring as distinct from the other providers?

Declan Jones: What I liked about the Report was that it said that 550 was big, so I feel 550-plus is a good size, and I would worry about colleagues who might want to set up smaller sixth forms, just in terms of the start-up cost that would engender. But I am a believer in choice, and just to answer one of the earlier questions, our Year 11 students are told about all the post-16 opportunities available to them, and then they decide. I cannot offer everything, so if they wish to do something else they can go to Lewisham College or SFC; there are various outstanding sixth-form providers in our area. But we find that the majority of our children want to stay with us because they like the style of post-16 education that we offer. Because of that we have been able to parlay that into a less than successful school and give it some real kudos. That sixth form is now succeeding very well under our banner.

Q29 Jackie Doyle-Price: For you it is the federation that you have been able to develop that has allowed you to give that added value.

Declan Jones: That's right. Because we have federated our sixth form we have been able to expand our choice and our offer. One of the things you must be aware of is that at each of the transition points from primary to secondary to post-16, some children get lost along the way. What is very important to me, especially in the all-ages, is that we have ownership for 15 years; those children will never get lost if they choose to remain with us. Therefore the moral accountability for me as a principal to make sure those children succeed is there; I cannot say I lost them or blame anybody. The idea that I am planning for 15 years for the children in my school and where they are going to at the next step is very important. I think 500-plus is a very good size because it allows me to give a much broader breadth of offer to those students. Those who want to stay have chosen to stay with us.

Q30 Jackie Doyle-Price: I am very familiar with your school because I used to live in Lewisham and that is a school that has had a very troubled history. It

is very encouraging because, as you say, this is not an area that traditionally encouraged people to stay on, but they are attending that sixth form. The subjects you offer are very traditional subjects. What is the extent of your curriculum, and are you able to meet the needs of all your students, because obviously there is a very substantial mix within your school?

Declan Jones: If you look at our sixth-form offer, it ranges from the traditional A-level subjects to the BTECs. I cannot do construction, but I run the best networking technology BTEC in south-east London. If you want an outstanding computer technician you come to my school. There are areas that we have developed expertise within. Sport is a specialism at our sister academy, and we have done exceptionally well at that post-16. But Lewisham College is a better provider for subjects such as health and beauty, and I would not want to set up in competition with them.

Q31 Jackie Doyle-Price: Exactly. In that context, competition is not going to be helpful. You need to have an offering so that people can make the choice. What role does the local authority play, if any, in terms of ensuring that the FE college and sixth forms like yourselves do give the right offering to the local student population?

Declan Jones: I think the picture is mixed. We are trying to work together, and there is a 14 to 19 local authority group that meets to look at the provision for the local authority. Unfortunately, there have been various changes—where the local authority was going to be a commissioner of post-16 education, but now no longer is. There has been a change, so we are in a period of trying to work out what that means. But I think the Lewisham children are well served by post-16.

Q32 Chair: So you are saying this group is a waste of space really. As you read the Report, given that local authorities have no funding, there is nothing that enables them to influence or drive anything in their area.

Maggie Galliers: If I might come in, because that was a point I made earlier. Clearly the local authorities do have a duty around adequacy and sufficiency.

Q33 Chair: They have a duty, but with no teeth.

Maggie Galliers: But they do not have any teeth, so their role is largely facilitative. In my area it is slightly different from Declan's. We have an active 14 to 19 partnership. I chair the Tertiary Federation, which brings together the school sixth forms, the sixth-form colleges and my own college. Whilst I cannot say we go as far as collectively planning, because I think you do need some power and clout to make that happen, we certainly share what our curriculum development is likely to be and try to make sensible decisions of the sort Declan has mentioned about who might major on what. But it is made more difficult by the fact that there is no clear role for anyone to plan. Each of us is autonomous.

Q34 Mr Bacon: Mr Jones used the phrase “under our banner” a moment ago: the school was previously performing poorly and your taking it over and putting

it under your banner has been the factor that made the difference. If you could bottle the “it” that made the difference, what would it be? It may not be reducible to one silver bullet, but what was the most significant single factor?

Declan Jones: If I use a commercial phrase, it was branding. We have a Haberdashers’ brand. We branded the school.

Q35 Mr Bacon: You took the word out of my mouth, because I thought brand when you said that. So that begs the question: what is it about the brand that makes people respond? Is it your customers out there who are now responding, the potential students and the students who were not previously? Do they have a pride or can see a potential pride that they previously did not have?

Declan Jones: At opening evenings, my opening address to parents is that Haberdashers was providing a free education long before the Government got involved. Our commitment to education is long standing, over 200 years. We have a pride in that history. Our expectation is that regardless of where you come from, if you become a Haberdashers student, this is what we will do for you, and this is our expectation of what you must do to live up to that name. I must admit that for the branding, the history and the tradition work exceptionally well, so immediately the quick wins with the school that we took on were that mobility dropped; everybody stayed and nobody wanted to leave, whereas before, by the time they got to Year 11 I think only about 10% of the children had been in Year 7. Now, no one leaves. I am not saying that the children are any better or any worse, but parents feel comfortable and secure, and I think that works. That is why the post-16 has worked, because they believe that we offer a very good post-16. I must admit that part of our brand is tradition—you were talking about traditional A-levels, and that is part of our brand.

Q36 Matthew Hancock: This Committee often looks at things that have gone wrong, so it is a real pleasure to hear from all three of you about things that are going right, and especially the enthusiasm that you obviously convey. I want to ask about capital funding, because that has not been a bed of roses in your sector over the last few years. Are there continuing legacy problems from the difficulties that we all knew about? I apologise, I do not know your individual circumstances in terms of whether you were affected by that.

Maggie Galliers: We certainly benefited from capital funding. I was able to rebuild one of my three campuses on the back of the capital funding. That was a very, very welcome development. Clearly there are some colleges now that are in great need in terms of their estate that are unable to make the level of investment necessary. We do still have some legacy problems and it would be very helpful if capital could be provided. But I would not want the Committee to think that we are just sitting there hoping. I am sure that colleges are, like my own college, trying to create a situation where they can offer good value for money and create surpluses on the bottom line to reinvest.

For example, in my college I am able to generate enough from reserves and from surpluses to reinvigorate my estate, but not to replace and be at the leading edge in the way I could if I had access to capital funding.

Q37 Matthew Hancock: Is this access to funding that you could borrow, or a grant?

Maggie Galliers: I am trying to generate from my revenue budget sufficient capital to keep the estate in a reasonable condition. I am fortunate because I did benefit from capital funding, and I was able to bring the estate up to a reasonable condition.

Q38 Chair: This is cash you are generating that you are then reinvesting. I thought the FE sector could borrow in the market anyway.

Maggie Galliers: We can borrow on the market, but clearly loans have to be repaid, so there has to be a business plan that sits alongside that, like any organisation.

Q39 Chair: But you are not taking advantage of that, whereas schools cannot. Can you, as an academy?

Declan Jones: I don’t know. We are in discussion about that at our governing body at the moment, but at the moment we are not.

Q40 Chair: And sixth-form colleges?

Jonathan Godfrey: You are right, we were able to borrow, but generally most colleges are only able to borrow once, for the very good reason that, as you said, they have to have a business plan that enables them to repay those debts.

Q41 Chair: But you do not have to have cash for it, you could borrow.

Jonathan Godfrey: We generate surpluses. That is how most of us are funded, apart from the odd iconic new buildings and so on that certain people want.

Q42 Stella Creasy: What impact does the different way you have to deal with VAT on your budget?

Jonathan Godfrey: It is part of what is variously estimated to be between 15% and 20% of the funding gap between FE sixth-form colleges and school sixth forms. There are efforts being made to close the gap, which we all appreciate.

Q43 Stella Creasy: As we just discussed, that is where all budgets will be cut.

Jonathan Godfrey: Exactly, we all converging downwards rather than upwards.

Q44 Stella Creasy: But obviously bridging that gap will be harder with VAT increasing. So what impact on your budget and your ability to do expenditure do you think the VAT increase has had? What has it meant that you haven’t been able to do?

Maggie Galliers: Inevitably, we are having to absorb that increase, which means that we are cutting non-pay budgets, and we are asking people to do more for less. That is not always possible, so we will have to

8 June 2011 Leicester College, Hereford Sixth Form College and Haberdashers' Aske's Federation

make hard choices. In my own college, we have, in common with many other colleges, had to go through some painful restructuring this year in order to make ourselves lean enough to cope with the funding cut that we will experience.

Q45 Mrs McGuire: Does that mean redundancies? Could you explain what hard restructuring means?

Maggie Galliers: Restructuring means—

Q46 Mrs McGuire: Do you want to use the R word: redundancies?

Maggie Galliers: I am happy to use the redundancy word. In my own college fortunately the majority of the redundancies have been made by voluntary means, but we have had to make some compulsory.

Q47 Stella Creasy: How many?

Maggie Galliers: In the order of 50 to 60 redundancies out of staff in complement of about 1,500.

Q48 Stella Creasy: What about your college?

Jonathan Godfrey: The sixth form colleges have had to respond variously depending on how the cuts have impacted on them. But generally they are offering voluntary redundancy to people. On the whole, there are not large-scale redundancies. People are deploying staff more efficiently and cutting back on things that are possible to cut back on without impacting on quality and the student experience. But you can only do that for so—

Q49 Stella Creasy: Have you cut any courses?

Jonathan Godfrey: No, but a number of sixth-form colleges have.

Maggie Galliers: We would have a rolling programme of reviewing our curriculum. Some courses would be cut because either they are not value for money or they are not quality. The areas in my college that are perhaps most threatened are some of the ones that take the most intensive resource. For example, I have a unit for profound and multiple learning difficulties, which is obviously very expensive to run. Although I am not cutting that, I am in discussion about how that can be funded going forward.

Q50 Chair: We are going to have a vote in a minute. I just wondered in the last two or three minutes whether there was anything in terms of the interests of this Committee, which is very on the value-for-money side of your agenda, that you want to leave us with. You probably have a minute each.

Declan Jones: We have been fortunate because we have been expanding a sixth form and therefore have not had to reduce numbers. We have not increased staffing; we have just made them work harder. I do not want a cap on 600 I want to expand to 700.

Q51 Chair: You want a market.

Declan Jones: I want to go higher if necessary, yes.

Q52 Chair: You want a market. You do not want it planned in your area to close sixth forms, but you want a market to be able to just compete.

Declan Jones: That's right.

Q53 Stella Creasy: But you have lost enrichment funding, haven't you?

Declan Jones: We have lost enrichment funding. I just want to make clear that when I said losing courses—

Q54 Stella Creasy: You have more students in the classroom with less going on outside.

Declan Jones: Yes. But just in terms of losing courses, I just want to correct something: part and parcel of running post-16 is that a course may not run one year because there are no students. If there are students the following year it runs. It is not as dire as saying we are not running a course any more.

Stella Creasy: No, it would be much more worrying if you had to look at cutting services for children or young people with multiple learning difficulties because that affects participation and access for a particularly vulnerable group of students. I think that would be a fair assessment to make.

Q55 Stephen Barclay: You said 50 redundancies. How many staff do you have?

Maggie Galliers: Fifteen hundred.

Q56 Stephen Barclay: And how many students?

Maggie Galliers: Twenty-eight thousand.

Q57 Stephen Barclay: And what proportion of those 1,500 are back office? How many teach and how many are back office?

Maggie Galliers: I would say about 60% front line, 40% back office. But back office would include people like people in student services who are offering welfare advice, etc, etc.

Q58 Stephen Barclay: You have around 600 staff on back-office roles at the college.

Maggie Galliers: It depends how you define back office. Back office could mean a finance clerk, or somebody who was very valuable, like a careers adviser.

Stephen Barclay: No one was suggesting doing away with back office; I was using your definition.

Mr Bacon: And before we knock finance clerks, let us just point out that we are here in an Accounts Committee. We want the numbers to add up.

Chair: Thank you very much. We have this natural break with the vote, and we will then move into the session taking evidence from the officials after we come back. If people hurry back we might finish by 17.30. Thank you very much indeed, and thanks for taking your time, it is really helpful, and well done on your institutions.

Sitting suspended for a Division in the House.

On resuming—

Examination of Witnesses

Witnesses: **David Bell**, Permanent Secretary, Department for Education, and **Peter Lauener**, Chief Executive, Young People's Learning Agency, gave evidence.

Q59 Chair: Welcome back to both of you. For context, this is a positive Report, and it is quite a joy actually; I think it is the third positive Report we have had from your Department. So well done, well done. Please see any questioning we do in that context. There are some interesting things we would like to test this afternoon, so if there can be honest, straightforward responses to the questions we ask, that would be very helpful and make everybody's life much easier.

What is interesting to us as the PAC is that this is a market-driven system, based on student choice. The money does follow the student in a way that perhaps the Government is trying to create in other public services now, where the money follows the user, or the citizen. You have good improvements in participation and outcomes. You have little evidence on value for money. Do you think the market, as you have currently designed it, drives efficiency?

David Bell: Thank you, Madam Chairman. I think the market system has been successful for quite a number of years now in further education, but I do not think we should assume that this is an unfettered market where any sorts of consequences can follow. For example, I think there are two things that are very important in this sort of market to make it work well. The first is better comparative information between the providers. One of the themes that comes across from this Report is the number of steps that we have in train to ensure, by 2013, that we are going to have better comparable information between all post-16 providers. Having that comparative information is extremely important.

The second thing is the right kind of advice and information to the users of the market. That is obviously students, but also parents and others who have an interest. Those two features are important in making this market work.

There is also probably a third dimension, and maybe one of the debates and arguments to be had is over intervention points. At what point do you say a particular provider is not good enough? Is that driven by quality? To some extent, we already have mechanisms to intervene where there are quality problems. What was beginning to come out in the discussion with the earlier witnesses was whether there should be other intervention triggers, for example, the size of institution. The Government's policy, and I think it's the right policy in this kind of situation, is to increase the amount of choice of provision, and then assume that learners over time will make informed choices. Poorer provision, or provision that is inefficient for one reason or another, will then fall out. But I think these are interesting questions.

Q60 Chair: But your definition does not really address the question that I asked around efficiency, or maybe you define efficiency simply in terms of greater demand and better outcomes. I am trying to look at value for money, and there has been very little

assessment. Somewhere in the Report there is a paragraph that says you have done very little to look at whether the market is working efficiently. I wonder what is in there to drive efficiency apart from the rather depressing thought, "Cut the cost and you'll drive efficiency". There must be better ways of driving efficiency than that.

David Bell: Reducing funding is an important way of driving efficiency, and we should not underestimate the importance of that. Your witnesses indicated that they were making some tougher choices as a result of funding reductions. I think efficiency is driven by choice, and over time provision that has not been chosen is either closing or amalgamating, to take the Haberdashers' example. You can either intervene at the beginning and have a set, planned approach to this that says any institution below 150 in a school sixth form should be closed because that is inefficient, or you say—this is the approach we have taken—that there should be diversity of provision and over time efficiency will be driven by institutions succeeding or failing, largely driven by those that choose. I think there is a short-term tension between choice and efficiency.

Q61 Chair: That may be true of the areas where Peter Lauener is responsible, but in schools, where the Report suggests school sixth forms are inefficient, there is nothing there. We do not even know how much it costs to provide for young people in sixth forms and schools—you do not—and there is nothing there that drives efficiency.

David Bell: First of all the question is do you enable choice to be exercised by the creation, where there is demand, of school sixth forms? The previous Government and this Government have seen that as an important policy priority, partly for the reasons that Declan Jones identified—that for many students that is seen as a better continuity of their education post-16 than going off somewhere else. The decision has never been that there is an ideal number in the sixth form. But over time, and again under funding squeeze, if you cannot attract sufficient students to stay on in your school sixth form, it is not going to succeed. I think very strongly that it is important to maintain that diversity, meeting choice, and then it is up to institutions to drive up quality and attract students.

Q62 Ian Swales: Can I build on that? We heard from three very successful organisations earlier, and certainly the message coming through from that part of the hearing was that big is beautiful. The Report at paragraph 2.15 talks about schools getting £280 per learner more than the colleges. Paragraph 2.16 talks about the VAT advantage that schools have, with colleges estimating that the overall difference in costs and so on is 12%. Colleges are starting behind, yet we heard earlier that good colleges are saving some of that money to spend on capital projects. Furthermore, the Report is very clear that they are getting better

8 June 2011 Department for Education and Young People's Learning Agency

results. Aren't we seeing clear evidence that schools in general—or an awful lot of them—are not value for money, either financially or in terms of the results? Should that not direct policy more than just waiting to see what happens?

David Bell: One of the reasons for funding convergence, and people might wish it was funding convergence up rather than funding convergence to the level of the non-school sector, is that it is going to make it clearer to get proper comparisons between the quality of general further education the sixth form colleges do, on the one hand, and what schools do on the other, so I think it is important that it is there. You are going right to the heart of the question of whether you try to plan the provision based on a set of assumptions that you are making about the size or efficacy of particular institutions. The view of successive Governments has been that it is important to enable diversity, and then over time you will see which institutions succeed. Some students post-16 do not want a large institution. I think all of us would accept that not every post-16 student would want to go to a sixth form attached to a school of 700 students. The choice that parents and students often make is, "What range of courses do I get? It might be a greater range of courses at Haberdashers', it might be fewer, but I just think this is better for me; I like the more intimate atmosphere."

Q63 Ian Swales: But are you happy that effectively overall your Department is giving 12% more money via various means to the school system in order to make that happen?

David Bell: But we are actually addressing that, because between now and 2015 we are going to move to convergence. And as I say, that is going to be convergence to the lower amount, not to the higher amount, so I think we are addressing that over time. The reason we are taking five years to do it is simply just to cushion the impact, because one could follow your train of thought and argue that schools have been substantially overfunded and therefore you should not have a cliff-edge effect and take all that money off them in the first year.

Q64 Ian Swales: What do you think is going to happen, as this funding converges? As you rightly said, it is likely to be downwards rather than upwards. What do you see the consequences being? Obviously it will vary from school to school, but your Department must have some view about what the shake-out is going to look like.

David Bell: Because we are not doing this in a planned way, I can honestly say we have to see what happens. I think there might be two consequences that I can address, and Peter might think of others. To some extent you heard a bit of the first one from Declan and Jonathan. You look pretty hard at the range of courses you offer, and there might be some courses that have been a bit of a luxury in better financial circumstances, and you decide there are not enough students, or the overhead cost of running these courses is too great. That will be one consequence and we are already seeing some evidence of that. That may be no bad thing.

Secondly, you might see greater collaboration, and sometimes federation. We should not underestimate the extent to which collaboration is going on in-between schools and colleges, and schools and other schools for the provision of post-16 education. You do not need to have a formal federation or collaboration, you just need to agree to work together. I think we will see a bit more of that. The interesting question, and I do not know the answer, is whether over time a very substantial impact of this could be that some schools federate more formally with other schools. If we take the argument we have made about smaller sixth forms finding it harder to cope, it may be that those would be at greater risk.

Q65 Chair: One of the frightening things was said by Maggie Galliers, who runs the FE college; she said that her most expensive courses are for young people with learning disabilities. If you are going to cut the expensive courses, you cut that. In a market, what is going to stop that happening?

Q66 Stephen Barclay: Science and technology is an obvious further case.

Peter Lauener: I am familiar with that particular example, because Maggie Galliers and I have been corresponding about it. There is additional learner support available for high-cost provision. The question in that particular case that we need to debate is whether the additional funding that is available is at the appropriate level given the overall cost. That is a slightly separate issue from the overall market debate.

Q67 Chair: So you are intervening in the market by putting in additional money—probably not enough from what she was saying—to try to maintain provision for people who are expensive?

Peter Lauener: There is a very wide range of additional funding for learners with learning difficulties and disabilities. As with pre-16, it can go up to tens of thousands of pounds per learner in extreme circumstances.

Q68 Mrs McGuire: Why do you suspect that Maggie Galliers threw that particular issue into the pot when she was asked about cuts?

Peter Lauener: I know, because we have been corresponding about it, that she does not feel that we are paying her enough for that provision. I hope she doesn't mind my saying that. I think I am visiting Leicester College in the next few weeks to talk about it and to look at the provision.

Q69 Mr Bacon: It would not surprise me at all if there were providers who would like you to give them more money. I am sure that is probably something on which they will all agree.

Mr Bell, I have the exact concern that Mr Swales has, but slightly from the opposite end of the spectrum, about the consequences for schools and schools with sixth forms of the changes that are happening. It might not be, to use your phrase, that the school is not succeeding; it might be succeeding and offering good outcomes, but once you have equity of funding down

the line, it might very well be the case that in order to get those outcomes, taking account of all the costs, it is more expensive to do in a school with a sixth form of 180 or 200 people than it is in Mr Jones's almost separate institution, a federated sixth form of 600 students. But you still might want to keep it. I have schools where the only option is to leave at 16 and go either to sixth-form college, which is what most people do, or in some cases to go to high schools that have a sixth form, which is by no means all of them in my constituency. Those who have sixth forms tell me that having a sixth form is an absolutely integral part of the culture of their school. The fact that the students working up the school can both see it as an ambition, and also know that there is not a guarantee that they will be able to get into it, is part of what helps them shape and drive the school.

Is it the case that you could get to a point where you have ironed out all the discrepancies, and you could see that the successful sixth-form college was producing good quality outcomes, and that the sixth form within a high school was as well, and that it was more expensive, and not have an inexorable tendency towards pushing away from that, because it was 12% more expensive when you take all the costs into account, because of all the other benefits that come from having a sixth form within a school?

David Bell: I think we are in violent agreement on this actually, Mr Bacon. It is hard to argue with the train of thought. Equally, we all know we have had to put together a spending review settlement and find ways of assuring that our budget is balanced over the spending review period. This was seen, for a variety of the policy reasons that the NAO Report has highlighted, as an anomaly in the system, and therefore should be dealt with. The difficulty is that it is very hard to predict on any individual school's set of circumstances without knowing all the detail, because there could be the choices that I mentioned to Mr Swales. The school might decide to stop doing some of it, but retain the integrity of the sixth-form provision overall. Some schools will do that. Some schools might cross-subsidise. Sometimes cross-subsidy goes down to the pre-16. Schools might decide to make some choices about subsidising to post-16. It is quite difficult to see how it all works. But I think on the same principle I have laid out so far, I do not think there would be an appetite to then start intervening unless you got a very substantial policy consequence that none of us could have predicted. But I do not think we should not make the automatic assumption—I know you are not—that this convergence of funding will necessarily lead to the collapse of every school sixth form below a particular size.

Q70 Chair: Amyas?

Amyas Morse: There are two things. First, as a point of information for the Committee, we have a report in preparation that will come out in autumn on special needs education, and the value for money implications of that.

Angela Hands: That's the wider age group.

David Bell: That goes to 25.

Angela Hands: Sixteen to 25, yes.

Amyas Morse: It is going to be a very interesting report. I just want to check something. As I understand it, there is going to be a convergence of intervention criteria. Does that mean that you are going to try to converge the information and measurement requirements to enable that converged rating to be supported properly?

David Bell: You are right to say that in a number of the important measures—for example success rates, minimum expectations, performance and so on—there will be convergence. Your Report highlights this, and we have confirmed that that will be to 2013. The convergence of inspection arrangements will not be an absolute and total convergence because obviously sixth forms are judged as part of the wider school setting, but Ofsted, as part of the consultation at the moment, are trying to bring that together much more tightly than has been the case up to now. I think we are going to have a better basis on which to judge comparative performance. If you take, for example, minimum expectations—Peter might want to say something about this—at the moment those apply in relation to the general further education sixth-form colleges sector, but do not apply to schools and therefore might trigger certain kinds of actions and interventions. If we have those for school sixth forms, there is an interesting question about what the consequences of that will be, because if you are going to intervene on the general further education and sixth-form colleges side, you should do it on the school side.

Peter Lauener: The other point I would add is that we are also trying to converge on the processes for financial intervention, using similar processes with academies to assess financial viability and financial assurance that we have used successfully with the FE sector and sixth-form colleges.

Amyas Morse: I take all that, but just to make sure that the point does not get lost, deciding how you want to intervene is one thing, having consistent and comparable information is another. That is what I am really trying to get you to move towards. Even if you decided, as you discussed, that you might want to make different judgments and accept higher costs for certain types of provision, at least you would do that on the basis of a valid comparison and reasonable information.

David Bell: For the avoidance of doubt, that is our intention on the key measures of performance, such as success rates, minimum expectations, destination data and so on.

Q71 Chair: But why doesn't Ofsted look at value for money?

David Bell: This has been an issue for 20 years. Ofsted had always felt that that has been one of the weaker parts of its judgment. Most Ofsted reports do contain the inputs, what has been spent, the outputs and the value added, and overall this is either good value—

Q72 Chair: But it is value added in terms of outcomes for children and young people. It seems to me that the weakness of this whole area is an eye at efficiency. If Ofsted is in there, as part of their

8 June 2011 Department for Education and Young People's Learning Agency

inspection they ought to be looking at efficiency and value for money. I do not know if your agency does that.

Peter Lauener: I would like to come back to the operation of the funding formula and the convergence. The whole operation of the post-16 funding formula, I think—

Q73 Chair: This is the whole argument, slightly misinterpreted earlier. Convergence is great, we look forward to it and hope you achieve it. But if you give a funding per person, people will spend up to that. They will spend in one way or another, and there are other ways in which they might arrange their offer to drive greater efficiency. If you can only do it through the funding formula that is a bit pathetic.

David Bell: I think there are other answers to that one.

Peter Lauener: But on the funding formula, it is not just per person because the funding unit is per qualification, and there is a system for benchmarking the cost of the qualification to make sure that we are paying the right amount per qualification. Then that gets aggregated up to a per-learner amount. There is quite a good driver mechanism in there. But that brings costs as well. There was an interesting debate earlier about the audit costs in the system, and one of things that we want to look at is whether we can simplify the funding system while maintaining the focus on value for money so that we do not have to have such heavy audit costs in the sector. I think that was very powerfully put by the witnesses earlier.

Q74 Matthew Hancock: On this point, wouldn't convergence also help in that process? If you have the same amount of funding per unit of output, whether it is a per-pupil funding in the school system or a per-qualification funding, value for money is much easier to compare. Because if you get precise convergence, the inputs are the same, so a measurement of quality of outcome is the same as value for money because your inputs are the same and therefore comparable. Or is that too obvious a point of view?

Peter Lauener: That is the basis of the post-16 funding formula—that we converge all the units and we take account of factors like disadvantage. But essentially, and by 2014–15, with the convergence of school sixth-form funding, the funding will be fully converged on the inputs. It does not take away the need for judgment, year on year, about any changes to the quantum of funding and the different factors that might be managed. But there is a good basis for a value for money approach to the overall system.

David Bell: And what that then would raise is a Report like this five years from now that said, "Okay, we've got to convergence and we have a better basis to judge who is providing, or what sector or what type of institution of the sector provided better value for money." That does not necessarily drive you to the policy conclusion that you would then try to eliminate all the institutions that did not quite fit your model, but it at least gives you better comparable information. Additionally, following on from what you said, what are the incentives to generate value for money? I think you heard one from Maggie Galliers, who was saying that an important incentive for driving value for

money on the revenue is to enable us to do work on the capital side. But you could generalise that more. I would have thought all institutions that want to have money to do other things beyond the core will always seek to generate greater efficiency from what they are doing.

Just one final comment for the Committee's information: we have moved away from the old financial management standard that maintained schools had to use, to introduce a new financial management standard to assist school governors and head teachers to look at how they spend the money, and there is a much greater, stronger value-for-money component in that. We are really using that tool to encourage governors and head teachers to ask the questions you have been asking.

Q75 Ian Swales: According to very first sentence of the Report, 83% of 16 to 18-year-olds participated in education in 2009. As I understand it, we are still on track to make education compulsory for 16 to 18-year-olds by 2013. The maths says that 17% of 16 to 18-year-olds were not in education, so how on earth are we going to find the capacity and the money to deal with this policy?

Peter Lauener: The overall figure for 16 to 18-year-olds includes those that are over 18 but still funded. The participation age will be raised to 17 in 2013, and 18 in 2015. The participation rate to look at in respect of that is the current rate for 16-year-olds and 17-year-olds in that run-up to 18. The figures on that have been steadily increasing, and at a very high rate, for 16-year-olds. If I give you the last couple of years, it runs at 93.7%, and 96.1% is our estimate for the current year.

Q76 Chair: Full-time?

Peter Lauener: Full-time and part-time.

Q77 Ian Swales: We are talking about the school year in which they are 16.

Peter Lauener: That is correct, yes.

Q78 Chair: How many are part-time?

Peter Lauener: The significant majority is full-time, but one of the tasks of raising participation age is that some part-time learners are participating quite a little bit, and they will need to participate a bit more to fulfil the expectations. But we are very close to 100% for that first current post-compulsory year. For 17-year-olds, Y13 in school terms, the similar run of figures is 85.2% in 2009–2010, 88.5% is our estimate for this year, and we think that will go up to over 90% in the academic year that will start in autumn.

Q79 Ian Swales: Even though those are high figures, my question stands. This is still a very large increase in numbers who were expecting to participate if the Government's policy is to be delivered. Have we got the capacity and the plans to make that provision?

Peter Lauener: It does feel as if we are nearly there if we get to our expected 96.6% in 2011–12. There is certainly further to go for 17-year-olds because there is a drop-out in school terms between Y12 and Y13. We need to address whether young people are getting

on the right course to reduce that drop-out. But in terms of the recent increases in participation, it does not feel as if we need to ramp up the trend.

Chair: It would be helpful to have a note on what part-time and full-time mean. Does part-time mean less than five hours a week or whatever?

Q80 Ian Swales: I am taking as read that the funding for that has been included in the Department's spending plans going forward. Somebody on the back row is nodding; we must have an accountant in the room.

Peter Lauener: The funding is there to meet the raising the participation age targets.

Q81 Chair: In this market, would you allow an institution to fail?

David Bell: Sadly, they do.

Q82 Chair: Close?

David Bell: Yes. And that has actually happened under the school inspection system and for colleges as well. What tends to happen, however, is that you get consolidation, or you get takeover. Let me give you two examples. Newcastle College—some people think slightly bizarrely—now runs Skelmersdale College.

Q83 Chair: So you allow takeovers. That is different. That is mergers. I am used to that in various worlds, but that is slightly different.

David Bell: Peter might correct me if I am wrong, but we are not saying that this is a system where in all circumstances and in all cases the state will intervene to prevent failure.

Q84 Chair: Who intervenes to create those mergers?

Peter Lauener: A proposition for a merger would come from the governing body.

Q85 Chair: Your agency does not intervene?

Peter Lauener: We or colleagues in the Skills Funding Agency will be having discussions with governing bodies where there are financial problems.

Q86 Chair: You do? You manage it?

Mrs McGuire: You facilitate it?

Peter Lauener: We certainly facilitate the discussions. The final decision on the dissolution of a college to allow a merger would go to the Secretary of State concerned.

Q87 Chair: We have had mergers, but have we had actual closures of an FE college or a sixth-form college?

David Bell: The numbers of sixth-form colleges have dropped over time, but that has largely been because of demographic factors.

Peter Lauener: I can give you a recent example: a sixth-form college is just about to close, and the pupils will be transferred to a school, so the sixth form of the school will be expanded and the sixth-form college will technically close in that case.

Q88 Chair: Is that planned by the local authority?

Peter Lauener: The local authority was deeply involved. We were involved as well in trying to produce a sensible solution that safeguards the position of the learners. But the general point you raise is a very good one: how far should this market go into closure of institutions that are not meeting the standards? In one area, there is very frequent closure. There are a number of independent training providers who operate post-16—we fund directly over 90 of those and through the Skills Funding Agency we fund another couple of hundred—and there is quite a bit of turbulence in that sector. We do not prop up financially in that sector; the only intervention we do is to safeguard the position of the learners.

Q89 Mrs McGuire: Would you have stood back and allowed Skelmersdale College to close?

Peter Lauener: We would certainly have looked to facilitate a solution that preserved the position of the learners. I do not know the details of that one, but I think a competition was run.

Q90 Mrs McGuire: But ultimately if Newcastle College had not agreed to take it on, would you have allowed it to close?

David Bell: The final decision on the dissolution of a college would rest with the Secretary of State. It would be for the Secretary of State to take account of all the factors, which would have included, for example, the decision about what would happen to learners in that area, provision of courses and so on. In a sense you can say there is always the power to do it, but up until now what has happened, very sensibly, is that efforts are made to keep a going concern in an area where there might be a desert of places otherwise.

Q91 Matthew Hancock: Nobody would suggest that the current allocation should remain set in aspic. But what value-for-money considerations are brought in when these decisions are made? Because looking at the allocation, one of the important questions is how to get value for money over the whole system.

Peter Lauener: In this kind of case, and I can think of another couple of examples where universities were providing 16 to 18 education, they decided to come out, and a competition was run to invite other providers to take over the provision and essentially establish tertiary education. The prime consideration would be the quality of provision and the viability of the financial proposition that was put forward to make sure that we were not putting public funds at risk. Of course it would generally be at the standard tariff of funding—to come back to the discussion earlier.

David Bell: On that particular point, if you got to the point where another institution was taking over—I think Warwick and Rugby is another example—the institution that was taking over the other one would not do it as a charitable act. Essentially, if it takes over something that it cannot make work, it is potentially putting its own financial viability at risk.

Q92 Stephen Barclay: The Report does refer to this at paragraph 3.12, page 37. It says that between 2006 and 2009, 368 poor performers were identified. “124

8 June 2011 Department for Education and Young People's Learning Agency

were exempt because of their small size.” It goes on to say that of the remaining 244, 56 providers improved their performance, and 188 had further sanctions considered. First, could you update us on what happened with the 188? Because things being considered does not necessarily mean that action resulted. What has happened with those 188?

Peter Lauener: I cannot give you an update today, but I would be very happy to send a note afterwards. Just to draw the point out a little, when it refers to funding being withdrawn, this would be instances when they were below the minimum level of performance for a particular course, and therefore they would not have had funding for that course.

Q93 Stephen Barclay: Sure, but flowing on from the questions of other members of the Committee, are you able to even give us a sense of how many of those 188 have been merged? Are we talking a handful or a large number?

David Bell: Again, we can give you the data, but just to reinforce Peter’s point, many of those will be about a particular stream of provision within the institution.

Q94 Stephen Barclay: So it would be a department perhaps?

David Bell: Correct, or a particular course structure that they had been offering, so you will not necessarily have a whole-institution impact. We will give you that breakdown, but the majority of them will be of that sort rather than collapsing institutions. Given that the FE sector has only got about 400 colleges anyway.

Q95 Stephen Barclay: That is why the number struck me as very large. Flowing from that, on the 124 who were exempt because of their small size, could we also have something explaining that in the note? Is it because they are very small departments, or is it a small college and therefore there is a laissez-faire approach to small colleges?

Peter Lauener: We will cover that in the note. It is not a laissez-faire approach. An example might be if there were two learners, and only one passed, you got 50%. If for some reason the provision is wanted and viable and there were only two learners one year and there was 50% success, so it was below the minimum level of performance, that might be a perfectly reasonable thing to continue if that is what the college wanted. There would be cases like that, but again, I will provide you with details.

Q96 Stephen Barclay: If you could flesh that out, it would be helpful. I want to come on to a separate thing, which is the starting point where colleges are now. The big issue in my constituency was for the College of West Anglia. Only 13 colleges got the funding go-ahead when the whole disaster of the Learning and Skills Council fiasco exploded, and I understand we were joint 14th. But what had happened was that capital programmes were held back for a number of years because of assurances given at the time that a big investment was going to be made. That did not go ahead, and that debate has been had before today. But the point is about the starting point where they now find themselves, where the reality is

that there is a consultation now on about closing courses in that college because they cannot afford to maintain the buildings because they did not do the capital work over recent years. How are you addressing this imbalance between the starting points at which further education colleges find themselves?

Peter Lauener: I ought to make it clear that the sponsorship of further education colleges and the capital funding for further education colleges is managed by the Skills Funding Agency. The point you make is absolutely right: because of the way the capital funding ended, some colleges did very well and ended up with efficient premises that they were making good savings on. Other colleges ended up with poor-quality premises and are in a much more difficult position. There have been some quite creative responses. In the sixth-form college sector, which we are responsible for the capital funding of, we have introduced this year a maintenance capital fund of about £60 million. That is being applied in inverse proportion to the quality of the fabric of sixth-form colleges. We have been discussing that with the sixth-form college sector, and we are well on with making allocations that will help them update their fabric. But that is not sufficient funding to create large new institutions, but it is a good value-for-money solution in the sixth-form college sector.

Q97 Chair: There is a plethora of organisations and I have no idea of what your role in all of this is at DfE. I can understand the logic of bringing together the 16 to 19, but that leaves us with a plethora—two Departments, I don’t know how many agencies and then local authorities. Are you happy with that?

David Bell: As you know, Madam Chairman, it was the decision of the previous Administration to split up the then Department for Education and Skills, and that meant that further and higher education left what was the integrated Department. There was also the decision to create the two agencies. I hope you do not think I am evading the question, but our view is that these are political choices that are made, and we have to accept them.

Q98 Chair: Are you reconsidering that at present?

David Bell: No, Ministers are not reconsidering at present. But I think you are right to push us on how we can make the decisions that have been made work better. That includes if there is more than one organisation. I think there are a number of examples we could give if you want to hear how we are trying to do that.

Chair: Go on.

Peter Lauener: Taking the YPLA and the Skills Funding Agency as the two main agencies here, first of all we share a lot of services to make sure we are not just duplicating. Secondly, we operate a single point of contact so that the Skills Funding Agency is the lead for general further education colleges, for example. Thirdly, and really importantly, we offer mutual assurance, so the assurance I get for the YPLA money that goes to general further education colleges comes from the Skills Funding Agency. I do not send my own auditors in to check how that money is spent.

Q99 Ian Swales: This was actually what I wanted to talk about: the plate of spaghetti that is shown on Figure 1. I get used to this sort of diagram in NAO Reports, and this is by no means the most complex. When you look at the flows of funding, and even more so, the flow of accountability, there was a little bit of scepticism, we noticed, from the witnesses earlier about the role of local authorities, for example, in the process. It seems to me that it is complex, particularly when one takes into account the convergence of a lot of the provisions. A lot of these further education colleges are providing A-levels, and a lot of sixth-form colleges are moving into vocational work. Really is it sensible to have this degree of complexity and separation, both of funding and of accountability?

David Bell: In praise of my good friends at the National Audit Office, this is a very straightforward diagram compared to some of the ones I have had to explain round this table. In a sense, we are back to the point about the decision to have two Government Departments responsible. Because if you look at the diagram, if you had a single Department at the top, and you had a single funding agency, the diagram would look an awful lot simpler than it already is. But I have to say, as I am sure you would expect me to say, those are decisions that are made at the centre of Government.

Q100 Chair: Local authorities have duties with absolutely no influence. It seems pointless to me.

Peter Lauener: You are quite right that local authorities have the duty to secure provision for 16 to 18-year-olds. Unlike some predecessor bodies, the Young People's Learning Agency is not a planning body or a commissioning body, and that applies to bodies going back to the Funding Agency for Schools, which had planning powers. The YPLA does not have those powers and duties, and I think that local responsiveness is an important part of the story.

Chair: But they have absolutely no handle with which to effect anything. They can plan until the cows come home, and have committees sitting for ever and ever. How on earth do they have an impact?

Q101 Ian Swales: And according to the diagram they are accountable to the Department for Education for the performance of—

Chair: Their duties.

Ian Swales: Yes. I suppose the main thing is the colleges that they run themselves.

David Bell: In a sense, this goes back to the Administration before the previous Administration, because the decision to incorporate the further education colleges was made in 1992. To that extent, you could argue that that exposed that issue at that point, that here you had further education colleges right outside—completely outside—the local government network. The previous Administration tried to bring them slightly more into the orbit, but there was no appetite on the part of the previous Administration to put them back under the “control” of the local authority. I think what has happened here is more to do with the local authority acting as the champion for the community—as Peter said—understanding what the needs are locally. But I have

not sensed any appetite over many years for further education colleges to go back under direct control.

Q102 Chair: Shouldn't we just abandon the duty then? Why give them a duty where they have no teeth? I can understand why we are where we are.

David Bell: I think it is important because local authorities, as they are moving—I think direction of travel came under previous Administrations more than under this Administration—to a championing role on the behalf of families and students rather than a direct provider role, means that local authorities should still be round that table.

Q103 Chair: They have duties.

David Bell: Indeed. The Report says some take this duty more seriously than others. Some have walked away to a large extent. As Maggie said, and I know the Leicester situation, they do take it as a very serious responsibility to be there, because it is not just education services that the college is responsible for; there are a whole range of other public services that the council is directly responsible for that it is important to plan in. That might be housing for disadvantaged young people, it might be dealing with youngsters with learning difficulties, it could be teenage mums or whatever; the local authority has actual responsibilities that overlap with the colleges and perhaps other providers.

Q104 Stephen Barclay: But at paragraph 3.13, the Report also says that the data dashboard that you developed to address poor performance has been applied inconsistently by local authorities. But I want to return to the welcome statement, which related to my question to the previous witnesses, around the issue of having two Departments, two funding agencies, different criteria, and a degree of duplication. I hear the evidence that Ministers are not currently minded to streamline that, but the Department will look at how on a practical day-to-day level they look at having standardisation. Will there be one named individual tasked with ensuring that that work is happening? Because in my experience, and I have only been in this role a year, there is no shortage of committees or stakeholders, but it is very hard to get traction on a named individual tasked with that. So as the accounting officer, and perhaps this needs to be a conversation with your counterpart at BIS, could we have a named individual in your Department who is tasked with delivering this convergence between the two Departments in terms of standards?

David Bell: Are you referring to the single point of contact that has already been referred to?

Q105 Stephen Barclay: I will give you an example, if I may. I spoke to the principal of my college this morning and he said he has near-identical courses, one delivered to age 16 and one to age 20, but because they are approved by different bodies he cannot offer the same course to the 20-year-old that he offers to the 16-year-old. That does not strike me as value for money. I am sure the sector is replete with this sort of duplication, so I very much welcome the statement, “We are aware there is a problem, we are looking at

8 June 2011 Department for Education and Young People's Learning Agency

this and we are going to do work to address it.” But who is the named individual who is going to be doing that work?

Chair: Not for the institution, for the policy.

David Bell: I think you wrote the convention, and you recently endorsed the convention that applies. I am it, and my counterpart in BIS is it, but what we then do is work very closely together through the agencies on the operation of this, the college that you are referring to, talking to a single point of contact. I do not know the specifics of the example you cited, but to be specific on that, yes, let’s look at it and sort it out, and if that raises a bigger policy issue we will see what we can do about it. Absolutely, but I think the single point of contact is a good way into it.

Q106 Ian Swales: Building on one very important point Mr Barclay made, there is an artificial separation sometimes between 16 to 18 and 19 and beyond, so that 19-year-olds who might wish to access some 16 to 18 provision find that it is extremely difficult to do so because the funding cannot follow them. There is a bigger question about what barriers and inefficiencies are built into the system because of the way it is structured.

Peter Lauener: I will connect that question with the previous point. There is one specific example where we have tried to ensure that there is good joining-up between the agencies. Geoff Russell, the Chief Executive of the Skills Funding Agency, and I both feel that we have been charged by the two Departments with joining up our systems and processes as far as possible, but we have agreed specifically that the funding for continuing 19-year-olds in sixth-form colleges will be passed from the Skills Funding Agency to the YPLA to make it easier for the sixth-form colleges concerned.

Q107 Stella Creasy: We have already talked about participation, which is obviously key to the ability of colleges to plan and to get more students in at a better rate of money, as we are asking of them. I want to explore with you two upcoming challenges to our ability to fill the places that are being put forward in further education and in sixth forms. The first is around careers provision, which the Committee has commented on in the past; there are concerns about students at 14 and 15 being given good advice about where to go if they want to study sciences, for example. What impact do you think the change to the all-years careers service, or indeed the current lack of careers provision, will have on that? The second is about the successor to the Education Maintenance Allowance. If I could start with the Education Maintenance Allowance and its replacement, what assessment have you done about the cost to colleges of administering the new learning support fund at local level, given that it will be administered by colleges? What extra cost will be incurred by them to make that happen?

Peter Lauener: The consultation closed recently on the bursary fund to replace Education Maintenance Allowance. We are waiting for a final decision, but I am expecting that we will make available 5% of the

total for colleges to run the administration of it. It is very simple; 5% is allowed out of the overall funds.

Q108 Stella Creasy: So of the funding that is left, 5% will go on administration costs?

Peter Lauener: Up to 5%. I am sure colleges will try and minimise the administration. I know that the Association of Colleges has been very proactive in working with college principals to develop joint arrangements in particular areas and to share expertise. There is a limit of 5%.

Q109 Stella Creasy: But that is obviously money that is going on admin, rather than funding.

Peter Lauener: Yes, but equally it would not have been fair if we had said to colleges already facing financially stringent circumstances that they had to manage the administration of this new arrangement out of their existing funding.

Q110 Stella Creasy: In that context, Mr Bell, could you comment on the comments we heard today at the Education Select Committee by Dr Spielhofer, who did the study that originally seemed to imply that EMA was not good value for money. He disassociated himself very strongly from that concept of “deadweight” and the idea that it was not a good scheme in the way in which it was working. Given the comments of Mr Lauener about the extra money that is having to go into the administration of this new scheme, do you think that this has been a bit of a mistake?

David Bell: No. First, the Education Maintenance Allowance was not done for free, there were administration costs associated with running that system. We have to accept that there are administration costs in running any scheme. On the evidence, which I have obviously had reported to me second-hand from this morning’s hearing at the Education Select Committee, I make a couple of observations. First of all, let’s remember the spending review context of making tough decisions about education expenditure going forward. I am slightly concerned that some of the discussion today has been done without that backdrop, and it is an important backdrop. Secondly, the NFER research was one part of the information used. We also drew, and we have said this publicly, from research done by the Institute for Fiscal Studies. We also talked to a lot of people about what that kind of scheme would look like in the future. There was just the issue of targeting better the funding that was required to maintain participation. People will argue with this, but I think there was agreement that there were significant deadweight costs in the Education Maintenance Allowance, and the purpose of Government—

Q111 Stella Creasy: It is precisely that point that Dr Spielhofer has disputed, isn’t it?

David Bell: But other research—the IFS research, for example—indicated that that was so. I think you have to see that in the context of the decisions that were made under the spending review as well. We have put in place a system of funding that will address the key priority, which is to fund students who might

otherwise be deterred from participation by not having additional funding; that is what we have done.

Q112 Stella Creasy: What assessment have you made of the change in participation that the change from EMA to this new system will create? Obviously colleges need to plan for future roll numbers in order to plan effectively for using resources.

David Bell: Yes. Our consultation document lays out assumptions that we have made about this. You will obviously have to wait until the final report and the consultation are done, but I think the view is that the funding that has been put in place—the £180 million steady-state situation—will be more than sufficient to provide the targeted funding required, and to assist colleges in ensuring that students are not deterred.

Q113 Matthew Hancock: If the funding is more targeted does that mean it will be better value for money? We are after all the value for money Committee.

David Bell: There will be a political argument about what should or should not have happened to the EMA scheme. But if you are then spending less money on it—£180 million compared to half a billion or thereabouts on the EMA scheme—and you are targeting it and have removed deadweight, by definition it is better value for money.

Q114 Stella Creasy: That is an assessment I would like to test with you. The man who was originally supposed to have written the Report that says there is deadweight in the scheme now thoroughly disputes that, and in fact said on the record today he wanted to be disassociated from the idea there was deadweight in it. We also know that EMA was disproportionately funding students in FE colleges, which is the point I wanted to get to. Certainly in my local FE colleges, we were looking at 70% to 80% of students on the full whack. What assessment have you done about whether the impact of changing the system will affect all further education establishments equally? The budgets will not be the same. You have not yet let sixth forms and FE colleges know what funding they will get or how they will administer it, so they cannot plan yet. It is a bigger problem, one might argue, for FE colleges than it is for sixth forms.

Peter Lauener: EMAs were means-tested, as I am sure you are aware. So it was not that FE colleges got it and schools did not.

Q115 Stella Creasy: But would you accept that it was disproportionately in FE colleges? That is what the Report says.

Peter Lauener: FE colleges certainly take a larger share of the disadvantaged students, so they will get a larger share of the EMA funds. But I have been in schools where 90%—

Q116 Stella Creasy: It is a substantially larger amount though. It is in our Report. You wouldn't contest the NAO's discussion of it?

Peter Lauener: No. But I have been in schools where 90% of the sixth formers are on EMAs according to the area that they serve. Final decisions have yet to be

taken, but we are preparing to make the allocations of funding for the bursary fund in the next few weeks. I expect guidance will be going out and there will be allocations directly to colleges and schools. We will ask local authorities to pass the money on to maintained schools with sixth forms and to some of their own direct institutions. That is all being prepared as I speak, so that it is ready to go as soon as possible.

Q117 Chair: We are running out of time, but can you answer Stella's question? Have you thought about the impact it will have on the financial viability of the colleges, which I think is what she was asking? I have absolutely no doubt that you are really on top of implementing the new scheme. Have you thought that through, again in the market, and is there going to be an intervention or not?

Stella Creasy: If it makes such a difference to further education colleges in terms of the levels of participation they see because it was such an important factor in participation for so many of their pupils under the previous system, will we see problems with their funding?

David Bell: If you move from a means-tested system to a bursary system, and you assume that you are trying to target that funding towards those that are more disadvantaged, and if colleges—to take your example—have a preponderance of students that are disadvantaged and therefore would be expected to get greater access to the bursary fund, you would assume that the colleges can accommodate this change. In fact in some ways colleges might think that this system will enable them to market better the kind of provision because they will have greater flexibility and freedom about how they deploy the bursary funds.

Q118 Stella Creasy: But that is not the question I asked; that is about future participation—the 15 and 16-year-olds now looking to go to further education, and for whom the £30 a week would be the difference between going and not going. So your planning in terms of numbers will be affected by the numbers of students who will take that up, won't it?

David Bell: This is precisely back to the bursary point. The students that you are referring to—

Q119 Stella Creasy: The bursaries are means-tested as well, aren't they?

David Bell: You are saying that students who are thinking about going into further education may well be deterred. I am saying that the bursary fund is designed to ensure that that deterrence does not happen.

Q120 Chair: Just to get an answer to the question, you have not actually looked at it specifically, but your view is that there will not be an impact. Can I have a yes or no?

Peter Lauener: We have made the participation projections through to 2014 and 2015, and we expect to achieve the full projections for raising the participation rates.

Chair: I am interested in your part-time as opposed to full-time.

8 June 2011 Department for Education and Young People's Learning Agency

Q121 Mr Bacon: Can I move to a totally separate subject? Fraud, particularly for large FEs, which have tens of thousands of students. I have taken a particular interest in this in relation to what was the Manchester College of Arts and Technology and now is the Manchester College, which you may or may not be aware of. Where you have these very large institutions, there is the possibility, and it was seriously alleged that this happened in the case of what was MANCAT, that attendance rolls were manipulated in several different courses in order to create larger apparent attendances than were actually the case in order to receive higher funding. Obviously there is an internal audit process going on inside the college—one hopes; but what external checks take place from outside—from above, as it were—to guard against that type of activity?

Peter Lauener: The particular case you are referring to was recently mentioned in *The Guardian*.

Q122 Mr Bacon: Indeed, there was quite a long article in *The Guardian*, and I have been discussing it with the National Audit Office as well. In fact the particular institution was involved in other allegations in relation to other contracts that it had. But I am not asking about that specifically. Generically, what process is in place to guard against that?

Peter Lauener: Since becoming aware of the allegations, the first thing I did was write to the college asking them to do their own investigation, using people external to the college, and to make all that available to us.

Q123 Mr Bacon: I was not asking about that particular case. There was a full-page article in *The Guardian* education review that you may have read; there were allegations about the destruction of all visible documents, which means that any investigation will not necessarily get very far because the evidence has been destroyed. I am really asking about the generality, when you have a whole load of FEs out there; I know, for example that Norwich has 18,000 students—I am not suggesting for one moment that Norwich City College is in this category—so it is a large institution. We heard earlier from an institution with 28,000 students. I am simply saying that there are these bodies with very large cohorts of students and I am really asking a general auditing question: how do you go about the process, in general, of guarding against this type of activity, without reference to any particular college?

Peter Lauener: I will give a very general answer that will illustrate it quite well. The first thing we do is have a regular process of financial assurance, based on self-assessment but validated by audit visits from our own team on a small sample basis. So we have an up-to-date picture of financial assurance and we monitor the financial plans, and then the financial statements at the end of the year.

Q124 Chair: What percentage do you monitor?

Peter Lauener: I'd have to check. I think with academies, we are planning a 5% visit rate.

Q125 Stephen Barclay: How many people are in the team?

Peter Lauener: We have a team of external financial assurance staff, and I would need to check this figure, but it is about 30.

Q126 Stephen Barclay: And I presume they are not exclusive on these sorts of compliance visits; they will be doing other things as well?

Peter Lauener: They are doing the monitoring that I referred to as well.

Stephen Barclay: Perhaps we could have a note.

Q127 Mr Bacon: Do they do unannounced visits, or is it intelligence-led?

Peter Lauener: It is intelligence-led. The validation visits are quite short notice, but not literally unannounced. That is the platform. That is quite a nice phrase that you use, it is then intelligence-led, and if information comes to our attention we will follow it up first of all with the college or provider concerned. Then if we think there are remaining issues that need further investigation, we have an investigation unit that only has two staff at the moment, and is a shared service with the Skills Funding Agency.

Q128 Chair: Are you satisfied this is robust enough?

Peter Lauener: I think it is a pretty robust system.

Q129 Chair: I know that the Government are encouraging more private provision of training and education courses. I can remember all the 1990s scandal, which was very much along the lines of fraudulent numbers. What was the college called?

Peter Lauener: Bilston.

Q130 Chair: That is right, Bilston College, which was a nightmare. There is a danger we could go back to that experience of the 1990s. With what seems to me an incredibly light-touch approach, where you are totally dependent just on somebody telling you there may be a bit of fraud possibly going on, we might end up with exactly the same situation that we had in the 1990s.

David Bell: This is always a judgment call, and I think we have had this conversation round the table in relation to similar questions about monitoring of academies. You have to make a judgment call about the level of external assurance. One thing that has not been mentioned is that every institution has its own auditors and so on. Maintained schools are subject to local authority audit arrangements and so on. You have to make a judgment about what you are doing. At this stage, knowing what we know about examples of fraud and other financial problems, what Peter has described seems to me proportionate as a resource to ensure financial health.

If, however, we then got a spate of the kind of examples you cited, Madam Chairman, you would have to think again. But the problem is that if you start off with a massive machine to do it, I think you start the wrong way round. I think you should start light, and trust, with proper controls, and then ratchet that up rather than have a huge machine at the beginning and ratchet down.

Q131 Jackie Doyle-Price: I want to come back to the issue about the role of local authorities, because over the course of this hearing I think the position is at best untidy and I am not sure that local authorities really understand their role in this system. Obviously the Report highlights where some of the weaknesses are, and they are with sixth forms, which lie clearly with local authorities. If we look at Figure 11, which sets out the responsibilities, we see that obviously the Department for Education will be taking more and more power over schools through the growth of academies, which means that increasingly some of these sixth forms will not fall within the local authority ambit. When we look at the functions of the YPLA, they are broadly consistent with what local authorities are expected to do. Might we get more consistency in terms of provision if the YPLA's role in overseeing this was extended at the expense of the 152 local authorities, who have not all really been up to the job?

David Bell: I will let Peter start, then I am happy to come in.

Peter Lauener: I am glad you have come back to this because I want to say a little bit more about the local authority role, which I do think is important. We support the local authority role by providing information on the colleges, schools and other providers in their area that are not directly under their control, and we also provide information on where there are gaps in terms of targets towards raising the participation age. They are much better placed to know the nature of the young people in their area who might not be participating and therefore what might be suitable provision locally. There are a couple of areas of the country at the moment where local authorities have developed new ideas that are then going to be mainstream-funded to provide opportunities for 17-year-olds. There is a further area, which is learners with learning difficulties and disabilities, which we touched on earlier. There are about 4,000 individuals who benefit from very high-cost provision, where it is very important that the education support is joined up with health and social care. Local authorities are in a much better position than we are to take decisions about what is right for those individual young people.

Q132 Jackie Doyle-Price: That is great in theory, but in practice it is not working everywhere, so do we need to be more explicit about what the role of the local authority should be, so that they all do the same thing?

David Bell: Last year, the Secretary of State set up a Ministerial Advisory Group on the role of local authorities, involving local authority representatives, as well as Ministers, officials and representatives from schools. The truth is that this role of local authorities has not just been evolving over the last 12 months, it has been evolving over the last 20 years. Although you could argue that the growth in the number of academies provokes that further—and it does; no argument—it actually only develops the higher levels of autonomy that schools have enjoyed for the last 15 or 20 years anyway. I think there is a genuine question about how the local authority role emerges and

evolves. But going back to something I said in relation to one of Mr Swales's questions, the local authority's interests in relation to young people and families are not narrowly educational interests. For that reason it seems to me incredibly important that the local authority continues to play the role. What we have not done, to be frank—and it goes right to your question—is imposed a new model or system, even though we have, as the NAO acknowledged and we accept, inconsistency in the way local authorities choose to exercise their functions. I think the Minister's view is that it is a decision for local authorities; if local authorities think that it is not in their interest to sit round with providers of post-16 education and play a part, that is their choice.

Q133 Jackie Doyle-Price: But this is where you get into a distinction between overview and scrutiny, which to an extent is a local authority's choice, and duties and statutory obligations, which is where they have been falling down. I suspect it is because of that mismatch, and there is no real clarity about what the expectations are.

David Bell: I think it is partly to do with local authorities thinking their duties are not hard, and they do not have hard power. Some local authorities think that because they do not have hard power they are off the scene. I think quite a lot of authorities think they have soft power and influence and that they should be round that table. In the end if you believe that local authorities should be making those sorts of decisions for themselves, that is their choice.

Q134 Stella Creasy: Mr Lauener has just made the case for local authorities to be providing careers advice and support around special educational needs. We have just been working on a piece of legislation that is going to take away those powers and those involvements for local authorities, so I am a little bit confused. The duty to co-operate has just gone between schools and local authorities—the sort of thing Jackie has just been talking about. Isn't that going to lead to more confusion and less access to the kind of services that Mr Lauener was talking about?

David Bell: The duty to co-operate, if you accept the argument that it was inconsistent, did not actually lead to a whole lot of active co-operation.

Q135 Stella Creasy: But you just said that local authorities need clearer guidelines as to what they should be doing and how they should be working.

David Bell: Just to go back a step, the Secretary of State said there is a role to think through, and he set up a Ministerial Advisory Group to do that. My argument is that it is for local authorities to decide the greater or lesser extent that they wish to participate in conversation and discussion. At the same time they have hard responsibilities in certain areas: for example, provision for students with special educational needs would be a hard responsibility where they have clear responsibilities.

8 June 2011 Department for Education and Young People's Learning Agency

Q136 Stella Creasy: But they will not have the relationship with the further and higher education colleges because that power has just been taken away. They can say they want to provide a place, but they will not have—

David Bell: As I am sure the Committee knows, there are certain requirements that play in with relation to young people or adults with special educational needs where the local authority, and all providers, have certain requirements.

Q137 Stella Creasy: What about children without a statement? What about children who are currently on School Action or School Action Plus, and their access to 16 to 18-year-old education?

Peter Lauener: The general duty to secure provision is there, and is the local authority duty, and it is part of the expectation that they make suitable arrangements.

Chair: We are going round in circles. It is a bit of a pointless duty if you haven't got any levers.

I want to draw this to a close. My conclusion is that you are not going in for top-down structural change to deal with this spaghetti organisation that we have. You want to allow choice, so you are happy to see some more expensive provision in schools if that reflects student and parental choice. You are going to move towards uniform funding, and you are going to also try to find better common assessment and data so that we can do better comparisons. And you are working towards greater co-ordination both at agency level and therefore Government level, and at institution level for individuals. No doubt we will haul you back in the future to see whether you are delivering on the agenda you have set. Thank you very much indeed.

Written evidence from the Department for Education and Young People's Learning Agency

REDUCING THE COST OF 16–18 EDUCATION—8 JUNE 2011

Question 80 (Chair): *An explanation of "part time" participation in education and training post-16*

Statistical definition of part-time participation

In our participation estimates and projections of the numbers of young people in education and work based learning, the definition of a part-time learner currently used varies according to institution type:

Schools: a part-time pupil is someone studying less than 10 sessions a week, where a session is ½ day. In practice, almost all pupils in schools are full time.

General Further Education Colleges and Sixth Form Colleges: a part-time learner is defined as a learner enrolled on programmes of less than 450 guided learning hours per year, or for shorter courses:

- less than 150 guided learning hours per tri-annual period; or
- less than 16 guided learning hours per week.

Legal requirements in Raising the Participation Age

The Education and Skills Act 2008 increases the minimum age at which young people can leave learning, to age 17 from 2013 and to 18 in 2015. Young people will be able to fulfil their duty to participate post-16 through full time education or training, an apprenticeship, or part time education or training if they are also working or volunteering for more than 20 hours a week.

For those working or volunteering more than 20 hours a week, part time education will mean the equivalent of 280 hours a year. This equates to around one day per week in term time, but can be arranged flexibly. The legislation allows regulations to be made defining full time education other than in school. The Department will be developing and consulting on these regulations later this year.

Latest data

At the end of 2009, around 4% of young people aged 16–17 were participating in part-time education. The full breakdown of the numbers and percentages of 16 and 17 year olds participation in full/part time education and work based learning is provided in the table below.

PARTICIPATION IN EDUCATION AND WORK BASED LEARNING (WBL) BY AGE, END 2009

	Numbers			Percentage of cohort		
	16	17	16–17	16	17	16–17
Full-time education	547,188	493,546	1,040,734	85.9	73.9	79.8
Part-time education	19,856	29,612	49,467	3.1	4.4	3.8
WBL *	29,798	45,942	75,740	4.7	6.9	5.8
Total education and WBL	596,842	569,100	1,165,942	93.7	85.2	89.4

* does not include those in both WBL and education

Question 93–96 (Stephen Barclay): *More information on poorly performing Further Education colleges identified in paragraph 3.12 of the NAO Report*

Paragraph 3.12 of the NAO Report says:

Between 2006 and 2009, the then Learning and Skills Council identified 368 poor performers (including independent training providers), of which 124 were exempt because of their small size. The remaining 244 poor performers were issued notices to improve. Of these, 56 providers improved performance sufficiently to have their notice to improve lifted by the end of 2009. The remaining 188 had further sanctions, such as mergers being considered or funding being withdrawn. This process creates a clear incentive for colleges to improve their performance.

The following paragraphs provides further information about the process of identifying “notices to improve” how the exemption for small size works and what the result was of the issuing of notices in terms of subsequent improvement.

In particular information is provided on what has happened to the 188 providers mentioned in paragraph 3.12 issued with Notices to Improve and which had not had not improved sufficiently by the end of 2009 to have their notices lifted.

The Minimum Levels of Provision (MLP) policy was established in 2006 responding to the then Government’s White Paper, *Further Education: Raising Skills, Improving Life Chances*. The first Notices to Improve (NtI) as a result of the application of the new policy were issued in 2007. These Notices were based on the latest data available ending in 2006. The Notices issued in 2007 then applied to the following academic year, 2007–08. So when the NAO report quotes Notices issued “2006–09” the actual issue of Notices are the years 2007–10.

There is a small discrepancy between the figures quoted in the report and those we now have on record. The report quotes 244 Notices issued using data for the period 2006–09 which resulted in notices issued during 2007–10 whereas our latest information record the issue of 237 Notices. The majority of providers in that period have now complied with the conditions of their Notice and therefore had their notices lifted. Of the 237 Notices to Improve issued in the period, the number which have improved sufficiently to have the notices lifted is now 177 and the number where this has not happened is 60.

The processes at work can be illustrated by looking at the data year by year over a number of years:

<i>Data used for analysis</i>	<i>Year of issue of Notice to Improve (NtI) issue</i>	<i>Funding/ academic year to which NtI refers</i>	<i>No of NtIs issued</i>	<i>No of NtIs lifted in period from issue to end of applying academic year</i>	<i>Difference</i>	<i>Explanation for differences in issue of NtIs and those lifted 2007–10 only (using year of issue)</i>
2005–06	2007	2007–08	46	39	7	1—merger 4—funding withdrawal 2—contract termination
2006–07	2008	2008–09	92	85	7	4—merger 2—funding withdrawal 1—contract termination
2007–08	2009	2009–10	56	42	14	11 NtIs were not lifted — 7 likely to be lifted shortly — 4 subject to continued close monitoring 1—rescinded 1—ceased delivery of poor provision 1—merger
2008–09	2010	2010–11	43	11	32	Too early to judge majority of cases—academic year of application not yet complete
Total			237	177	60	Out of 60 6—merger 3—contract terminations 6—proportion of funding withdrawn 1—rescinded 1—cessation of delivery 32—too early to judge 11—remain under NtI for longer than one year

Points for clarification:

Dates used in MLP: When a provider is found to be below MLP, they are issued with a Notice to Improve (NtI) meaning that “further sanctions” will only be considered if they have failed to meet the terms of the notice by the end of the period of improvement, usually an academic year.

Notices are issued in February/March following an analysis of the latest available data—the previous academic year, and the period for improvement is to the end of the following academic year. For example, a Notice issued in February 2011 would have been based on an analysis of performance from the 2009–10 year and allow for a period of improvement ending in July 2012.

Deciding whether conditions have been met would include looking at 2010–11 data first available in December 2011. A Notice could be lifted at this point (early) or the following year December 2012 when the data for the improvement year is available—in some cases however the Notice stays in place—eg the provider may be on a path of improvement but may still have more to do to comply with the conditions.

According to YPLA (and LSC historical) records, a total of 237 NtIs were issued between 2006 and 2009, and, taken year by year, the outcomes are set out in the table. It should be noted that in the instances where providers under notice merge, there will be a much wider range of issues and considerations that were factors in the decision to merge.

Small Size in MLP: The YPLA (and the LSC before it) adopts a proportionate approach to application of Minimum Levels of Performance (MLP) and considers the volume of underperforming provision (small size is about volume of provision, rather than the size of the provider) and it will not issue a Notice to Improve (NtI) in instances where:

- the funding associated with the poorly performing provision is less than £50,000;
- the total number of learners undertaking the poorly performing provision is fewer than 40; or
- where the funding associated with the poorly performing provision is less than 5% of the total funding going to the institution.

These exemptions most commonly apply where a provider’s short course provision is below MLP (MLP is calculated and applied separately for long and short courses). In many instances the short course provision is a very small element of a provider’s offer.

Latest Information: The latest information—based on 2009–10 data—led to the issue earlier in 2011 of 73 notices to improve. None of these have so far been lifted.

Question 125–129 (Stephen Barclay): *The amount of financial monitoring that is undertaken by YPLA*

YPLA has assurance and financial monitoring responsibility for Academies and for Sixth Form Colleges (SFCs) and some commercial and charitable providers of 16–18 further education. The Skills Funding Agency (SFA) has the same responsibilities for FE colleges. In order to minimise audit burdens on colleges the YPLA places reliance on the SFA’s work in FE colleges and the SFA place reliance on YPLA work in sixth form colleges. YPLA and SFA share common approaches.

Taking SFCs as an example, the YPLA’s routine financial monitoring of SFCs involves the annual review of each sixth form college’s:

- three year financial plan, with emphasis on the forthcoming academic year; and
- audited financial statements.

These reviews may identify a need for closer financial monitoring or more formal financial intervention.

YPLA takes assurance through reviews of the results of the work of the SFCs own appointed auditors—internal audit annual reports and financial statements (external) auditors’ true and fair and regularity audit opinions.

On the basis of risk, YPLA assurance staff also undertake their own direct work at a sample of sixth form colleges to review and validate their financial management and governance self assessments. These reviews take place in parallel with Ofsted inspections. In the 2009–10 financial year there were nine of these visits, but following new risk criteria, there was only one in the 2010–11 academic year to date.

Funding returns from SFCs and FE colleges are subject to an annual funding audit on a sample basis. This is a jointly commissioned exercise with the SFA. For 2009–10 the audit covered a sample of five sixth form colleges and 77 FE colleges. The sixth form college sample was selected on the basis of risk.

June 2011

ISBN 978-0-215-56115-2



9 780215 561152

