

Securing strategic leadership for the learning and skills sector in England

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PREFACE



1 The learning and skills sector is central to delivering the government's objectives of combating social exclusion and improving the skills of the workforce as a means of driving up economic performance. Of the Learning and Skills Council's £8.8 billion budget for learning and skills in 2003-04, more than half (£4.8 billion) went to the 397 colleges comprising the further education sector in England. At any one time, up to four million further education students are studying for one or more of around 17,000 qualifications.

2 In April 2002 the government launched its change programme "Success for All", which sought to extend the opportunities for lifelong learning, rationalise provision and improve quality. One strand of the changes is to iron out anomalies in accountability and funding of further education colleges that had arisen from their evolution since becoming autonomous bodies in 1993. Funding arrangements now place a much increased focus on delivering the national objectives of the Department for Education and Skills, and the Learning and Skills Council has developed a new relationship with colleges as part of this focus. In return, plans are being implemented for colleges to be subject to less onerous audit and inspection.

3 This report is about securing the strategic leadership for the learning and skills sector which will enable the key stakeholders (learners, employers, education providers and government) to get value for the time and money they put in. Our report illustrates that the learning and skills sector is increasingly complex. Through setting out our understanding of the sector, we expect our report to provide a helpful resource for new and inexperienced college governors and other people wishing to comprehend the sector better, in addition to other important information sources such as the recently published Good Governance Standard for Public Services.¹

4 Part 1 looks at the implications for colleges of the changing landscape of the learning and skills sector. Some college governing bodies see the changes as a diminution of their role, and many governors are not comfortable with the degree of complexity, ambiguity and change. Key principles, priorities and targets need to be communicated clearly and directly to governors, so that important messages are not 'lost in translation'.

5 Part 2 looks at planning to meet learning needs and provide choice. The Learning and Skills Council has been developing a systematic and more information-based approach to planning the provision for learning and skills that is an improvement on what went before. However, local areas have to resolve a range of challenging conflicts involving national policies, initiatives and targets, regional priorities and the needs and demands of the local community

and businesses, and the judgements are hard. There is an inherent risk that elements of the approach may become over-complex and costly, though we identified examples of local Learning and Skills Councils creating opportunities for rationalising the workload. It will take skill to make sure that the outcome of the planning will be products that meet the needs of the majority of employers and make learners want to learn. Collaboration increasingly looks like a key to success at local level – by seeking to reduce duplication and bureaucracy at the same time as increasing choice through more diverse opportunities for learners.

6 Part 3 of our report examines how the people responsible can make sure that the further education sector delivers learning of the type and quality that people need and want. Inspections of colleges and of local areas provide much useful information and independent assurance about college performance and the effectiveness of collaboration between organisations like colleges, local Learning and Skills Councils and local education authorities. There are indications that the quality and usefulness of local Learning and Skills Council's annual reviews of colleges are improving, but not all colleges see them as consistently helpful. The Learning and Skills Council has recognised the need to develop further the skills and expertise of staff engaged on this work. Parts of the audit regime for colleges are also changing, and colleges need guidance to help them judge what levels of audit and assurance they need to put in place themselves.

7 Increasing use of self-assessment is helping colleges to focus on their primary responsibility for quality and performance. For the future, self-regulation is being considered, which could be developed into a holistic review that would take greater account of the environment that colleges operate in than inspections can easily do. In our view, self-regulation would need to be based on some form of regulated peer review, starting with development among the very best colleges, in order to build in rigour and gain a necessary level of public confidence, before it could safely replace independent inspection.

8 Our overall conclusion is that the frameworks that the Department and the Learning and Skills Council have developed and put in place to plan and monitor the further education sector are likely to support systematic planning and provide reasonable assurance. As the frameworks develop, more evidence is emerging about how they can be implemented more efficiently and effectively, both for further education and the learning and skills sector as a whole, and what complementary changes to support providers need to be made. Our recommendations on pages 14 to 15 set out possible next steps for the Department and the Learning and Skills Council to consider.

¹ Independent Commission on Good Governance in Public Services, 12 January 2005 <http://www.opm.co.uk/ICGGPS>.

EXECUTIVE SUMMARY



Introduction

1 The learning and skills sector is central to the government's policy for combating social exclusion and improving the skills of the workforce. The vision is that:

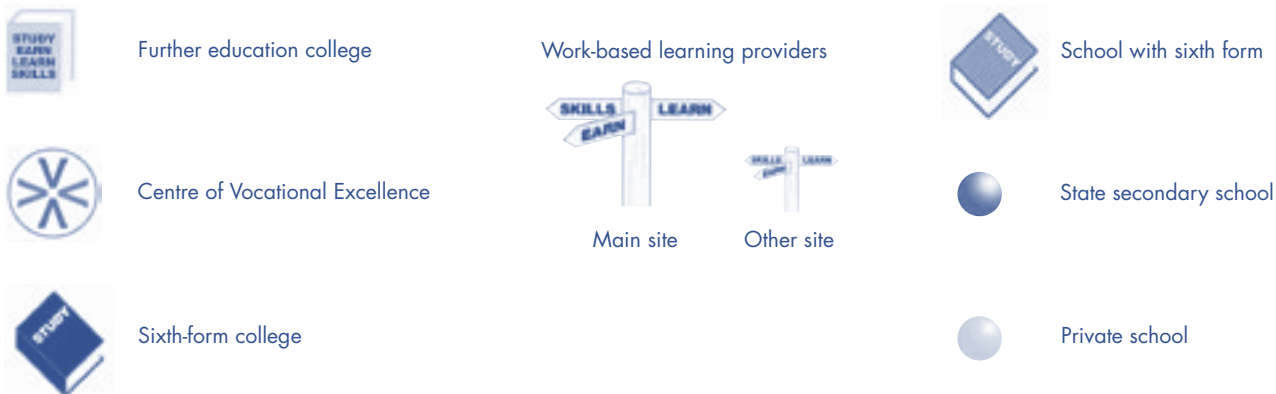
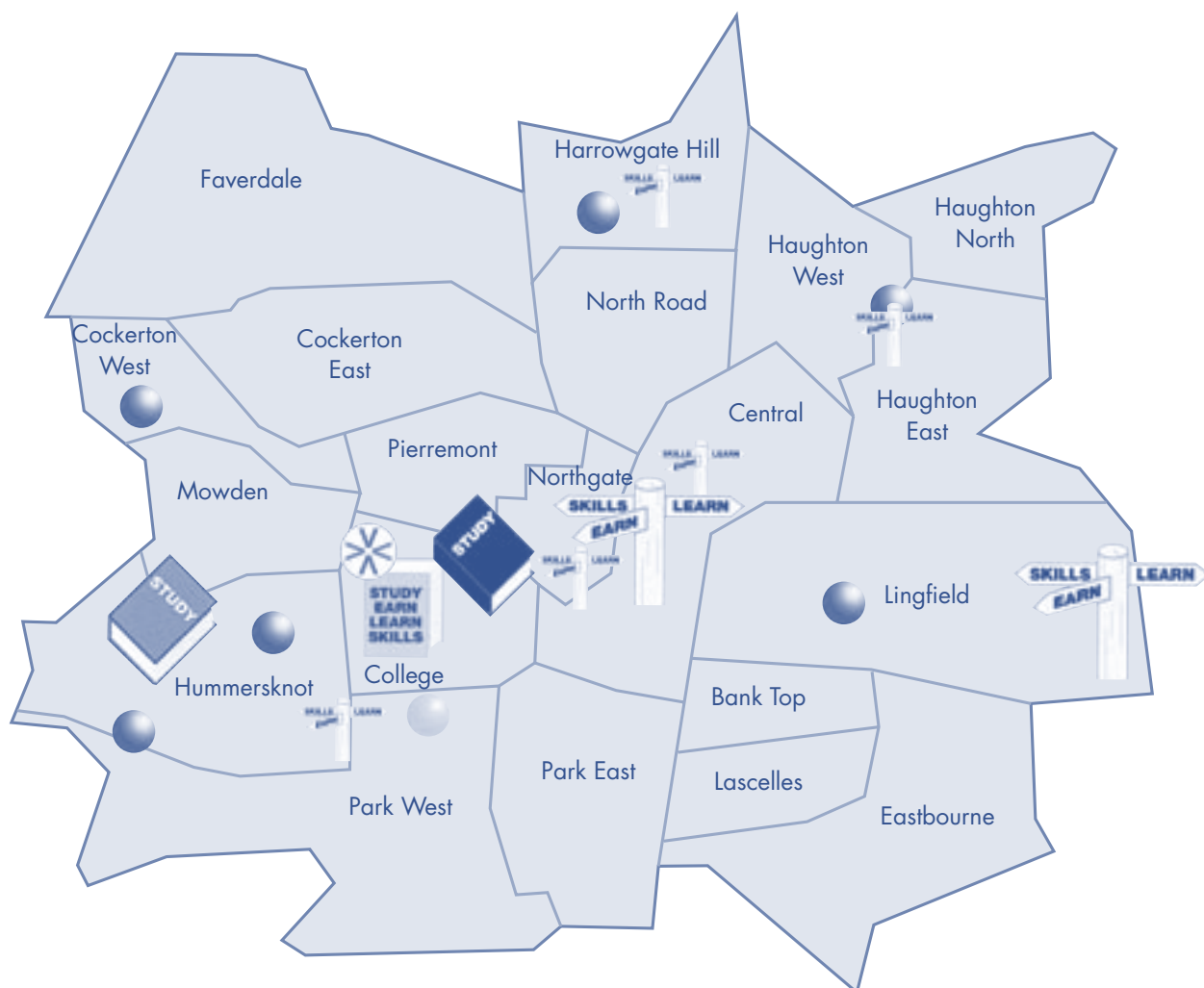
- everyone should have the chance to learn new skills, fulfil their potential, and improve the quality of their lives at home and at work; and
- businesses should benefit through recruitment of better trained, talented and motivated staff, who enable them to compete more effectively and confidently.

2 The learning and skills sector is very complex, comprising the further education sector (further education colleges, sixth-form colleges and specialist colleges), school sixth forms, adult and community learning and work-based learning. Learners and employers can go to a wide range of providers – colleges and providers in the private, voluntary and community sectors. The complexity creates obstacles – to potential learners wanting to understand how to access the right course for them, and to those trying to manage the sector in a simple and effective way. But it is also its strength, because of the innovation and variety of provision available.

3 People aged over 16 – and increasingly young people aged 14 and over – participate in further education for a range of reasons. Young people wishing to continue their education can choose to attend a school sixth form, go to a general further education or specialist college, a sixth-form college, seek an apprenticeship or take up employment with training. Older adults also have a wide range of options. **Figure 1 overleaf** illustrates a map of the different types of provision in a particular geographic area. Factors influencing personal decisions include the availability of a chosen course of study, geographical location, the quality of the learning environment and how a particular option for learning fits in with lifestyle. For 16-19 year olds, for example, the choice may be between the more structured feel of school, or the more adult atmosphere of college.

4 This report is about securing strategic leadership for the learning and skills sector. In view of the size and variety of the sector, we looked at the planning, management and monitoring of learning provision from the perspective of the largest providers – the 397 colleges comprising the further education sector in England, including 103 sixth-form colleges and 39 specialist (e.g. agricultural) colleges. At any one time up to four million students are studying with further education institutions, from people studying full time to those attending a course for as little as one hour a week. They can be working towards any one of around 17,000 qualifications. The further education sector takes up more than half of the £8.8 billion public funding routed through the Learning and Skills Council. The £8.8 billion equated to about 17 per cent of public funding for education in 2003-04 (**Figure 2 on page 5**).

1 Choice of learning providers in Darlington



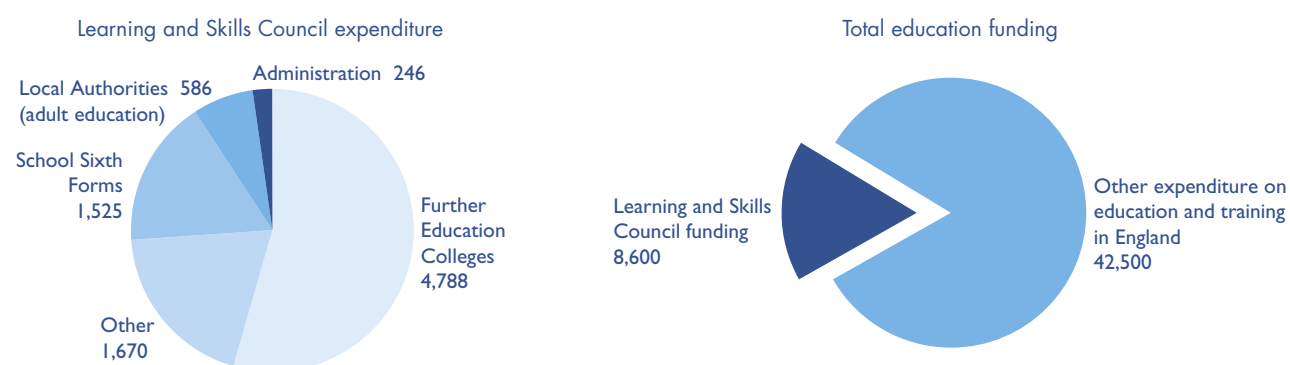
Source: Tees Valley Learning and Skills Council

5 Though we focused on the further education sector, some of the processes we examined span the learning and skills sector as a whole. Colleges themselves range widely in size (Figure 3), so the regime applied to them requires a degree of flexibility, and many of the principles that apply to providing learning in colleges – such as the importance of reviewing the quality of learning – apply equally to

non-college providers. Our report makes recommendations about improving strategic leadership designed to enable the key stakeholders in learning and skills – learners (and for younger learners, their parents), employers, education providers and government – get value for the time and money they put in (Figure 4 overleaf).

2 Learning and Skills Council funding of the further education sector relative to total education funds in 2003-04 (£ million)

Of the Learning and Skills Council's £8.8 billion budget for learning and skills in 2003-04, more than half went to the 397 colleges comprising the further education sector in England.



Source: Learning and Skills Council Accounts 2003-04 and Department for Education and Skills Annual Report 2004

NOTE

Learning and Skills Council expenditure is higher than the learning and skills element of total education funding because the Council receives some income from other sources.

3 The size of colleges varies widely

	Minimum	Maximum
Number of full-time full year students (2003-04)	Several colleges under 100 (with 80 – 1,000 full-time part-year and 400 – 3,700 part-time students)	7,400 (with 1,800 full-time part-year and 19,500 part-time students)
Number of full-time part year students (2003-04)	Several colleges under 10 (with 400 – 2,000 full-time full-year and 350 – 1,900 part-time students)	8,200 (with 3,800 full-time full-year and 26,000 part-time students)
Number of part-time students (2003-04)	Several colleges with under 10 (with 800 – 2,200 full-time full-year and zero to 20 full-time part-year students)	92,000 (with 35 full-time full-year and 1,500 full-time part-year students)
Income 2002-03 ²	£1.2 million	£51.3 million

Source: Learning and Skills Council

2 2003-04 data not currently available centrally.

4 Key stakeholders in the learning and skills sector

Stakeholders	What they are looking for from the learning and skills sector
Learners and parents of younger learners	<ul style="list-style-type: none"> High quality learning and value from any fee payment Choice of provision that fits in with employment and/or personal needs and lifestyle Increase in skills and knowledge to be employable and/or personally fulfilled Academic and/or vocational qualifications Good tutorial support Safe environment with good access to care and welfare services
Employers	<ul style="list-style-type: none"> High quality learning and value from any fee payment and employee time spent learning Increase in skills and knowledge of people already in their employment A sufficient pool of potential employees with the right skills and qualifications
Providers	<ul style="list-style-type: none"> Success in providing the high quality and cost-effective learning that learners and employers will want Adequate funding with 'light touch' monitoring Reasonable certainty about what providers are/will be expected to provide
Government	<ul style="list-style-type: none"> High quality and cost-effective learning Improved social cohesion Increase in workforce skills – to increase economic achievement and sustain a competitive, productive economy Greater flexibility so that the economy can respond quickly and efficiently to changes in economic conditions Widening participation and increasing access to higher education

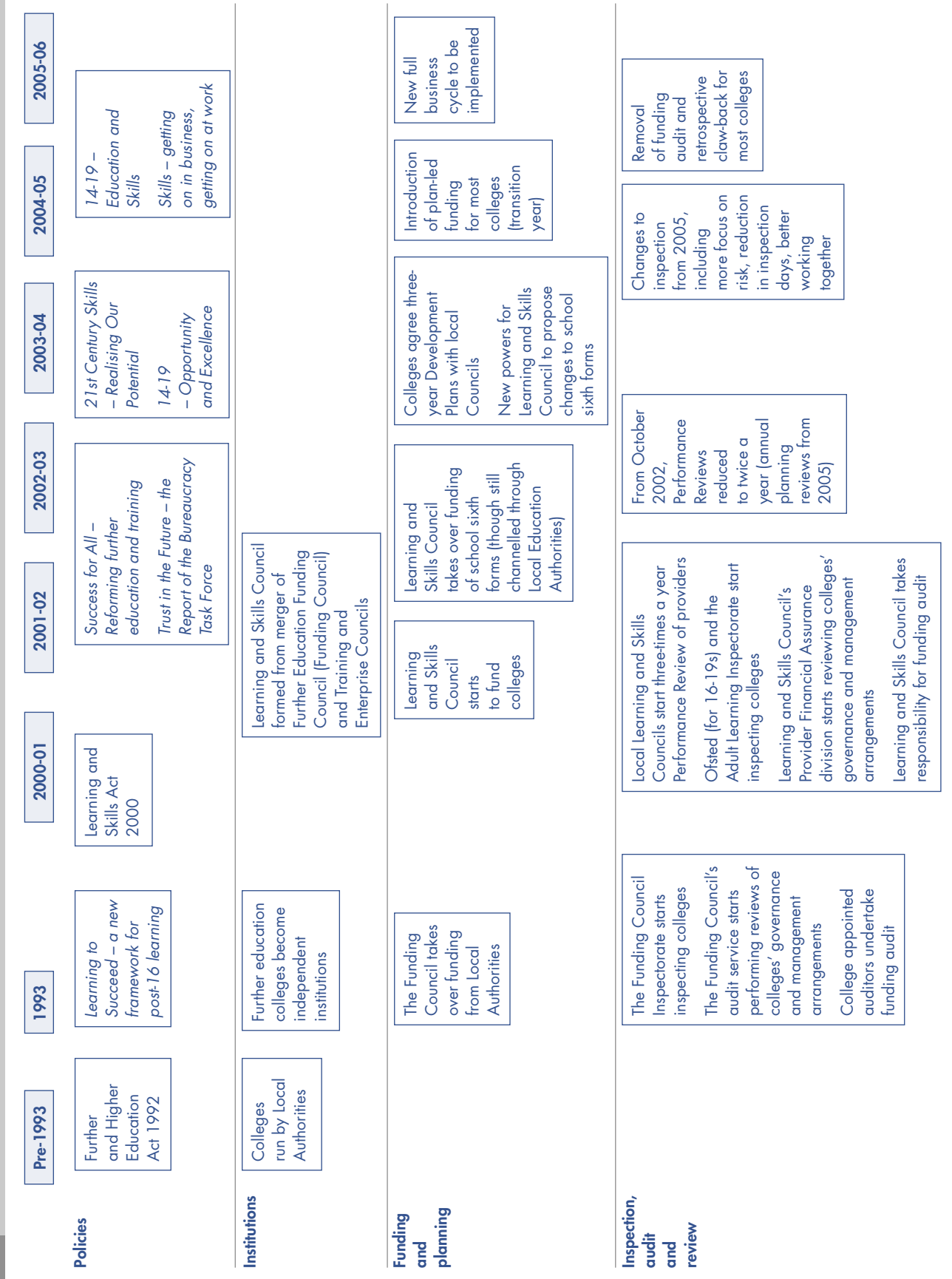
Source: National Audit Office

Overview of key developments since 1993

6 The Department for Education and Skills (the Department) sets the policy and strategic direction for the learning and skills sector. Over recent years, the further education sector has been substantially reformed in response to a number of major policy initiatives (Figure 5), which started in 1993 with the incorporation of colleges as autonomous institutions and the creation of the Further Education Funding Council. The most recent key development was the establishment in April 2001 of the Learning and Skills Council, replacing the Further Education Funding Council and the Training and Enterprise Councils. This was the first step towards a more planned approach to ensure that public funding is focused on meeting the Department's and wider government objectives.

7 As autonomous bodies, each college in the further education sector has a governing body, supported by a Clerk, which is accountable for the educational character and financial solvency of the college, the proper use of public funds, and the quality of services to learners. The constitution, roles and responsibilities of governing bodies are set out in the Instrument and Articles of Government contained in secondary legislation. Their responsibilities include overseeing the management of the college, to ensure that it operates within statutory authority and delivers against agreed strategic objectives.

5 Major organisational and policy changes affecting the further education sector since 1993



8 The Learning and Skills Council is responsible for funding and planning all education and training for over 16-year olds in England other than higher education, including that provided in all publicly-funded school sixth forms (except academies) and in adult and community learning. Reforms set out in Success for All (Figure 6) included the introduction of plan-led funding, under which colleges were asked to collaborate on planning and making any necessary changes in the courses they provide, in exchange for reduced bureaucracy and increased investment.

9 The Learning and Skills Council has a management group comprising the chief executive, four national directors and nine regional directors.³ A total of 3,780⁴ staff are based in its national office in Coventry, or operate through 47 local Learning and Skills Councils based in all parts of England, which are responsible for carrying out its functions in their areas. Each of the local Learning and Skills Councils has an Executive Director, reporting through one of the Regional Directors to the Chief Executive. Each local Learning and Skills Council has up to 16 council members who, like college governors, are volunteers. The Learning and Skills Council is governed by a national Council and two statutory committees, one for adult learning and one for young people.

6 Four main strands of Success for All

- **Meeting needs, improving choice** by improving the responsiveness and quality of provision in each area to meet learner, employer and community needs
- **Putting teaching, training and learning at the heart of what we do** by establishing a new Standards Unit to identify and disseminate best practice which will guide learning and training programmes
- **Developing the leaders, teachers, lecturers, trainers and support staff of the future** including setting new targets for full and part-time college teachers to be qualified and developing strong leadership and management through a new leadership college
- **Developing a framework for quality and success** by establishing a new planning, funding and accountability system, based on greater partnership and trust, including three-year funding agreements

Source: Department for Education and Skills, Success for All: Our vision for the Future, November 2002

3 There are nine regional directors, but London also has a Regional Operations Director.

4 As at September 2004.

Our methodology and report

10 During our fieldwork, we visited six further education colleges and one sixth-form college, six local Learning and Skills Councils (each with responsibility for at least one of the colleges visited), and four Regional Development Agencies. In colleges, we spoke extensively with the Chair of governors, the Principal, the Clerk to the governing body, and in some cases with the Chair of the audit committee. In local Learning and Skills Councils we had in-depth interviews with the Chair of the Council and the Executive Director, and spoke with the Secretary to the Council. Two of these Executive Directors also held joint posts as newly-appointed Regional Directors, and in addition, we spoke to one further Regional Director. We obtained written or telephone responses from six local education authorities.

11 At the planning stage of our study we engaged experts in the learning and skill sector from KPMG to provide advice on the focus for our work. Later, we engaged consultants (IFF Research) to undertake in-depth telephone interviews with a sample of college governors and local Learning and Skills Council members. We discussed our study and reviewed documents at the Department for Education and Skills and the Learning and Skills Council, and identified and reviewed relevant research. We convened a reference panel on two occasions to talk through our plans for the study, our preliminary evidence and findings. Panel members also read and commented on our draft final report. A more detailed outline of our methodology is given in Appendix 1.

12 Our report comprises three parts:

- Part 1: Implications for colleges of the changing landscape of the learning and skills sector;
- Part 2: Planning to meet learning needs and providing choice;
- Part 3: Making sure that further education delivers learning of the type and quality that people need and want.

Findings

Implications for colleges of the changing landscape of the learning and skills sector

13 There are now many more influences on colleges' strategic decisions than previously, and these have eroded colleges' perceived autonomy to set their own strategic direction. The Learning and Skills Council has formal planning responsibility for ensuring that colleges in the further education sector and other learning providers supply good quality learning that contributes towards meeting government targets and wider policy objectives, such as improving participation among people with low skills. Colleges and other providers determine their own strategy and educational character, identify local needs, and negotiate with the local Learning and Skills Councils on what learning will be funded. The local Councils promote collaboration between providers, for example to remove unnecessary duplication of courses and help develop new provision to fill gaps. Some colleges consider that whereas in the past they were largely free to decide what courses they would provide in return for public funds (except that the courses and learners had to be legally eligible for public funding), they are now expected to formulate a strategic response rather than, as formerly, a local strategic direction that drew heavily on colleges' own assessments of local needs.

14 Some governing bodies see the changes as a diminution of their role, and some perceive that they are carrying the same responsibility as before, but with less authority. College governing bodies and members of local Learning and Skills Councils increasingly find themselves among a large number of people and organisations all equally interested in what public money for the learning and skills sector is spent on. Many governors saw great value in their college having the freedom to identify and respond to local communities' needs – for some that was a key reason for devoting their time, as a volunteer, to the work of the college. Governors continue to carry heavy responsibilities, for example in relation to the financial stability of the college. Many are concerned about carrying financial responsibilities when people who are not part of the college may have substantial influence on the college's strategy and, therefore, its potential viability. Some are not comfortable with the degree of complexity, ambiguity and change, and there is a risk of them becoming disengaged. The recently published Good Governance Standard for Public Services highlights the importance of clarity in the role of governance and the role of the governors. The Department for Education and Skills has recognised governors' concerns, which

were raised during the Department's own review and consultation on possible changes to the Instrument and Articles of Government.

15 Perceptions of imbalance between the risks and rewards are making it increasingly difficult for some colleges to attract and retain effective governors. As volunteers, many of whom undertake their governor responsibilities alongside employment and other personal commitments, governors can be deterred by the sheer weight of their responsibility. Colleges would appreciate greater flexibility in the appointment of governors. Currently they are constrained by the requirement to ensure representation from various categories, and some colleges find business members particularly hard to recruit and retain.

16 To help governors fulfil their responsibilities in the changed environment, they need consistently better information, customised for them, on the policy imperatives and expectations on their colleges. As our report shows, governors need to be familiar with at least the key principles, priorities and targets if they are to perform their role well. However, information generally comes to them having been 'translated' through various levels. The Learning and Skills Council's communications are generally to college Principals. Even Chairs of governors receive little from the Council directly. This is a sensible arrangement for routine communications. However, some key decisions that could have a potentially heavy impact on colleges' strategy and viability – for example the precise arrangements by which colleges not fully meeting the plan they agreed with the Learning and Skills Council may not receive all of their initial allocation of funds – need to be communicated briefly, clearly and directly to governors, so that important messages are not 'lost in translation'.

17 Training and support for governors are improving, especially with the development of the Leadership Skills for Governance programme. In addition to being well-informed, governors need to be able to think strategically and challenge management proposals. Most colleges are supportive of governor training, but governors would appreciate more opportunities for events jointly for them and Learning and Skills Council members, which would help them to appreciate better their respective roles. The Clerk to the governing body is also a vital source of support and advice for governing bodies, and colleges should ensure that the Clerk is sufficiently independent to provide truly objective advice to support the governing body in challenging the college's management if necessary.

Planning to meet learning needs and providing choice

18 The Learning and Skills Council has managed huge organisational changes within its own organisation since it was set up in April 2001. The merger of the former Further Education Funding Council with the Training and Enterprise Councils to form the Learning and Skills Council was a big challenge. To start with, many staff from the Training and Enterprise Councils had limited experience of much of the learning provided by colleges. Staff from both former organisations had to develop skills to take on new roles, such as negotiation and contract management.

19 Learning and Skills Council staff need to be able to challenge providers – and vice versa – in a constructive way, which is possible only if relationships are based on mutual trust and respect. For staff in local Learning and Skills Councils, responsibility for planning – and sometimes substantially changing – local provision for learning and skills is onerous, requiring them to show a high level of diplomacy in achieving a balance between conflicting but often legitimate interests. At the same time, some colleges are concerned that an emphasis on contracts to meet the government's priorities could take insufficient account of what they perceive local learners and employers want, and thus put the college's viability at risk. In these circumstances, both colleges and local Learning and Skills Councils need to make positive efforts to build a culture of mutual respect and trust, in which they feel able to challenge each other in a constructive way about how best to meet the needs of learners and employers.

20 Building colleges' confidence in the staff of their local Learning and Skills Council is taking time. Relationships have been improving, but there is high demand for good staff in the sector, and colleges are worried that good staff who leave their local Learning and Skills Council cannot always easily be replaced. Some colleges also expressed concern about the potential impact of recent staff reductions at local Learning and Skills Councils on their capacity to fulfil the full range of their responsibilities. Especially when colleges get into difficulty, they look to local Learning and Skills Councils to give appropriate support – an example of how this was well done and improved relationships between a college and the local Learning and Skills Council is given in **Box 1**.

BOX 1

The Isle of Wight College

By 2001 the Isle of Wight College had been in 'exceptional support' for an unusually long period of time. Relations with the new local Learning and Skills Council were strained, particularly with the island's former Training and Enterprise Council leaving to join the local Learning and Skills Council on the mainland.

A review by the local Learning and Skills Council clearly showed that too many providers were chasing too few students. Concerted action in the College, supported by the Council, subsequently led to the fortunes of the College being turned around in one year. The factors leading to the fundamental change included:

- a clear exposition of the nature of the problem;
- good quality, understandable management information;
- detailed involvement of a Principal who had experience in turning round failing colleges;
- a new curriculum model, including new opportunities for e-learning to increase student numbers;
- a transparent, open and honest relationship with the College's staff;
- development of a constructive and supportive relationship between the College and the local Learning and Skills Council, which included the local Learning and Skills Council providing one person to be a member of the College's governing body, and another to observe the governing body;
- formulation of a detailed recovery plan, owned at all levels of the College's staff, management and governors, which formed the basis for significant financial (cash) support from the Learning and Skills Council; and
- monthly monitoring meetings between the College and the local Learning and Skills Council – open and transparent communication.

21 The Learning and Skills Council has been developing a systematic and more information-based approach to planning that is an improvement on what went before. For example, the Strategic Area Reviews, due to reach conclusions in March 2005, are drawing together the information and views needed to decide local options for providing post-16 education in the future. These Reviews, and earlier work on the initiative of individual local Learning and Skills Councils, have helped to start a change in culture in which people and organisations are becoming more willing to collaborate to reduce duplication and fill gaps in the learning opportunities available locally. Increased attention has been focused on identifying demand from individual learners and employers. People are also increasingly conscious of national targets and priorities, and the need for local action to contribute towards meeting them.

22 However, there is a risk that in striving for perfection, elements of the approach may become over-complex and costly. The Strategic Area Reviews are ambitious, and we judge it likely that the costs of the Reviews – often done with the help of external consultants with expertise in using mapping and other techniques to assess demand – are already very high, and there are signs of fatigue among some partner agencies involved in the Reviews. Planning incurs its own costs – the administrative costs for the Learning and Skills Council in 2003-04 amounted to £246 million, about 2.8 per cent of its total budget. In addition, there is a cost to doing the planning ‘times 47’ through the 47 local Learning and Skills Councils across England, though relationships with Regional Development Agencies are maturing and have helped to prompt and support some rationalisation to regional level. It is good that opportunities are being taken to share the burden – for example by one local Learning and Skills Council doing research (such as on the need for a specific type of vocational training) beyond its boundary, on behalf of other local Learning and Skills Councils. Opportunities of this kind need to be identified and more widely taken up.

23 Local areas have to resolve a range of challenging conflicts involving national policies, initiatives and targets, regional priorities and the needs and demands of the local community and businesses. The judgements are hard. There is a risk that some people see the Strategic Area Reviews as the process for coming up with the perfect consensus. But there are big tensions – for example, the government’s concern to have formal qualifications that employers recognise has to run alongside a priority for encouraging socially excluded people into learning, who may be put off entering initially if they see learning that is largely qualification-based. Our recent report on Skills for Life⁵ highlighted the importance of structures and funding that support rather than create barriers to the kinds of flexible provision that encourage adults to take up learning well after they have left compulsory education.

24 There are tensions between some of the Learning and Skills Council’s national targets and priorities of particular Regional Development Agencies. But local Learning and Skills Councils’ access to the results of research done at regional level has helped them to develop and assess options and proposals for local provision. Regional Skills Partnerships are being established to provide a focus for developing regional strategies for skills development.

25 It will take skill to make sure that the outcome of the planning – to meet targets, imperatives, priorities and demands – is local products that meet the needs of the majority of employers and make learners want to learn. Though the Learning and Skills Council has a very wide remit, it has to take account of other major interests – for example local education authorities’ and schools’ aspirations for their sixth forms. Making sure that plans help meet employers’ priorities is especially challenging, because it needs to be done nationally, regionally and locally. The best colleges – and other providers – have a long history of marrying a range of demands. We were not surprised to find that many of the areas that had made good progress in identifying options that help deal with some of the tensions had seen local Learning and Skills Councils, colleges and other organisations working together to develop options for some time.

26 The best instances of collaboration reduce duplication and bureaucracy at the same time as improving performance and increasing choice through more diverse opportunities for learners. There are strong emotional incentives to collaboration – for example, the desire to do meaningful work that adds real value to people and the local community. But organisational imperatives and financial rewards can sometimes point in the opposite direction. The Learning and Skills Council’s monitoring and the college inspections by Ofsted and the Adult Learning Inspectorate necessarily focus on colleges as institutions; they place less emphasis on risk taking and risk sharing between different colleges and between colleges and their funders. Productive collaboration needs to be recognised, celebrated and rewarded so that others will want to do it too.

5 C&AG’s report, Skills for Life: improving adult literacy and numeracy, HC 20 2004-05, 15 December 2004.

Making sure that the further education sector delivers learning of the type and quality that people need and want

27 Inspection is an important, independent mechanism to support accountability and quality improvement. Joint four-yearly inspections of colleges by Ofsted and the Adult Learning Inspectorate, together with the Learning and Skills Council's provider financial assurance reviews that are run in parallel, provide independent information and views on whether colleges are well run and provide a satisfactory service to learners. They give vital support to the Learning and Skills Council's remit not to contract for or fund consistently unsatisfactory provision. Inspection reports are useful to governors and other people who have an interest in the quality of what the college provides. Similarly, area inspections provide information to help assess whether different providers and other organisations in an area are collaborating effectively.

28 'Lighter touch' inspection should continue to provide important comparative information and judgements on colleges' performance. Changes currently being planned in college inspections will reduce the amount of information available, especially on those colleges judged to be the best performers based on an analysis of risk. Further information will, however, be available from colleges' self-assessments, and Ofsted and the Adult Learning Inspectorate will be conducting annual self-assessment visits to every college. In the past, the inspectorates have produced reports on selected topics such as literacy and numeracy skills, which bring information together in a helpful way. There will continue to be about five subject-based reports a year. Provider financial assurance reviews are still intended to lead to separate reports to colleges, though their subject matter (governance and financial management) overlaps with the content of inspections (leadership and management). Colleges would welcome better explanations of the need for separate inspection and performance review reports and how their respective roles and findings complement each other.

29 Increasing use of self-assessment helps colleges to focus on their primary responsibility for quality and performance. Colleges have developed their own self-assessment, sometimes using the tools that support inspections⁶, though there are no specific self-assessment criteria similar to those developed for schools. Self-assessment helps to reinforce expectations among

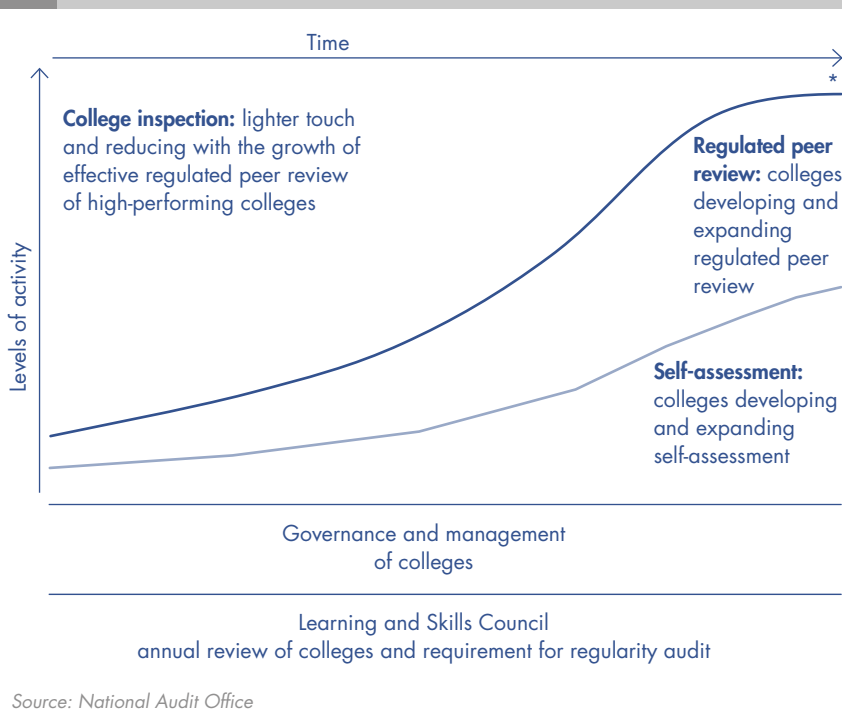
governing bodies and college managers that they have the main responsibility for their college's performance and the quality of the learning it provides. In many colleges self-assessment is working well, but in others there is room for considerable improvement – in 2003-04 inspectors judged 29 per cent of quality assurance systems, including self-assessment, as unsatisfactory.

30 Self-regulation is under consideration but some way off being implemented. Some self-regulation has been in existence for a number of years, and further development of self-regulation is being considered as part of the Department's current review of further education (paragraph 1.14). One option for self-regulation might be a robust form of peer review that would initially involve a small number of the very best colleges and run alongside the current inspection regime. Development of this option over time is illustrated in **Figure 7**. Through involving people with experience in colleges in similar circumstances as part of the review teams, the aim would be to devise a form of review that could take greater account of the environment that colleges operate in than inspections can easily do. It would be likely to take some years for such an arrangement to develop the robustness necessary to secure public confidence. If the development were to run in parallel with the already planned development of risk-based inspection there might, at some stage in the future, be a case for replacing the current requirement to be inspected with a regulated peer review of high-performing colleges.

31 There are indications that the quality and usefulness of local Learning and Skills Councils' annual reviews of colleges are improving, but not all colleges see them as consistently challenging and fair. As part of its new business cycle, the Learning and Skills Council recently reduced the frequency of its reviews of colleges to once a year. Research by the Department indicates that the reviews have been improving, but colleges are continuing to question whether the staff of some local Learning and Skills Councils are sufficiently capable to undertake the reviews in a way that is both challenging and fair. The Learning and Skills Council has recognised the need to further develop the skills and expertise of staff engaged on this work.

6 Common Inspection Framework for inspecting education and training, March 2001.

7 Option for developing regulated peer review for colleges



* This illustration assumes that inspection will continue to be required for at least a group of colleges that do not have sufficiently well-developed governance, management and quality assurance.

32 Financial assurance checks are changing, and some colleges have been uncertain how much additional audit they need to commission from their own internal auditors to compensate for ending the funding audit. The former annual 'funding audit' that the Learning and Skills Council commissioned is no longer necessary because of changes to the way colleges are being funded. For most colleges (selected according to assessed risk) the Council will rely instead on enhancing the existing 'regularity' audit for assurance that its grant is being spent appropriately. Although most colleges viewed the funding audit as too detailed and bureaucratic, the audit did provide them, and the Learning and Skills Council, with a high degree of certainty about the reliability of their student records (on which funding will still be broadly based). In February 2005, the Learning and Skills Council issued guidance to colleges on the additional work they need to commission from their financial statements auditors on the regularity of college expenditure.



RECOMMENDATIONS

33 Our overall conclusion is that the frameworks that the Department and the Learning and Skills Council have developed and put in place to plan and monitor the further education sector are likely to support systematic planning and provide reasonable assurance. As the frameworks develop, more evidence is emerging about how they can be implemented more efficiently and effectively, both for further education and the learning and skills sector as a whole, and what complementary changes to support providers need to be made. Our recommendations set out possible next steps for the Department and the Learning and Skills Council to consider.

- 1 The Instrument and Articles of Government for colleges needs to be updated to reflect the environment within which colleges are now operating.** The Department has consulted widely on the current Instrument and Articles of Government, and some limited changes are proposed as an interim measure. Reflecting the Good Governance Standard for Public Services, there is a widely acknowledged need for further changes to clarify who college governing bodies are accountable to and what their responsibilities are, particularly in respect of their college's strategy. Any update should also consider whether the current prescriptions on governing body membership are still necessary, or whether they could be relaxed to give governing bodies more flexibility to attract the members who they believe can provide the greatest support by filling identified gaps in expertise.
- 2 The Learning and Skills Council should promote collaboration between local Learning and Skills Councils and colleges (and indeed other providers) in commissioning training that aids mutual understanding.** Much training of governors and members of local Learning and Skills Councils is well appreciated, but tends to focus on the organisation. For example, we found no instances of joint college governors/Council member training, which was surprising given the synergy of the two groups' objectives. By grouping together to arrange training opportunities, colleges, other providers and local Learning and Skills Councils could share costs as well as achieving a deeper understanding of perspectives and ideas.
- 3 The Learning and Skills Council should reflect the importance of the decision-making role of college governors in its communications strategy, for example by communicating directly with governors on the most important areas of policy and development.** Governing bodies need concise information on the key decisions and policies that affect their colleges' strategy. 'Translating' important messages from the Department and the Learning and Skills Council through layers of other people and organisations, often using language and at a length more designed for senior managers than voluntary non-executive members of governing bodies, is unlikely to ensure that the messages are consistently conveyed. The Learning and Skills Council should consider producing short, customised communications for governors – and for council members of local Learning and Skills Councils – in respect of its most important areas of policy and development.

- 4 The Learning and Skills Council should explore the most efficient and effective ways of keeping the outputs from the Strategic Area Reviews up-to-date, drawing on experience of the reviews.** Some local Learning and Skills Councils have found ways – for example through collaboration at regional level within the Learning and Skills Council and with Regional Development Agencies – of combining work that is best done at local level with activities that can be done more efficiently on a larger geographical scale. The Learning and Skills Council needs to review experience systematically, establish best practice and convey its expectations of how local Learning and Skills Councils should seek to work in future.
- 5 Local Learning and Skills Councils need to promote a culture with colleges that values mutual constructive challenge.** To meet the Learning and Skills Council's key objective of focusing funding only on good quality provision requires effective quality assurance at several levels, starting with robust self-assessment by colleges, supported by the Council, for example by encouraging links between colleges so that they can share good practice in self-assessment methods. Constructive challenge should start within colleges and extend into their relationships with the Council, so that concerns about quality and tensions between conflicting priorities can be discussed openly. The local Learning and Skills Council needs to have a protocol for notifying any concerns about quality to college governors. In such circumstances, there should also be a clear agreement on how long the college has to improve those aspects of its provision before it is given notice that funding for them will be withdrawn.
- 6 All local Learning and Skills Councils need to make the most of the current opportunity for enhancing their quality review procedures.** The Learning and Skills Council's decisions to reduce the frequency of performance reviews of colleges to an annual basis, and to develop further its risk-based approach to college performance review, provide a good basis for ensuring that all review and monitoring activity is well focused. Reviews need to be of high quality and based on good information. The reduced frequency also presents the opportunity to ensure that only Learning and Skills Council staff with the authority and skills to engage constructively with senior managers of the colleges run the reviews. The reviews should include consideration of how colleges have responded to the Learning and Skills Council's broadest aims, for example to increase collaboration between learning providers.
- 7 There are risks and opportunities in the inspectorates' plans for 'lighter touch' inspection, and the Learning and Skills Council needs to maximise the opportunities by ensuring that these plans and its own review arrangements are complementary.** In future, inspections are likely to provide less detailed information about college performance, but this reduction could bring benefits through the inspectorates and the Learning and Skills Council drawing more extensively on each other's views on what information it is most useful to collect, and the Council focusing on making best use of information provided through inspections. Whilst the inspectorates must maintain their independence, there would also be value in them taking the views of the Council and the Department into account in deciding where to focus their subject-based reports.
- 8 The Learning and Skills Council's provider financial review team and the Inspectorates should consider how to improve colleges' understanding of their respective roles.** The provider financial assurance reviews are carried out at the same time as inspections to help reduce the burden on colleges and so that the inspectors and reviewers can draw on each other's knowledge. This is a good arrangement but is not well understood by colleges, who do not necessarily appreciate the different objectives of inspection and audit, and the independent role of the inspectorates. Inspectors and reviewers should explain their separate roles and reports and how their respective findings complement each other.
- 9 The Department and the Learning and Skills Council should continue to look at options for eventual self-regulation of colleges in the longer term.** Self-regulation – i.e. in place of the inspections and reviews – is a feasible option, but any programme to move towards it would need to be carefully planned to achieve the equivalent assurance currently gained from the independent inspections and the reviews. One option (illustrated in Figure 7 on page 13) would be to start to develop a methodology and process for a robust, regulated peer review involving a small number of the very best colleges, which have evidenced their excellence for a number of years.