



House of Commons
Committee of Public Accounts

Securing strategic leadership in the learning and skills sector

**Twenty-fifth Report of
Session 2005–06**

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

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The Committee of Public Accounts

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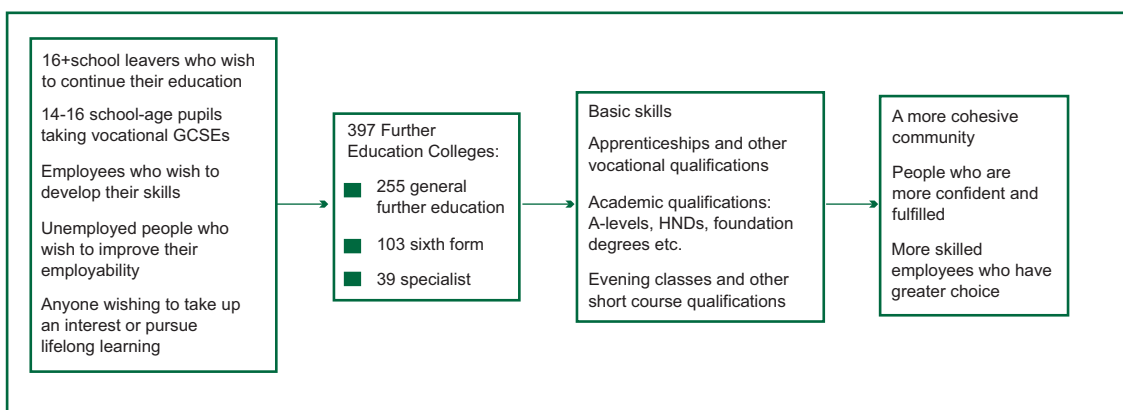
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Summary

The learning and skills sector is complex, involving many different organisations including 397 colleges (further education colleges, sixth-form and specialist colleges, which collectively form the further education sector) and many private providers. Planning, funding and monitoring the quality of provision are the responsibility of the Learning and Skills Council. The Council's budget in 2003–04 was £8.8 billion, of which more than half went to colleges teaching some four million learners a wide range of academic qualifications, work-based learning and personal and community learning. **Figure 1** shows the main clients, outputs and outcomes and how the further education sector contributes to them.

Figure 1: Further education — clients, outputs and outcomes



Source: National Audit Office

Colleges are autonomous bodies, but they need to take account of local, regional and national priorities for education and training. The Learning and Skills Council's programme *Agenda for Change*¹ is taking forward a number of reforms, including simplifying the funding arrangements, improving the quality of provision and working more closely with employers. National priorities for post-16 education and training are especially important factors in allocating the Council's budget. The focus on these priorities was further emphasised in recent guidance announcing a rebalancing of public and private contributions to the cost of education and training. The announcement will affect colleges' decisions about how much non-priority provision they can offer unless they are confident of securing contributions from employers or learners. They will need to demonstrate clearly to employers and learners the value of any fee contribution. More colleges need to become more adept at providing businesses with the training they want. Colleges that provide a poor quality service to learners impair the sector's reputation and the Learning and Skills Council needs to address these weaknesses.

To help colleges and other learning providers improve their capacity, the Learning and Skills Council needs, through its current restructuring, to streamline its functions and

reduce administrative costs to free up more money to be spent at the front line on learners. Colleges' audit arrangements should be simplified and self-regulation actively developed among high-performing colleges.

On the basis of a Report² by the Comptroller and Auditor General, the Committee examined the Department on the progress made in improving the arrangements for planning, funding and monitoring expenditure on learning and skills.

Conclusions and recommendations

1. **With 500 organisations involved in the planning and delivery of further education there is significant risk of duplication and wasted effort from overlapping roles.** Having some 400 colleges, 47 local Learning and Skills Councils, nine Regional Development Agencies, nine Regional Skills Partnerships and 25 Sector Skill Councils involved in determining the demand for and provision of further education looks like excessive bureaucracy. The Department should continue to work with these bodies to rationalise responsibilities and simplify structures so that less money is spent on administration and more on the frontline delivery of education and training.
2. **It is not clear how the planned £40 million reduction in the Learning and Skills Council's running costs will result in less bureaucracy.** The Council should publish plans that show how and when this reduction will be achieved and quantify the intended benefits for colleges for example, in terms of streamlined reporting procedures.
3. **Further Education Colleges are routinely subject to four expensive different types of audit and inspection.** The Adult Learning Inspectorate and Ofsted undertake joint four yearly inspections of colleges; the Learning and Skills Council's assurance team review financial management; a separate review and compliance examination may also take place; and each college is subject to an annual external audit. The Department and the Learning and Skills Council should consider whether a single organisation such as the National Audit Office should have responsibility for commissioning and co-ordinating the audits of further education colleges.
4. **In many colleges self inspection is working well but in a substantial minority there is room for considerable improvement.** In 2003–04 some 29% of colleges' quality assurance systems including self assessment were judged unsatisfactory by inspectors. If self regulation with its associated benefit of reduced inspection costs is to become more widespread, the Learning and Skills Council needs to help colleges address weaknesses in their quality assurance through promoting peer assessment among colleges and through the development of a self assessment tool.
5. **Some 35 colleges have been given the time and opportunity to improve but their provision has yet to reach a satisfactory standard.** Where this situation persists, local Learning and Skills Councils will need to move funding to other, better performing colleges or other providers; or where a college is poorly managed and shows no sign of improvement broker a merger with a well managed college.
6. **Governors have an important role in ensuring that colleges operate within their statutory authority and exercise proper stewardship over public funds but may be insufficiently informed about the policies that affect their colleges.** The Learning and Skills Council should produce short, customised communications for governors covering its most important areas of policy and development.
7. **Vulnerable and socially excluded people are less likely to take up learning because they feel that formal qualifications are beyond their reach.** The Learning and Skills

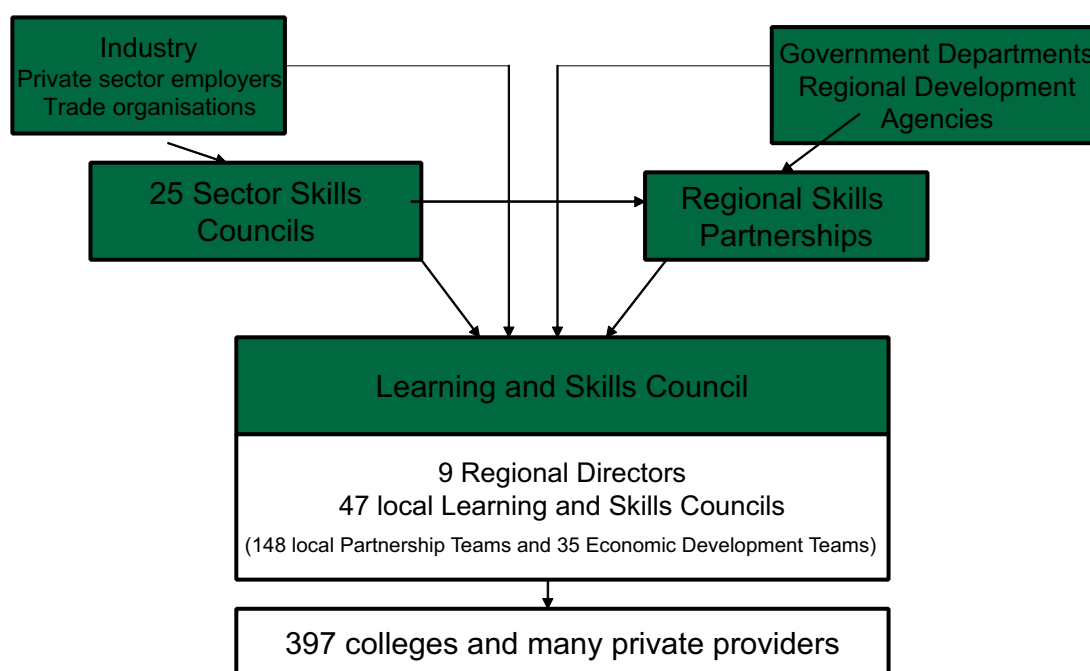
Council has protected personal and community development learning at £210 million a year and proposes a 14% increase in funding for courses for people with learning disabilities up to 2008. Colleges' three year plans need to set out how these funds will be used to develop courses which are likely to appeal to vulnerable groups together with indicators to monitor take up, the sustainability of such training, and ultimately its impact in helping people at risk of being excluded.

- 8. Few colleges consult with more than a small number of businesses locally to identify their training needs.** To meet the needs of employers colleges should analyse their local industries, and through well developed communications strategies engage with both large and small businesses more frequently about their skills' needs and their longer term plans. Colleges should seek independent feedback from businesses on the quality of training provided.
- 9. The long term aim for employers and learners to contribute more to the cost of their training will require colleges to be more commercially astute.** Increasing fee income is a significant challenge for colleges. Colleges will need to develop business plans including reshaping their programmes to offer more courses for which people are prepared to pay, and to target their Learner Support Funds to mitigate the effects of fee increases on people less able to pay.

1 A more coherent and efficient learning and skills sector

1. The Learning and Skills Council was established in 2001 to develop a planned approach to focus public funds for post-16 education and training more sharply on meeting the Department's and wider government objectives, including combating social exclusion and improving workforce skills to drive up economic performance.³ The Council developed planning procedures and a new business cycle to help match provision more closely to demand, for example by improving colleges' and other providers' responses to changing needs of learners and employers. It brought together planning, funding and mechanisms for raising standards.⁴ Key organisations involved in planning and delivering services to learners and employers are shown in **Figure 2**.

Figure 2: Key organisations involved in planning and delivering services to learners and employers



Source: Derived from information in the reports of the National Audit Office and the Learning and Skills press release of 31 October on transformation of the Learning and Skills Council.

2. The learning and skill sector is complex.⁵ For example, providers include school sixth forms, the further education sector (further education colleges, sixth-form colleges and specialist colleges), and other providers of adult and community learning and work-based learning. A key role of college governing bodies is to guide their college's strategic direction, and it helps if they understand and take account of the input and perspectives of

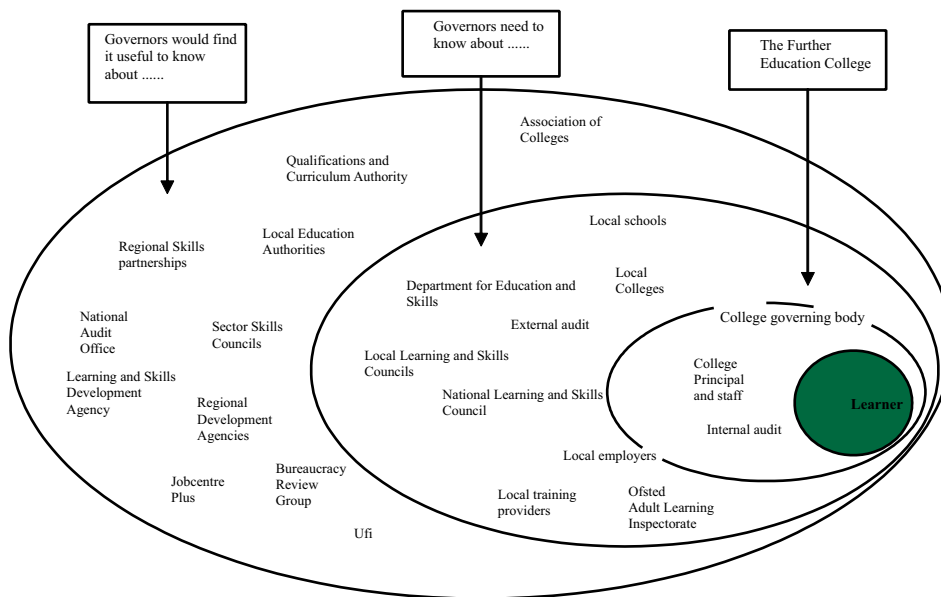
3 The Learning and Skills Council replaced the Further Education Funding Council and the Training and Enterprise Councils. C&AG's Report, paras 6, 1.1, 1.6

4 C&AG's Report, para 2.11; Qq 26, 44

5 Qq 4-5, 39, 72, 135-136

a broad range of organisations (Figure 3).⁶ Instead of relying on ‘translations’ by other people and organisations of more lengthy documents designed for managers, governors need concise and authoritative briefing on key national policies and plans. On important policy and funding announcements, Chairmen of college governing bodies would benefit from having concise information directly from the Council or the Department.⁷

Figure 3: The broad range of organisations at national, regional and local level, involved in planning and delivering services to learners and employers



Source: C&AG's Report, Figure 21

3. Administrative costs of the Learning and Skills Council amounted to £246 million in 2003–04, or 2.8% of its total budget. Staff and council members associated with the Learning and Skills Council and its local Councils, and college governors, have an important role to play in assessing and addressing local needs for post-16 education and training, but together they comprise a very large number of people (estimated at around 7,000). In taking its proposals for restructuring forward, the Learning and Skills Council needs to focus on the efficiency of its 47 local Councils and the practicality of having enough sufficiently skilled and knowledgeable staff working with colleges and other providers at local level.⁸

4. The restructuring will involve reductions in staff in the Learning and Skills Council to 3,384. On current assumptions, these reductions will lead to savings of around £40 million to be spent on the education of 80,000 adults or 12,000 young learners. Just over a third—some 1,264 staff—will work at a local level. As part of the restructuring the Learning and Skills Council has announced the creation of 148 local Partnership Teams to provide a network of skilled and experienced education and training professionals working closely with partner organisations. The Teams will work alongside local Economic Development Teams (35 in total across England) that will focus on skills for employers and regeneration.

6 C&AG's Report, paras 2, 3, 2.12 and Figure 21; Qq 3–5, 132–135

7 C&AG's Report, paras 16, 1.26–1.28, 2.14; Qq 8–10, 22–23, 47–48, 118–125, 148–149

8 C&AG's Report, paras 2.5–2.10; Qq 1–3, 11–12, 32–41, 59–62

Its nine regional centres, employing 1,474 staff, will operate services to support local teams and build stronger regional links with partners such as the Regional Development Agencies.⁹

5. Colleges produce three-year development plans that are central to their relationship with the Learning and Skills Council, but these are not yet matched by three-year budgets. Colleges are running businesses that have to stay viable and they need to know the basis of their future funding as early as possible so that they can manage the impact on the business. The announcement that the Council was going to postpone part of the payment of its funds to colleges for the year ended 31 March 2005 – which was made in-year and very late (summer 2004) – had significant implications for some colleges' cash flow. Some had to seek loans or extra help from the Council.¹⁰

6. In the past and for the current year, annual funding allocations have gone to colleges later than the Learning and Skills Council would have wished. The Department and the Council are seeking to give more certainty about funding over a three-year period and an earlier indication of annual funding allocations. For 2005–06, colleges and other providers will receive indicative funding allocations in January 2006, and confirmed allocations by the spring.¹¹

7. Currently young people aged 16–19 may continue their education in a school sixth form or an academy with a sixth form, a sixth-form college or a general college of further education, depending on the amount of choice available locally. Academies are being opened in relatively deprived areas, and usually have a sixth form in order to counter the tradition in those areas of young people not continuing in education once they reach the age of 16. But these same areas also tend to have relatively more young people who, if they continue their education post-16, prefer to do so in a non-school environment.

8. Schools receive more funding per learner, and college teaching staff earn less on average than teachers in schools. The Department has acknowledged the funding gap and is committed to reducing it in the longer term. It is increasing funding rates for further education relative to schools, and will match the Schools' Minimum Funding Guarantee for young people in further education next year. This, together with other measures to correct anomalies, is estimated to reduce the funding gap from 13% to 8% by 2006–07.¹²

9. Following changes in funding arrangements, the Learning and Skills Council removed the requirement for a funding audit for most colleges. The Learning and Skills Council carries out a regularity audit in addition to the external audit by private sector auditors of colleges' financial statements. The regularity audit is necessary to provide assurance that the funds used by colleges have been spent for the purposes that Parliament intended, but

9 Qq 32–41, 59–62, 111–114; LSC press release, 31 October 2005, *LSC transformation to focus on grass roots*

10 C&AG's Report, para 2.14; Qq 9–10, 47–48, 118, 123–125, 144–147

11 C&AG's Report, para 2.11; Qq 26–29, 48, 76, 79–80, 86–87

12 C&AG's Report, paras 3, 2.44 and Figure 1; Qq 45–46, 63–71, 106–110; speech by the Secretary of State for Education and Skills to the Conference of the Association of Colleges, 16 November 2005

it would be possible to have the audit work done as one audit, and the Council is looking to streamline audit arrangements as part of the *Agenda for Change*.¹³

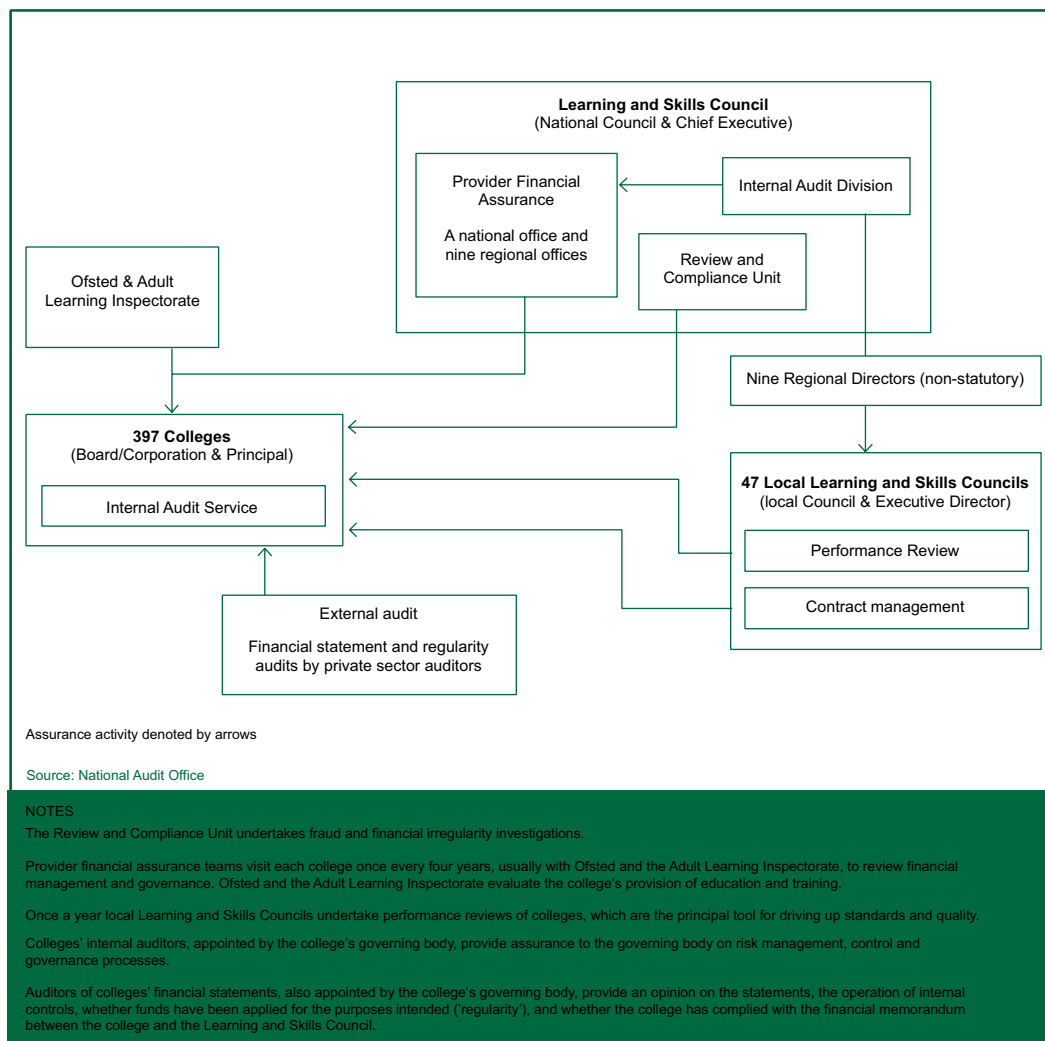
10. All colleges are currently subject to the same forms of quality and financial assurance (**Figure 4**):¹⁴

- They are inspected about once every four years and, usually at the same time, they are subject to a review of their financial management and governance. A local managing inspector visits each college annually to assess performance and progress, and whether there are significant matters that should influence the timing of the next inspection.
- Colleges have a continuing relationship with their local Learning and Skills Council, which undertakes an annual planning review with each college.
- Except for the funding audit, audit arrangements are the same for every college.

13 C&AG's Report, para 32, 3.37–3.44; Qq 81–83

14 C&AG's Report, paras 3.4–3.5, 3.11, 3.23

Figure 4: Principal forms of quality and financial assurance for colleges in the further education sector



11. Around one fifth of colleges receive inspection ratings of excellent or very good for their provision. For colleges that are performing well there are plans for inspections to be 'lighter-touch'. All colleges are expected to develop self-assessment of their organisations to prepare for annual reviews and inspections. Many colleges are doing this well but in some there is room for considerable improvement – in 2003–04 inspectors judged 29% of quality assurance systems, including self-assessment, as unsatisfactory. A group¹⁵ established in September 2004 is looking at how increased self-regulation by colleges would work and its implications for maintaining quality, and the Learning and Skills Council is working with colleges to design pilots to develop a form of peer review that could support self-regulation. The Learning and Skills Council considers it will be some years before all colleges could be included in such an arrangement.¹⁶

15 Group members are from the Learning and Skills Council, the Department, and the Association of Colleges, and include some college Principals and Chairs of Governors.

16 C&AG's Report, para 3.8 and Figure 28, 3.10–3.11, 3.27, 3.29; Qq 6, 127–31

2 Providing education and training that meets the needs of learners and employers

12. At present one seventh of people of working age do not hold any qualifications, and the Department's performance targets include reducing by at least 40% the number of adults in the workforce who lack a full level 2 qualification (equivalent to five GCSEs at grades A*–C) by 2010. In October 2005, the Learning and Skills Council issued further guidance on priorities for funding,¹⁷ which emphasised the need for a rebalancing of public and private contributions to the cost of education and training. The Learning and Skills Council's resources are to be directed even more firmly towards priority groups for public funding which include¹⁸:

- young people wishing to continue their education post-16;
- adults who lack basic skills;
- adults who lack skills for employability, set at a full level 2 qualification (five GCSEs grades A*–C) or equivalent;
- adults wishing to progress to higher level skills and qualifications, particularly at level 3 (equivalent to A level), while bearing some of the cost themselves; and
- a wide range of adult learning, funded on the basis that learners or employers will bear part of the cost.

13. Together with initiatives such as the Learning and Skills Council's *Agenda for Change*, and the sharper focus for colleges on employability skills, the rebalancing presents a major challenge for the further education sector. Colleges will need to help achieve the government's long-term intention that employers and individual learners should contribute financially to the cost of education and training, as equal partners and reflecting the economic and social benefits they gain from learning. They will need to encourage more employers to engage in more training by taking advantage of the National Employer Training Programme, to which the Learning and Skills Council is committing £230 million in 2006–07 and £399 million in 2007–08. They need to devise high-quality training programmes and provide them at the time, pace and place determined by the employer.¹⁹

14. A minority of colleges — 11% of those inspected in 2003–04 — damage the reputation of the sector by providing an unsatisfactory service. The Learning and Skills Council is committed to funding only good quality provision, and suggests the number of poorly performing colleges has reduced, with 35 colleges currently deemed to be unsatisfactory. This is still an unacceptable number, and key priorities for 2006–08 include raising standards for all learners and building credibility with employers.²⁰ One option for a poorly

17 Learning and Skills Council, *Priorities for Success 2006-08*, 21 October 2005

18 *ibid*, paras 5–6

19 *ibid*, paras 14, 28–29; Q 13; *Realising the potential: a review of the future role of further education colleges*, Sir Andrew Foster, November 2005

20 *ibid*, para 12

performing college is to look at merger with a successful college. Though the Council has not so far withdrawn a whole college's funding, it has withdrawn funding for specific courses and changed to another provider. Poorly performing colleges and 'coasting' colleges let down learners as well as the reputation of the whole sector, and the government is committed to withdrawing funds if specific courses do not improve within a year.²¹

15. The rebalancing of public and private contributions will lead to some provision being lost, especially short courses and those not leading to a qualification, though courses that are a step towards a basic skills qualification will continue, since it is recognised that some learners need to progress step by step in acquiring basic skills. Short courses and some leisure courses can encourage people into learning, and some then go on to participate in further learning which may lead to level 2 qualifications. The funding assumptions for these types of courses are based on two-thirds of the cost of a course being met by the Government. Nevertheless, colleges' levels of recruitment may fall if fewer people enrol because they cannot afford the fees charged.²²

16. Funding for personal and community development learning (formerly the money that went through local authorities to pay for evening classes and adult education) is to be protected at a level £210 million, which includes £57 million for family and neighbourhood learning. Difficult decisions have to be made on which courses to fund, and to help make courses sustainable, the Learning and Skills Council will be working with colleges to develop fees policies. The focus of funding on qualifications could put provision for people with learning difficulties and disabilities at risk. The Department is therefore funding this group of learners, and up to 2008 funding would increase by 14%.²³

21 C&AG's Report, paras 3.1, 3.9 and Figure 28; Qq 7, 42–44; Department for Education and Skills press release, 15 November 2005; speech by the Secretary of State for Education and Skills to the Conference of the Association of Colleges, 16 November 2005

22 Qq 56, 99–105

23 Learning and Skills Council, *Priorities for Success 2006–2008*, paras 50–51; Qq 25, 56, 91–98, 150

Formal minutes

Monday 30 January 2006

Members present:

Mr Edward Leigh, in the Chair

Greg Clark
Jon Trickett

Kitty Ussher

A draft Report (Securing strategic leadership in the learning and skills sector), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 16 read and agreed to.

Introduction read and agreed to.

Resolved, That the Report be the Twenty-fifth Report of the Committee to the House.

Ordered, That the Chairman 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.

Witnesses

Monday 24 October 2005

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Sir David Normington KCB, Department for Education and Skills, and **Mr Mark Haysom**, Learning and Skills Council

Ev 1

List of written evidence

Learning and Skills Council

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Second Report	The regeneration of the Millennium Dome and associated land	HC 409 (<i>Cm 6689</i>)
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410 (<i>Cm 6712</i>)
Fourth Report	Fraud and error in benefit expenditure	HC 411 (<i>Cm 6728</i>)
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 (<i>Cm 6689</i>)
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413 (<i>Cm 6689</i>)
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414 (<i>Cm 6699</i>)
Eighth Report	Navan Centre	HC 415 (<i>Cm 6699</i>)
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563 (<i>Cm 6728</i>)
Tenth Report	Jobskills	HC 564 (<i>Cm 6724</i>)
Eleventh Report	Local Management of Schools	HC 565 (<i>Cm 6724</i>)
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601 (<i>Cm 6728</i>)
Thirteenth Report	The Office of the Deputy Prime Minister: Tackling homelessness	HC 653
Fourteenth Report	Energywatch and Postwatch	HC 654
Fifteenth Report	HM Customs and Excise Standard Report 2003–04	HC 695
Sixteenth Report	Home Office: Reducing vehicle crime	HC 696
Seventeenth Report	Achieving value for money in the delivery of public services	HC 742
First Special Report	The BBC's investment in Freeview: The response of the BBC Governors to the Committee's Third Report of Session 2004–05	HC 750
Eighteenth Report	Department for Education and Skills: Improving school attendance in England	HC 789
Nineteenth Report	Department of Health: Tackling cancer: improving the patient journey	HC 790
Twentieth Report	The NHS Cancer Plan: a progress report	HC 791
Twenty-first Report	Skills for Life: Improving adult literacy and numeracy	HC 792
Twenty-second Report	Maintaining and improving Britain's railway stations	HC 535
Twenty-third Report	Filing of income tax self assessment returns	HC 681
Twenty-fourth Report	The BBC's White City 2 development	HC 652
Twenty-fifth Report	Securing strategic leadership in the learning and skills sector	HC 602

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 24 October 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Angela Browning
Greg Clark
Mr Ian Davidson
Helen Goodman
Ms Diana R Johnson

Mr Sadiq Khan
Jon Trickett
Kitty Ussher
Mr Alan Williams
Stephen Williams

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, was in attendance.

Ms Paula Diggle, Second Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

SECURING STRATEGIC LEADERSHIP FOR THE LEARNING AND SKILLS SECTOR IN ENGLAND (HC 29)

Witnesses: **Sir David Normington KCB**, Permanent Secretary, Department for Education and Skills and **Mr Mark Haysom**, Chief Executive, Learning and Skills Council, examined.

Q1 Chairman: Good afternoon, welcome to the Committee of Public Accounts. Today we are considering the Comptroller and Auditor General's Report *Securing strategic leadership for the learning and skills sector in England*. We welcome back to our Committee Sir David Normington, who of course is Permanent Secretary at the Department for Education and Skills, and Mark Haysom, the Chief Executive of the Learning and Skills Council; you are both very welcome. The Committee want to try to get a feel for what these bodies are about. If you look at the executive summary, paragraphs 13 and 14 on page 9 and paragraph 22 on page 11, with which I am sure you are familiar, here we have a system where we have 400 colleges, each with its own governing body, we have 47 local learning and skills councils, each with its own council of course and that is about 7,000 people just counting the college governors and council members. What does this have to do with increasing efficiency?

Sir David Normington: Most of those people are volunteers of course and a local learning and skills council is about a great deal more than just FE colleges: it is about learning and skills in its area and the councils bring together a whole range of local people to assess local needs. The colleges themselves, since the early 1990s, have been independent bodies with their own governing councils; they are incorporated bodies. They have their own governing councils which effectively set the ethos of the college and ensure it is run effectively.

Q2 Chairman: Let us now look at all the bodies which are involved in this. Again this is mentioned in the executive summary in paragraphs 24 and 25 which you can find on page 11. You have regional

development agencies, regional skills partnerships, sector skills councils, the Learning and Skills Council's 47 local councils and its regional structure, local authorities, Jobcentre Plus, learndirect. Why do so many bodies have a finger in this pie and what does it do to deliver further education and increase efficiency?

Sir David Normington: They all do different things. In terms of your question, I would have to go through each one in a way.

Q3 Chairman: Why is it necessary to have so many bodies with a finger in the pie of learning?

Sir David Normington: Because they are doing different things. The regional development agencies are about regional economic development and skills are a part of that. Jobcentre Plus is about finding people jobs and that is a different job altogether. The Learning and Skills Council is one national body and 47 local councils, so that is a national and a local body. They all do different things really. The sector skills councils are important because there has always been a weakness in the system in terms of sectors, big sectors of the economy coming together to identify their skills needs. The sector skills councils, which are new arrivals on the scene, are effectively putting the sector picture alongside the regional and local picture.

Q4 Chairman: The sector skills councils are mentioned in paragraphs 2.23 and 2.24, which you can find on page 34, so let me ask you about those as you mentioned them. To what extent are the sector skills councils doing much the same work as the learning and skills councils?

 Department for Education and Skills and the Learning and Skills Council

Sir David Normington: They begin by taking the big productive sectors of the economy and some public sector areas, some big employing areas and their job is to bring together employers to identify the skill needs of their sectors and to set the long-term picture, and the standards which need to be achieved to improve productivity in that sector. That is not the job the local learning and skills councils are doing. Mr Haysom runs them in a sense so he can provide the complementary picture.

Mr Haysom: The way that it works is that the sector skills councils are tasked with understanding what those skills needs are and developing clear understanding of those drivers. It is our job then to take that information and work with the supply side to translate what they want and what is delivered at a local level. We take what sector skills councils are saying and, in part answer to your earlier question, we also take inputs from the regional development agencies and all the other people in what you rightly describe as a complex field. We take that information and then take that to colleges and other training providers and try to make sense of that at a local level.

Q5 Chairman: The upshot of those questions is that you can offer me no help in simplifying this structure to which I have referred in these first three questions.

Sir David Normington: First of all, it is a complicated structure; I admit that. I say again that I think all those bodies are doing very specific jobs. Actually the Learning and Skills Council was itself a simplification of what went before. We had a further education funding council and we had 72 TECs and actually bringing them together into the Learning and Skills Council, which saved money and simplified the system, was a very important step. We do simplify, but I agree this is a complex system; obviously that is so from the description in the Report.

Q6 Chairman: Could you please look at page 44, Figure 27, which deals with the principal forms of quality and financial assurance for colleges in the further education sector. If colleges are performing well, why do they need such bureaucratic quality and formal assurance controls and processes?

Mr Haysom: That is a perfectly fair question. You may be familiar with the LSC's Agenda for Change programme which we launched last year which is actually looking at those questions and coming up with a major simplification in the way these things work. Right at the heart of that is to say that if we have a good provider of education and training then surely we should have a much lighter touch arrangement in dealing with them and we are redesigning the system on that basis.

Q7 Chairman: That is a fair answer. If you look at the next page, Figure 28, which you can find on page 45, do you see the figure of 10% of colleges which were inadequate in 2003–04? Why do you not merge these colleges with colleges which are performing well?

Mr Haysom: We do that on a number of occasions, if that is the right thing to meet local needs. It is not always possible; it is not always the right thing to do, but we do work very hard to improve the quality of what happens locally. There has been some improvement in the number you are looking at there since this Report was published; there are now only 35 colleges which are deemed to be unsatisfactory and that number is coming down all the time. It is still an unacceptable number and we are working hard to reduce it. One of those options is always, always, to look at merger with successful colleges.

Q8 Chairman: Let us look at the guidance you delivered to governors. If we look at page 25 and paragraph 1.28, it says "We concluded that there is an absence of concise, authoritative briefing specifically for governors". Why do so many governors feel uninformed about your policies and priorities?

Mr Haysom: Again, I thought this was interesting and fair comment, when it was published. We have invested an awful lot in trying to communicate with principals and other providers and we have not been consistent enough in trying to communicate with governors. We have done an awful lot since this report: we have done things like Agenda for Change as I already mentioned, but as part of that made sure that they are being specifically consulted. We have done things like creating a specific area on our website. We have very good training schemes emerging around the country for working with governors and we are working with the Association of Colleges to improve this whole area.

Q9 Chairman: May I ask one specific question now? If you look at paragraph 2.14 on page 31, can you tell me why you diverted money from learners to sort out the Council's own financial problems?

Mr Haysom: No, it is exactly the opposite actually.

Q10 Chairman: If I have got it wrong, tell me I have got it wrong.

Mr Haysom: What happened was that we had an opportunity of moving our funding to more accurately reflect the timing of spend in colleges and by doing that we were able to get a one-off benefit of something like £180 million in a year, which was to the direct benefit of learners.

Q11 Chairman: You have recently announced cuts in your running costs, have you not?

Mr Haysom: We recently announced a very significant change to the organisation to make us a more effective organisation.

Q12 Chairman: Where are these cuts going to fall?

Mr Haysom: Part of that is to reduce the administration costs. We are looking at saving something like £40 million a year and those costs will be reduced by a combination of things, but particularly by reducing head counts across the Learning and Skills Council by something like 1,300 posts. We are trying to get to a situation where the people at the front line are much more expert but

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there are fewer of them, where we have a stronger regional presence and a much smaller national presence and a combination of staff reductions and savings in premises costs gets us to that figure.

Q13 Chairman: Can we lastly please look at whether employers are getting the sorts of skills they need? This is dealt with in paragraph 2.30 on page 37. Are you satisfied that you are getting colleges to provide the skills training employers want?

Mr Haysom: I am satisfied that we are starting to move in the right direction; there is a long, long way to go. Sir David has rightly said that sector skills councils are relatively new as a creation and what we need to do is to get much more information from them and we need then to be able to reflect that much more in the provision. There has been a significant shift in provision towards Government priorities. We have to make sure that those also align at local and regional level.

Q14 Mr Khan: May I ask you what your views are on the Mayor of London taking over the Learning and Skills Council's remit for London?

Sir David Normington: The first thing to say is that I do not have any views separate from the Government.

Q15 Mr Khan: Yes, I meant the Department's views.

Sir David Normington: I am afraid that the answer I have to give you, which is true, is that the Government are going to produce their own consultation document on this in a few weeks' time, when they will be setting out their views in response to the Mayor and the GLA's proposals.

Q16 Mr Khan: So you have no view until the consultation period ends. Is that right?

Sir David Normington: I cannot give you a view yet until the Government opine on the matter.

Q17 Mr Khan: But you can see some of the concerns which are expressed about the various layers and duplication and all the rest of it; you can see the advantages in maybe the Mayor taking over the LSC functions in London.

Sir David Normington: I can see the importance of having a very good coordination of the approach to skills in London because there are some very serious issues about the labour market and skills shortages in London. It is important that the GLA and the Mayor are involved in that. We will have to wait for the Government's own consultation to see whether that means that the Mayor should take it over.

Q18 Mr Khan: That is helpful. One of the problems outlined in this NAO report was the role of governors. I was a Governor of my local FE college, South Thames College, for a number of years; I gave up a couple of years ago. Even then there were problems with recruiting governors and retaining them. I see from the Report that this problem seems to have got worse rather than better. What is your comment to that?

Sir David Normington: I think it is true. Of course it varies from place to place but there is a constant issue about getting good enough quality governors and finding the next generation of governors and getting enough diversity, getting a good gender balance and so on. All those issues are there.

Q19 Mr Khan: Do you not think that there are categories which colleges are required to fill, that it is too rigid and it suggests that chairs of governors, with the help of the clerks of the committees and the principals, do not have enough common sense or nous to identify skills shortages and fill them up?

Sir David Normington: I do not want to criticise the clerk and chairs particularly. We have just been through a consultation on governance and quite a lot of people out there in colleges are saying that they think the categories are too rigid.

Q20 Mr Khan: I know what they say, but what are you saying?

Sir David Normington: We have not drawn all those comments together yet, but I have a lot of sympathy with the view that actually those categories are too rigid and they cause you to have to search. You might have somebody very suitable from one category, but you could not fit them in because you are above the quota. I do not think that is a very sensible way of doing it. You want very good local people. You do want to ensure that there is a good local representation. You do want a wide spread of local people to be represented. Perhaps the categories are too rigid.

Q21 Mr Khan: What about the time limits, the requirement that you have to get involved for a certain number of terms?

Sir David Normington: We are looking at that too; it may be too rigid but it is important that you do not get a group of people who are on a college governing body for ever, as it were. You need to be bringing new people in; there needs to be a turnover.

Q22 Mr Khan: How often would you expect governors to meet up with LSC members to discuss different roles and that sort of thing? How many times would you expect them to meet up in one year?

Mr Haysom: It is a difficult question, because it varies an awful lot depending on local circumstances. What I should like to think is that there is a very strong relationship between the chair of governors and the local LSC so that there is a regular coming together there; maybe once a quarter, something like that. Opportunities for the wider governing bodies to come together with the local learning and skills councils ought to be timetabled in.

Q23 Mr Khan: You will have read the Report and one of the criticisms it makes is that there seems to be a lack of understanding between governors and council members about their roles and where they see each other's roles. Do you not think frequent meetings might be one way of relieving that tension?

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Mr Haysom: More frequent meetings are a good idea if that is what the governors want. Actually giving them information, giving them opportunities to be trained in what our job is and what their job is, is also a very important part of that. Some great stuff has been happening since this report and some stuff in south London in particular is now being rolled out across the whole of London which is very much along those lines.

Q24 Mr Khan: On a separate issue, but probably more important to the students, one of the gripes students and indeed the teachers have is the fact that the informal lessons, the leisure and personal interest type of subjects which were previously taught, are now either not being taught or they are more expensive. Because of lack of public subsidy and because of the numbers who then take it up, that means it is still not available in certain places around the constituency because the priority is towards those courses which lead to a qualification. You will be aware that for out-learners very often the one social event of the week is going to the adult college and doing this course as well as learning the skill. What do you say to that?

Mr Haysom: This is a really difficult area, is it not? One of the things we are trying to do across the country is to deal with this in a sensitive way. The Government have made it very clear that they have certain priorities and those priorities are well publicised: level two, Skills for Life, apprenticeships and 16 to 18-year-olds are the priorities. Because the public purse is finite, that does mean that tough decisions have to be made. What we are trying to do at a local level is to work with colleges and other providers to protect courses wherever possible and to help them through this whole situation of trying to bring more money from individuals where that is possible. There is a kind of re-balancing between what the state pays and what the individual pays. It is difficult stuff, is it not?

Q25 Mr Khan: You have read the Report. Can you give us an example of how you are planning to get the mix right between those sorts of people who want to learn—and they tend to be those who are socially deprived or socially excluded—compare and contrast with those 16 to 18-year-olds who obviously want to learn and get a qualification which they can use later on. How are you helping the former category?

Mr Haysom: What we are talking about here is adult learners who are having to make some difficult choices. For 16 to 18-year olds there is quite rightly a guarantee of education; it is the adults we are trying to make those difficult choices about. We are ring-fencing as much as we can in terms of community and personal development learning and then we are working to ensure the provision is maintained at a local level and we try to work with colleges to introduce sensible fees policies where it makes sense to maintain that provision. That is what we are trying to do across the country and there are numerous examples at every college.

Q26 Mr Khan: One of the reasons why you have a three-year budget is presumably to help the colleges plan.

Mr Haysom: What we are trying to get to is a better planning cycle for them, but there is no getting around the situation that they have tough choices to make. What we are trying to do is to work with them, to give them sufficient notice as well so that they can actually plan their future in a sensitive way. There is that tough choice at the heart of all this.

Q27 Mr Khan: What would you say then if I told you that South Thames College not only have not received their forecast for the next three years, but they have not even received next year's preliminary budget?

Mr Haysom: Next year being the academic year 2006–07?

Q28 Mr Khan: Yes.

Mr Haysom: No, they would not have yet. The way that our planning cycle works—

Q29 Mr Khan: You just said that the certainty will then lead to them being able to plan.

Mr Haysom: Yes. There is a difference between planning and giving them precise allocations. What we are able to do is to talk to them about the direction we want to travel, what we want to achieve over the coming period. We are not in a position at the moment, and we have been very clear to the college sector, to say “And there is the money absolutely guaranteed over a three-year period to go with that”. Just last week, on Friday, we have actually given some very, very clear guidance to the whole sector about the way 2006–07 will work. That is the earliest it has ever been given to the sector; so they have more information earlier than ever before.

Q30 Mr Khan: Are there plans to change how you fund ESOL courses?

Mr Haysom: We are examining the whole question of ESOLs, as you may be aware. It is fair to say that the Minister has asked us to look at this in some detail.

Q31 Mr Khan: Time frames?

Mr Haysom: I am not aware of any time frames. I can come back to you.¹

Q32 Ms Johnson: I should like to look at this from the perspective of a learner. With all these different bits in the system, how would a learner be affected if we had fewer LSCs?

Mr Haysom: I should like to think that what an LSC does is to work with education providers and I know that what a local LSC does is to work with education providers across the piece to broaden the curriculum, broaden the choice which is available for the individual learner. The individual learner may not know whether an LSC is there or not and, frankly, why should they know? However, if we were

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not there, then you might get a lot of duplication of provision in an area but you might not have the breadth of choice. That is one of the ways.

Q33 Ms Johnson: With the change, with the introduction of the regional posts, have the local LSCs slimmed down or changed?

Mr Haysom: That is what I was describing earlier. We introduced a regional management level last year which was very much about managing the thing and very little about adding resource to the extent that I insisted that the regional directors, who are that regional level, also ran a local LSC, so there was no increase in administration costs as a consequence of that. What we are now going through is a slimming down of the whole structure, so local LSCs will be reduced in terms of total staffing. However, what we will have is fewer but much more expert people in order to work with providers and to plan the provision in the way I have described.

Q34 Ms Johnson: So this is the reduction of £40 million in the administration costs.

Mr Haysom: Yes.

Q35 Ms Johnson: That would take you down to about £200 million.

Mr Haysom: Yes; something like that.

Q36 Ms Johnson: When the Report was written £246 million, which was 2.8% of the total budget, was spent on administration.

Mr Haysom: Yes.

Q37 Ms Johnson: Paragraph 2.10 looks at the Higher Education Funding Council and the administration costs of that are obviously a lot less, 0.8%.

Mr Haysom: Yes.

Q38 Ms Johnson: I just want you to comment on that. Even if you reduce by £40 million, you are still spending quite a sizeable chunk of money annually.

Mr Haysom: Perhaps I might give part of the answer and perhaps Sir David could answer in terms of the comparison between the two bodies. I can answer a bit about that, but we do different things of course. The comparison in terms of administration costs is with what the former Further Education Funding Council used to cost, plus the local TECs. If you look at that an annual saving of something like £60 million was achieved on the creation of the LSC; in fact I can tell you that just under £250 million is being saved in the first four years of the Learning Skills Council. So we are more efficient than our prior bodies and we are now talking about a further reduction. The job that we do is very different from the Higher Education Funding Council.

Sir David Normington: May I just say that it is important to remember that the Learning and Skills Council funds schools, schools sixth forms, sixth form colleges, further education colleges and a very, very wide range of work-based learning and private providers. It is actually planning and funding a much bigger system. The Higher Education Funding

Council, which is a very efficient council, is funding about 160 universities only and actually doing so with a great deal of autonomy to the university sector. It is an interesting comparison and it is not a very useful one.

Q39 Ms Johnson: Do you think that with the £40 million of savings you will be getting to the extent of the savings you can make and that it is likely to be £200 million each year now for administration, which is around 2%?

Mr Haysom: This is difficult stuff for me. I come from the world of business and I have only been doing this job for a couple of years. However, one of the things I am very determined to do is to run the things as efficiently and effectively as I possibly can. We have just announced a major reorganisation to our staff and we are in the midst of that. I have made it clear to our staff that the direction of travel must always be to become much more efficient, much more effective and to make every pound of taxpayers' money count. So I shall be looking for any opportunity that we have for further reducing that as we go forward, but please do not ask me for any numbers because it would be inappropriate for me to do that since we have just made an announcement to our staff about what we are currently doing.

Q40 Ms Johnson: You are both saying that this is a very complex organisation, lots of different bits and therefore it is going to have high administration costs just by the nature of things.

Sir David Normington: There is a choice as to whether you want to have a local network attached to the national body. The Higher Education Funding Council does not for instance. The question is whether you want to have any kind of organisation structure to do the planning and funding locally. That is partly what drives up the costs. You could get rid of that, but you would then lose any local responsiveness and you would have a national body doing all the local funding and I do not think that is sensible. A lot of the costs are in the fact that we have 47 local councils; not only that, but that does mean there is a nationwide network of local arms of the national LSC, which does have a cost attached to it, but it is a cost which goes with having a responsive local planning and funding system.

Q41 Ms Johnson: So you have to pay for what you get.

Sir David Normington: If you want it.

Q42 Ms Johnson: May I ask about the 10% of colleges which are unsatisfactory, as mentioned in the Report? From how many of the colleges have you actually withdrawn funding?

Mr Haysom: Have we withdrawn funding in total from any of them?

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Q43 Ms Johnson: Yes.

Mr Haysom: No, we have not. Have we withdrawn funding from specific provision? Yes, we have, in those colleges and others if we get to a situation where we do not think the quality of particular provision can be improved and we will seek provision elsewhere if it is available and move the funding accordingly. We do not just do that with colleges: we do it an awful lot with work-based learning providers and other parts of the systems.

Q44 Ms Johnson: How long do you give to a college to improve before you take the step of withdrawing funds?

Mr Haysom: Again that is a difficult question because it depends where they are in terms of geography, because if they are the only college for a long, long way around and there is no other provision available, then that concentrates your mind in one way. It also depends on where they are in terms of getting to the right kind of quality and we will work with them to agree a quality plan. In the life of the LSC in the last year or so what we have been doing is working harder and harder at this aspect of it and we have introduced what we call a business cycle which enables that kind of planning process to be really embedded in what we do. What we are trying to do, as part of a new planning cycle, is to make sure that every single college has a quality improvement strategy and we will agree with them what it is we are looking for, what they are trying to achieve and over what period and we will then keep with them over that period and work with them to achieve the desired quality.

Q45 Ms Johnson: I also want to ask about your local plans when there are other initiatives coming on line such as academies and new sixth forms within LEA districts. How would that impact on LSC plans?

Sir David Normington: The academies programme is run and funded from the Department not from the Learning and Skills Council, as you know. It is a very specific programme aimed at the most deprived areas. Most academies, but not all, have sixth forms, which I guess is behind your question. I can talk about academies if you like, but the rest of sixth form provision, including expansion of school sixth forms and other provision, is within the planning system of the Learning and Skills Council but the academies' is outside. The reason for that is that we are setting up new schools in the most deprived areas; we are trying to raise aspirations in those areas. When people are setting up academies they very much want to include sixth forms in those academies because usually those academies are in places where actually there has not been a tradition of people at 16 going on to further education or learning. Our view is that in those places there is a lot to be said for having a sixth form, which means that young people do not have to leave the school, but have a means of going on and continuing into the sixth form. It is a very specific intervention aimed at places where there are high levels of deprivation and generally very weak performance in the school system.

Q46 Ms Johnson: As I understand it, the idea with academies is that they are going to be in more places in the future; the idea is for them to expand and we are not going to have them just in those particularly deprived areas you have talked about. How does that fit in with the plan?

Sir David Normington: It depends which academies you are talking about but we are having 200 of the school academies. There will be more in the Schools White Paper tomorrow about this and therefore I really must not venture into that territory at all. I can assure you that there will be 200 of the 11 to 18 schools which are academies; sometimes three to 18 actually. That is the target.

Q47 Angela Browning: I have three FE colleges which serve my constituency, one of which is an agricultural college which is residential. I should perhaps declare that many, many years ago I was a teacher in adult education. I should like to bring you back first of all to something the Chairman touched on and that is the lead time which you give colleges in terms of major policy changes which affect their finances and their ability to plan forward. I just want to bring you back again to paragraph 2.14, which I know the Chairman discussed with you. One of my colleges has told me that they are now expected to borrow commercially to the maximum before the LSC will allow an advance of funding. We have been loaned 60% of the amount owed but the LSC remains our biggest debtor. When you make changes, the difference between the 60% and the 67%, what impact do you assess? What sort of assessment do you carry out of the impact that will have on the running of a college?

Mr Haysom: What we try to do is to look at things to start off with on a national level and try to do some modelling there. We try to cascade that to a regional level to see how that starts to impact on individual colleges and then down to a local level. We try as much as possible to talk early to our colleges about changes. Unfortunately that is not always possible and in terms of the specific point you are referring to in paragraph 2.14, it is fair to say that perhaps we did not talk to them as early as we could have done.

Q48 Angela Browning: Do you accept that final sentence in paragraph 2.14?

Mr Haysom: I do. There were all sorts of circumstances surrounding it which we do not need to go into today, but I do accept it. Coming from the world of business, what I do understand is that the colleges are running businesses as well and if you are running a business you need to know early the circumstances which are going to impact on that business and the earlier you know the better your opportunity to manage it. The point is well made and understood.

Q49 Angela Browning: So how would the world of business regard this? This is my residential college: they were funded to create a new nursery, thus increasing child care capacity and it cost £120,000, of which £75,000 was received from the LSC. Having created the extra capacity, the child care/learner

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support fund was reduced by 95%. They are now considering closing the nursery which opened a year ago. In anybody's terms, whether it is education or business that does not seem to make an awful lot of sense to me. How can those sorts of situations arise?

Mr Haysom: You will understand that I am not familiar with the individual circumstance and I am quite happy to look into that.²

Q50 Angela Browning: I should be grateful if you would: just on the principle of on the one hand applying capital to allow a college to do X only to find within the same financial year the revenue support for that aspect has reduced by 95%. Somewhere along the line I get the impression that the left hand does not know what the right hand is doing.

Mr Haysom: If I may say so, I do not think that is fair comment, because I have not come across that circumstance anywhere else, which is why I say I am quite happy to look at that on an individual basis.

Q51 Angela Browning: Thank you. You will of course, I am sure, be aware that the Association of Colleges completed a survey of 125 colleges in the autumn of 2003 which examined the funding issues facing the sector. One of the things they came up with was that there was a low level of confidence in LSC software and the resulting uncertainty about performance and targets. You presumably were aware of that. Did you take any action in respect of that lack of confidence from the sector?

Mr Haysom: Forgive me, that survey must have predated my arrival at the Learning and Skills Council.

Q52 Angela Browning: Presumably, as when you go into any business, there was a handover?

Mr Haysom: There was and there were all sorts of issues affecting the confidence of the sector at that time and we worked very hard to overcome those. One of the big issues through our Agenda for Change is to try to tackle a lot of the methodology questions about funding, a lot of the systems issues which surround that.

Q53 Angela Browning: I do take a very personal interest in FE.

Mr Haysom: I can see that.

Q54 Angela Browning: I am patron of another FE college; I do follow this sector very, very carefully. I am very concerned when I get letters—and this is a more recent letter—for example looking at the amount of money that an FE college is going to have to budget for this year. They were told that in 2005–06 the funding for 16 to 18-year-olds would increase by 10% and for adults decrease by 2.8%, but in actual fact the adult cut has turned out to be 11% and the overall increase in the allocation is £70,000 or 1.4%, not 4.4% as they were originally advised. What happens is that they get these figures in percentages, they look at them and it is rather like a

school situation: they start to plan their budgets based on this, but the reality is very different. Can you explain to me why it is that these hard-working people in FE colleges are given such figures only to find the reality is quite different?

Mr Haysom: It is quite difficult for me to comment on the specifics, but I can talk about the process, if that is helpful. The way that this should work is that as soon as we possibly can we start talking to the sector about what we would call some indicative numbers to help them shape provision going forward and then talking about a detailed plan. In other words, we talk about high level numbers with them and then it is an iterative process; there should be a discussion which goes on over several weeks which then refines that down to some actual numbers. The numbers will shift during that period because in a sense that is the nature of the planning process. I do not know whether that is what that refers to.

Q55 Angela Browning: These are huge differentials, are they not? They are not at the margins of the individual tailoring of a budget. The expectation is really very different here. Is there no way in which colleges can plan with more certainty, with more lead time on the actual figure they are going to be given?

Mr Haysom: Again, that is what we are trying to achieve, that is why we went out very early, last week to start talking to colleges about this. I repeat that we are determined to start this process as early as possible to give colleges the best possible chance to plan their provision. We do need to have individual discussions with individual colleges and the numbers will swing around quite a lot because it could be that they are talking about increasing provision in certain areas, reducing it in another, maybe they are talking about projections for 16 to 18-year-olds which again shift over time. There are lots of figures which can move around in that period.

Q56 Angela Browning: May I just ask you about some of these other courses which have been touched on? We have all abandoned life-long learning, unless of course it is life-long learning as long as you take an exam at the end of it. In my constituency we have some very traditional adult evening classes, things like the making of Honiton lace, which is a very old traditional craft and is actually taught in our secondary schools in the town still because of preserving this. Many people come along to learn this at an adult evening class. I understand that it is a change in Government policy, that FE is now focused very much on exam-based courses as opposed to those which perhaps would provide people with a life-long learning general interest in a subject or, as I know only too well, very often adult education provides quite a lot of social integration on which one cannot actually put a price. Why is it that my colleges are now struggling even to maintain these basic adult education classes and also basic literacy and numeracy. I gather that some of

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these free First Steps courses which deal with literacy and numeracy are very few and far between. I should have thought they were pretty essential.

Sir David Normington: The Government are shifting funding towards a number of priorities which we described earlier, but for adults the priorities are clearly about basic skills and about a free entitlement to all adults who have not reached level two to get to level two. It is also, within that, shifting more to courses which produce an outcome in terms of a qualification, but it does not have to be a very high level one, it can be a first step on a route to a basic skills qualification. I should be very sorry actually if we were closing down lots of basic skills provision, because I am quite clear, we had this discussion previously in this Committee, that you have to go step by step on basic skills. On what we used to call adult and community learning and which is now called personal and community learning, which was traditionally the money which went through local authorities to evening classes and adult education of various sorts, provision has been shifting over time, though actually that pot of money is not increasing but keeping flat. A budget of £210 million for adult and community learning is being protected and it is quite a lot more than we were providing a few years ago. That is a protected budget, but within that we will be seeing shifts of provision. A final point is that the Government are clear that those who can afford to pay for some part of leisure and recreational courses should be asked to pay a bit more. Traditionally we have always made an assumption that there would be some learner contribution and we are increasing our assumption about learner contribution over a number of years. It depends on whether local colleges and adult education institutes and other bodies are prepared to raise some money through fees. If you cannot afford to pay, then we will of course continue to ensure that people get support. We are expecting to see quite a bit of turbulence locally; it may be that it is affecting your providers. However, it should not mean that we close down recreational and other provision that people want. If people want it, it should be possible to provide it. If people put a value on it, then we might expect them to pay a bit more for it. Remember: our assumptions for next year are that the Government will pay two thirds of the cost and the learner one third.

Angela Browning: Chairman, may I come back at the end, because I do also want to pursue the question of adults with learning disabilities as it would not be appropriate for them to take an exam at the end?

Q57 Stephen Williams: May I start off with some questions about planning and financial matters? On page 10, paragraph 18 starts off "The Learning and Skills Council has managed huge organisational changes within its own organisation since it was set up in April 2001". I think Mr Haysom is the second Chief Executive in that period and he has referred to one big restructuring which has taken place already and there is going to be another one. Do you think your own Department adequately planned the setting up of the Learning and Skills Council?

Sir David Normington: Yes, I do actually; yes, I do. It was a very, very well planned operation.

Q58 Stephen Williams: No regrets, no problems when you think that in a very short space of time the Learning and Skills Council has had to go through millions of pounds of cost savings.

Sir David Normington: The big transition at the beginning was managed well; it saved a substantial amount of money. It is always the case that four years on you need to look to see whether the Learning and Skills Council should move somewhere else and that effectively is what Mark is doing. I am very confident about the transition in 2001 and in the previous two years.

Q59 Stephen Williams: May I ask Mr Haysom some questions on the detail? On page 28 in paragraph 2.6 the National Audit Office has quoted some figures and the number of staff has already been reduced from 4,520 staff in September 2003 down to 3,870 in September 2004, which is quite a big drop. You referred in the answer to an earlier question to a further 1,300 drop in headcount. I should have said at the start that I am also a Member of the Education and Skills Select Committee so we are fed information from a variety of sources. Something which has been quoted to me is a press release from your organisation of 6 September 2005. This mentions the £40 million cost reduction and says that the staffing levels are going to go down from a current 4,700 to 3,400. There seems to be some confusion here between what the National Audit Office thinks your current head count is and what you are saying your start is and what you are reducing to. Can you clear that up please?

Mr Haysom: Yes, I think the confusion is probably the number of staff we employ who are funded from other organisations: there may be people seconded to us; there may be a number of people who are funded out of European money and so on. What we have done, as part of our exercise, is to categorise very clearly how many staff are in each particular section.

Q60 Stephen Williams: It might be helpful, before we write our final Report, if perhaps you gave the Committee a note on the reductions in headcount to make sure that like for like is being compared here. It is certainly confusing at the moment.

Mr Haysom: Yes, we shall do that.³

Q61 Stephen Williams: What are the total redundancy costs incurred by the Learning and Skills Council so far and what is the projection of costs in your further round of reductions?

Mr Haysom: I apologise, but I do not have the number from the previous exercise. That was an exercise which started before I joined, but I can provide that information. Where we are in terms of the exercise at the moment is that we have not actually announced the detail of that. What we did on 16 September was to describe a new way of

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working, a new model if you like, for the Learning and Skills Council and then to launch a period of discussion on that before we got to any final detail. It is obviously only at that detailed point that we can then talk about what that means for individuals, what it means by location and what it means in terms of total cost. We are planning to make that announcement, as you may well know, on 31 October and it would not be helpful for me to get into that in advance of sharing it with staff at this stage.⁴

Q62 Stephen Williams: According to the figure I have been given your organisation spent £246 million on administration in 2003–04, the latest year for which figures are available. You referred to a £40 million projected saving from what you are about to do. Do you think the £200 million on central administration gives value for money for the post-16 sector which is effectively duplicating what colleges, schools and sixth forms do in their own governance?

Mr Haysom: If I may say so, there are two separate questions there. I do not think that what we do is to duplicate what our colleges and schools do. I really do not think that is what we do and if that were what we did, then we should not exist at all. Our job is very clearly to work with all of the organisations we talked about before, particularly with employers, to understand what skills needs are and then to work across a whole area, to plan provision across that whole area, not just on an individual institutional basis but across the whole area. That should be the value that we add. Do I think the £200 million is value? I think that if you look at the progress which has been achieved over the life of the Learning and Skills Council, it is actually very encouraging and that is despite the fact that I do not think we have actually been quite in the organisational shape we need to be, hence the reorganisation talked about. If you look at all the indicators in terms of participation, success rates and so on and so on, which I am sure you are all very familiar with, then you would say that is encouraging.

Q63 Stephen Williams: May I move on to some strategic questions? This Report has “strategic leadership” in its title. On page 41 in paragraphs 2.44 and 2.45 it effectively refers to what I suspect is a Government objective to expand choice. So you could have a sixth form, sixth form college, further education college and now, particularly after this morning’s White Paper, a rollout of academies as well. Do you think, setting aside education for the time being, purely from a value for money perspective, that if you have this plethora of choices in some urban areas such as the City of Bristol, which I represent, where we have all of these, that is delivering taxpayers’ money wisely?

Sir David Normington: It depends. We do not just expand provision willy-nilly; we are looking to see what the needs in the local area are, what the demand is, what the range of provision is that we

need. As we expand 16 to 19 provision, we have to take into account the fact that actually we need a wider range of vocational provision for instance and in some areas that is there and in some it is not. It would be wrong to say that we just let things expand. Having said that, some choice of institution is desirable. Different kinds of institutions provide different kinds of options; further education colleges often provide a very different kind of learning from sixth form colleges or a school sixth form. It is right that there should be more choice for learners.

Q64 Stephen Williams: Do you think though, if the trend in the figures I have seen is right and that more and more 16-year-olds are actually choosing to study in a college rather than stay on at school, this expansion of choice, which actually seems to be increasing the number of sixth forms, is following what 16-year-olds actually want, whether they are in deprived areas or other areas?

Sir David Normington: It is very variable. In quite a lot of places there is not much choice in fact, so it rather depends. There has been a trend over quite a number of years for 16-year-olds to go into further education, both to do A-levels and also to do vocational courses. It is very patchy around the country and it depends what happened in previous school reorganisations to school sixth forms. School sixth forms in inner London for instance virtually disappeared 20 years ago and therefore further education provision is very important. It is very variable. It is important that there is a choice, a choice of course and a choice of style of learning.

Q65 Stephen Williams: Does the Learning and Skills Council have a preferred delivery model between colleges and sixth forms? If you could start from scratch would you do one rather than the other?

Mr Haysom: We cannot, can we? That is the reality of that, so in a sense I am not sure what the value of speculating on that would be. What we have to do is deal with the reality we find on the ground in different parts of the country. As David says, it is very variable. What we try to do is to work with all providers there to get to provision for the learner. It is with the learner at the heart of this and with the employer at the heart of this that we try to come at this.

Q66 Stephen Williams: I was not being purely speculative. The reason I asked the question was that there was a funding gap between sixth forms and colleges. I asked whether you had a preferred model because at the moment the funding certainly gives preference to schools, traditional school sixth forms, whereas the choice for 16-year-olds, where they have a choice, as they will in a large urban area, appears to be to go to college. So there is a mismatch there. The question is directed at both of you.

Sir David Normington: Yes, there is certainly a difference in the way we fund; yes, there is a funding gap between support for students in school sixth forms and in further education which the Government are committed to narrowing. We have not been doing that very fast, but that is still the aim.

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Mr Haysom: That is the direction of travel. It sounds as though I am plugging Agenda for Change all the time but one of the things we describe in there is a methodology which we think would be helpful in that.

Q67 Kitty Ussher: I think this is a question for Sir David in that the funding for the LSC ultimately comes from you. Why do school sixth forms receive more cash per pupil than colleges to do the same subjects?

Sir David Normington: It is largely an historic issue. The Government are committed to narrowing that gap. Traditionally people at school are funded at a higher level than in further education colleges. It is just something we have inherited and which we are trying to deal with. It is taking quite some time to do that because you do not want to destabilise the system by taking money away from schools. We have had problems with school funding and therefore we both have to stabilise school funding as well as narrow the gap with further education funding and that will take some considerable time.

Q68 Kitty Ussher: Given that you can see the principle, are you not frustrated with the amount of time it has taken? Why has it taken so long?

Sir David Normington: The Government would like it to go a bit faster and is committed to trying to narrow the gap. It is quite difficult to say that it should be exactly the same; it depends on the nature of the provision, the nature of the institution. We all agree that gap needs to be narrowed. It is very difficult; I deal with this all the time and so does Mark Haysom. It is very difficult to explain to colleges why there is that gap.

Q69 Kitty Ussher: You said the Government would like the gap to be narrowed more quickly. Surely the tool is at the Government's disposal to make it be narrowed more quickly.

Sir David Normington: It is, but it is also a question of resources. Unless you are going to take school funding down, then you are going to have to bring further education funding up, if you see what I mean. That means that it cannot all be done at once without putting extra resource in. There has been extra resource going in but it has not narrowed the gap very much yet.

Q70 Kitty Ussher: Would it be fairer to say that perhaps your Department is frustrated at the length of time you do not have resources from other parts of Government?

Sir David Normington: No, you must not divide me from other parts of Government; we are all in this together. I am a little frustrated by it and undoubtedly the need to provide minimum funding guarantees for schools has meant that it has not been possible to make faster progress.

Q71 Kitty Ussher: However, you did say in an answer to my colleague to my right that a different funding stream was available for academies, largely because they were addressing kids in deprived areas.

Would you not accept that it is often the less well off kids who end up going to college as opposed to school sixth forms? Surely the same principle should apply in narrowing that gap?

Sir David Normington: Yes, that is often the case. It varies from area to area according to what provisions are available, but it is certainly the case that children from poorer families often go to further education colleges rather than school sixth forms. We have to do two things about that: one is to provide more school sixth forms and encourage more of those children to go into school sixth forms if they are able to do it. That is important. I certainly agree that we should try to narrow the gap further on further education funding. On academies, they are not funded differently from the rest of the school system. Obviously they are generally new schools, so they get a great injection of capital at the front because we are building new buildings. Then they are funded according to the local formula, they are not given special treatment.

Q72 Kitty Ussher: On a slightly separate but related point, I want to ask Mr Haysom whether, when considering capital expenditure on colleges, which I understand you partly fund at least, you take account of capital expenditure on schools under the Building Schools for the Future programme. I am thinking in particular of an example in my constituency of Burnley, where we are very lucky to have five new secondary schools coming and a new school sixth form centre under the Building Schools for the Future programme which is great. However, Burnley College feels that it will be at a competitive disadvantage and is desperate to upgrade its own building in order to compete with the new sixth form. Will you look favourably on situations like that when you are allocating your own funding?

Mr Haysom: I hope what we do is work closely with all the colleges which are in that situation where they want to improve their estate. I know that we are doing that with Burnley, as you are probably aware. We try to work with them to create the right kind of environment for learners and for employers. It is one of the things, since I have been in the organisation, on which I have probably been banging the drum rather more than anything else: trying to make sure that the buildings our learners occupy and that our employers use are appropriate for the 21st Century rather than sometimes for the 19th Century. We are trying to invest very quickly into improving the estate. One of the earlier questions was: what would a learner notice if the Learning and Skills Council had not existed? I think one of the big things in lots of parts of the country is that they may very well still be in quite poor accommodation. There has been a huge, huge push in terms of development of the estate and that is something we should be very proud of. Do we respond specifically to a competitive threat situation? What we try to do is to make sure that we are working with all the people there to plan provision sensibly and that kind of implication that it is naked competition is not particularly helpful. Do we join up with Building Schools for the Future? That is what we try to do very much and we try to

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get alignment with what is going on between LEAs and ourselves and try to bring together some of the plans. There are some quite innovative things around the country of projects working together. It is complex stuff, for governance reasons, as you will probably appreciate and it is not easy; there are all sorts of planning difficulties that you have to go through, but there are some examples of the two coming together.

Q73 Kitty Ussher: Do you think it is right that capital funding for sixth forms paid for under Building Schools for the Future is 100% funded by central government whereas colleges in the same area are not 100% funded by you?

Mr Haysom: The circumstances are different are they not? A lot of our colleges have the opportunity of running their business in a different way. They have their assets which they can make work for them, they can dispose of assets, build new buildings, they can do all sorts of different things. I am conscious of the fact that in some circumstances that is not the situation, but they do have greater freedom and they are able to control their own destiny in a different way. Where they are not, where they are very constrained in terms of their assets, in terms of the financial health of their college, then we do work very hard with them just to see how far we can push the capital to get them into the accommodation they need.

Q74 Helen Goodman: Could you tell us whether you think the strategic area reviews were good value for money?

Mr Haysom: I think they were essential in terms of getting the Learning and Skills Council under way. I arrived after this had been going on for a couple of years and I think the way that they had made sure that local learning and skills councils worked in close partnership with all the myriad of local organisations and partners they needed, the way the local learning and skills councils gathered the data they needed to be able to make assessments of their area, would all have been much more difficult to achieve if it had not been for the strategic area review process. I cannot answer in every circumstance whether we think we got individual value out of that because inevitably some are going to be less effective than others.

Q75 Helen Goodman: My understanding is that they were published in March 2005. Is that correct?

Mr Haysom: Yes, though there were different timescales associated with that. They were finished at that point, though a whole raft of things had happened up until that point. The really important thing with the strategic area review process and the important thing that we did a couple of years ago was to say that it was not a one-off exercise, it could not be a one-off exercise. You cannot identify all the problems, fix all the problems and move on. I wish that life were that simple. What we tried to do was to take all of that learning, all of that process and make

it part of our business each year. The strategic area review is now embedded in the business cycle to which I referred earlier.

Q76 Helen Goodman: I know from the college in my constituency, which is Bishop Auckland College, that there was a degree of surprise at the funding allocations which came two months later in May. If the strategic area review had been a participative process, why should the colleges—and I do not think this was unique to my constituency—have been surprised by the funding allocations which came two months later?

Mr Haysom: Those are two separate issues and funding allocation has never been part of the strategic area review. The strategic area review is very much about identifying local need and then working with partners to try to fulfil that need. The funding allocation system is different. There is no doubt at all that the funding allocation this year was later than we would have wished it to have been. It goes back to my earlier response that we do understand that colleges are running businesses and they need to know earlier. It was not unfortunately possible for us to announce the allocations earlier than that.

Q77 Helen Goodman: I thought the allocations were made on the basis of the strategic area review and obviously that is wrong.

Mr Haysom: Yes.

Q78 Helen Goodman: How were they made? Were they made on the basis of the inspections of the college? Was it that the best colleges received the most money or were other criteria used in the allocations?

Mr Haysom: There is a mass of criteria and the starting point each year is to look at the performance of the college in prior years. You have to understand how many students they have doing what particular kind of provision and then you discuss how well that provision has been provided, that is the quality of what is done. You talk about the growth rates in the area, the demographic trends in the area. You talk about what employers want in the area in specific provision, you talk about things which have emerged at the strategic area review which might say more construction ability is needed in this area and less hairdressing in that area. A whole range of things goes into that mix and into that discussion.

Q79 Helen Goodman: Looking at the document which was published on Friday, there is a timetable right at the very back of it and this suggests that even though you produce this document now, individual providers will not get their allocations until May 2006. In other words, the timetable is not being pulled forward at all.

Mr Haysom: No, it is being pulled forward. What they now know very clearly is the priorities, they know the direction of travel and they know a lot of the funding decisions, policies in advance. What we will do, as of the start of the new year, is start that detailed discussion we talked about earlier. They will

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get indicative allocations. The final, final, final allocations will be in May, but they will know well ahead of that.

Q80 Helen Goodman: So they are not going to be in the same situation in 2006 that Mrs Browning described in her area last year and the year before?

Mr Haysom: It is absolutely my intention that they will not be in that situation.

Q81 Helen Goodman: May I just ask you about the auditing of the further education colleges? Could you explain why, in addition to the external audit, a Learning and Skills Council financial audit is done subsequently for the individual colleges?

Mr Haysom: What we have tried to get to is a reduction in the audit burden on colleges and hence the introduction of this regularity audit, which is actually an addition to their own audit, a topping up of their own audit. I apologise again for plugging Agenda for Change but we are looking at all these matters as part of Agenda for Change and seeing how we can reduce the burden on colleges.

Q82 Helen Goodman: Do you think it might be possible, instead of having several separate audits, to set out what you would like to be covered in the first audit and wrap the whole thing into one?

Mr Haysom: Yes.

Q83 Helen Goodman: Is that a realistic possibility?

Mr Haysom: Yes and that is the intention, that is the direction of travel of all of us.

Q84 Helen Goodman: Are the costs of the people involved in further education on the same sort of pay scale as those involved in traditional academic sixth form teaching? I know, for example, that we have a shortage of physics and maths teachers and you are thinking about paying them more. I am wondering whether that means that those people are on higher pay scales than the people in further education colleges.

Sir David Normington: There is a difference between schools and further education colleges and sixth form colleges are somewhere in between; some are on school rates and I think some are on further education college rates. Schools are generally on the national arrangements for schools and further education colleges negotiate their pay differently. There is a national framework, but they set their pay levels college by college, so there is a difference.

Q85 Helen Goodman: If that is the case and if that reflects the underlying market in these two areas, is the aspiration that the *per capita* funding per learner should be equalised not somewhat unrealistic?

Sir David Normington: I think I said that I did not imagine it would be equalised; I said I thought the gap would narrow. We might one day equalise it, but it is certainly the case that there may be different costs between colleges and schools. Those have to be taken into account in the funding and the staff costs

are often 80% of the costs of an institution. Yes, it will probably continue to be more expensive to employ staff in schools.

Q86 Helen Goodman: May I ask one more question about enabling the further education sector to take a more long-term approach to planning? I understand from what Mr Haysom said earlier that there are only annual settlements for the colleges. Is that right?

Sir David Normington: We are trying to get to a position where we can give more certainty about funding over a three-year period.

Q87 Helen Goodman: Yes, I was going to ask why, given you get a three-year CSR settlement, you cannot just see it through and give them a three-year settlement.

Sir David Normington: That is what we are trying to get to and we do give the LSC a three-year budget in broad terms, though it only runs to the end of the spending review period, we cannot take it beyond that.

Mr Haysom: That is the limitation.

Sir David Normington: It is the limitation and we are trying to take that to the college level and that is desirable; it is very desirable to get—and we are trying to do that with schools as well—much more certainty about budgets so they can plan ahead. There is a particular issue in this three-year period about what the money is to be spent on. The announcements we made last Friday and which our Minister wrote to all MPs about, are about shifting priorities over this three-year period, which is going to create some uncertainty in the college sector as a result of those shifting priorities. However, our aim and our commitment is to get to three-year budgets.

Q88 Greg Clark: What do you understand to be the mission of the LSC?

Sir David Normington: The mission of the LSC is actually in legislation, but it is broadly to plan and fund the provision of post-16 education and training in order to meet the needs of learners and the economy. That is not what it says in the legislation; I would have to look it up, but it is something of that sort.

Q89 Greg Clark: The NAO provided help for us in paragraph 1 of the Report on page 3. The first bullet point is “. . . everyone should have the chance to learn new skills, fulfil their potential, and improve the quality of their lives at home and at work”. That sounds reasonable, does it?

Sir David Normington: Yes, and then the bit about businesses underneath.

Q90 Greg Clark: That does not imply that the LSC should just be about skills for work, does it?

Sir David Normington: No and it is not. It should be about life-long learning. Although Mrs Browning said that we did not use that term any more, actually we do. We are looking to a whole range of ways of encouraging people to learn. Having said that, the Government have decided and are entitled to say

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this, that they will put the majority of their funding towards enabling people to get qualifications which the economy needs because that will help them to get into work.

Q91 Greg Clark: You said earlier that the adult and community learning allocation is a protected budget and that it had been kept flat.

Sir David Normington: Yes, it is flat in cash terms, to be clear. It is flat at £210 million, so it is not protected for inflation.

Q92 Greg Clark: So it is pulled in real terms.

Sir David Normington: Slightly.

Q93 Greg Clark: Would that explain the fact that since 1996 enrolments in adult and community learning have fallen by 190,000 people?

Sir David Normington: I am sorry, but in 1996 about £150 million was being spent so it has increased over that period. I am looking forward and saying the budget is being protected over that period.

Greg Clark: Yet enrolments have fallen by 190,000 which is about 15%.

Sir David Normington: Yes. You have to look at the whole range of adult provision, because some adult and community learning is now being provided by further education colleges. There has been a displacement effect. I do not recognise those figures. I do not think adult learning overall has reduced; on the contrary it has increased very significantly. It may be that certain types of provision within that have declined.

Q94 Greg Clark: Specifically, the figure for adult community learning enrolments from DfES suggests that they are down by 190,000 since 1996. Let us take another more specific category: evening classes. You would think, in these busy times in which we live with people having flexible lives, there might be the ideal opportunity for people to pursue life-long learning. Yet the enrolments in evening classes have fallen every year since 1998. How do you account for that?

Sir David Normington: Certainly local authorities have been reducing their provision in that area and that is self-evident.

Q95 Greg Clark: So it is down to local authorities rather than the LSC?

Sir David Normington: I do not know. I think local authorities have been reducing their provision. The provision you are talking about is mainly provided by local authorities.

Q96 Greg Clark: Why have night school classes fallen in number?

Mr Haysom: The way that it works is that we have ring-fenced the amount of money going into this; it has increased over the last few years and it has been ring-fenced. We will talk to our colleges and other providers to plan the provision; there is always a churn in terms of the kind of courses being put on. It becomes individual provider choice as to what they run and what they do not run. There is always

also the option for them to charge for that course and we are encouraging them to do that more and more. If they cannot get sufficient demand for that particular course, then they will cut it.

Q97 Greg Clark: Is it not surprising that evening classes in the world of more flexible working, when people want to pursue life-long learning, have fallen year on year? Is that not because many of these evening classes actually do not result in the formal qualification which the LSC demands so they have been squeezed?

Mr Haysom: Yes and we are talking about other things here. The nature of evening classes has changed to some extent. There is a skewing of some of our provision in colleges and what we would call other provision. This is money other than the community learning activity which David referred to. We have been trying to move that away from courses which do not lead to qualifications towards courses which do. We are trying to do two things: we are trying to protect the adult and community learning aspect, but we are trying to move what we would call other provision in a college towards things which bear qualifications.

Q98 Greg Clark: Sir David, Mr Haysom says that you are trying to protect adult and community learning and you have mentioned that the budget has been flat in cash terms, which is a cut in real terms. Is it not the case that in the report which was published on Friday there is a proposed cut of £73 million in one year alone in some of these courses?

Sir David Normington: We are talking about a number of different things here. The budget for adult and community learning has increased until this year and now it is flat; just to be completely clear. Secondly, within the total adult provision, there has been, over a number of years, a re-balancing towards priorities which the Government have set in their skills strategy and yes, in the announcement which was made on Friday, a further re-balancing is taking place. There is an increase in the funding for adult learning overall, but because more of it is focused on the priorities I described earlier we are expecting some reductions particularly in short courses. That is completely clear because the letter which has come round says that.

Q99 Greg Clark: That is £73 million out of £550 million, which is quite a big reduction in one year.

Sir David Normington: We are expecting though that colleges will increase their charging and their fees. It is open to colleges, indeed to all providers, to run all kinds of provision beyond what Government are prepared to fund 100%. That has always been the case and it will continue to be the case.

Q100 Greg Clark: What kinds of courses do you expect to be lost as a result of this cut?

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Mr Haysom: A host of short courses will be lost.

Q101 Greg Clark: Give me an example.

Mr Haysom: One of the things that you will have noticed within the announcement on Friday is a question about health and safety training and a question of who pays for that, so short courses around that, short courses around first aid where the majority of that kind of provision is paid for by employers and then there is a tiny amount which the state is paying for. There is a perfectly legitimate question in all of that as to how appropriate that is. Then there could be all sorts of other different courses; there are so many. We can provide you with a very long list, if that would help.

Q102 Greg Clark: Is it not the case that actually some of the courses are terribly important to our communities? They are a focal point for the lives of many excluded people, whether they are pensioners or people with disabilities and even though they may not result in a formal qualification that does not diminish the value of them. Will there not be a great deal of dismay up and down the country that these courses, because of this emphasis on only pursuing courses which result in a formal qualification, are going to be lost?

Sir David Normington: No. I have to say again that two thirds of the cost of that provision will be borne by the Government. We are not closing down that provision, we are continuing to provide funds for it. We are expecting that where it is valued locally, it is reasonable for there to be a contribution from the learner. We do not want to see lots of provision which is valued closing down; that is not what this is about. It is simply a re-balancing within Government priorities and saying that where provision is valued locally it will be reasonable for those who can afford it to pay, but only to pay a contribution to it, not to pay the majority. As for pensioners and other people who for one reason or another cannot afford to pay, they will get their fees paid.

Q103 Greg Clark: So you do not expect there to be any significant change in the offering of these courses as a result of this £73 million cut?

Sir David Normington: I think there will be. In the letter which came out, there was an expectation that some short courses would be lost and there would be changes in provision. I do not think there has to be the closure of provision which is locally important and valued. I do not think that is where we should start and I do not think that is what the Government intend.

Q104 Greg Clark: Going back to my first question and the mission of the LSC, which is to help people "... fulfil their potential and improve the quality of their lives at home and at work", you must agree that this might be jeopardised by the closure of this provision.

Sir David Normington: The LSC will still be funding six million people in one way or another, so that is a very big contribution to that mission. It simply is not

possible for the Government to go on funding every single person 100% for everything they want to do; we just do not have that kind of money really, no Government would have that money.

Mr Haysom: May I add a small point on this question of qualifications? I understand the point which says that we are paying more and more for people to have qualifications and there is a worry about things which do not lead to qualifications. I understand that point. From the learner point of view, however, there is something very important and that is that so many learners value qualifications and that, going back to the LSC's mission, is very important. The fact that they have a qualification which will lead them to different things helps to improve the quality of their lives as well

Q105 Mr Bacon: I am an increasing fan of further education because of a particular college, Eastern College, in my constituency, which you may be familiar with. It is an old agricultural college which has been very nimble in adapting to huge changes largely caused by farming. It now offers a very wide range of services and courses and has a substantial private sector income. Going to the point Sir David made earlier about sixth form colleges, sixth forms and FEs, is there not a case for saying that we should be looking towards equalisation of funding based on the quality of what is provided rather than necessarily the institution which is providing it?

Mr Haysom: I think Sir David answered that fully: the Government are committed towards the narrowing of that gap over time.

Q106 Mr Bacon: It is merely a practical question of how long it will take.

Mr Haysom: How you get there and how it happens. I hope we made a useful contribution to that discussion through our Agenda for Change because we are not just talking about a question of unit prices here, there are funding methodology issues about how you pay which are of a technical nature. We have talked through some of the things we might be able to contribute in terms of changes there which will narrow the gap.

Q107 Mr Bacon: Do you think that you are being funded sufficiently for what you are being asked to do?

Mr Haysom: I think that there are always issues, are there not?

Q108 Mr Bacon: Is there not considerable room for doubt? The FE sector, particularly those bits of it which have been successful, is being under-funded compared with what they are being asked to do, compared with other institutions like schools.

Mr Haysom: I just remind myself about the amount of funding which has gone into FEs in the last few years. I think I am right in saying that there has been something like a 48% increase in funding in real terms, a huge, huge investment.

Q109 Mr Bacon: There must have been a huge number of extra things going on.

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Mr Haysom: And there has been a huge amount of success. One of the things which is really interesting about this sector is that it has been extraordinarily successful over that period. There is still a long way to go, we still have lots of issues to confront, but we do have more and more people in learning, we have improving success rates, we have a greater number of apprentices than ever before, all of those kinds of things. We are getting smarter and smarter at delivering success through our colleges. One of the things we have to do in that total funding envelope is to look at how we can best spend that money to fulfil Government objectives, to give learners what they want and to give employers what they want. There are inevitably tensions in there. Do we have enough? I guess there is never enough to do everything you would wish to do, but a huge amount has been achieved and I am confident that a huge amount more can be achieved.

Q110 Mr Bacon: Do you think regionalisation, in the way it is proposed, with the increasing emphasis on regionalisation, is going to help with what you call a lighter touch?

Mr Haysom: Regionalisation of the Learning and Skills Council?

Q111 Mr Bacon: Yes.

Mr Haysom: We are not regionalising the Learning and Skills Council; we are truly not.

Q112 Mr Bacon: I thought you said there was going to be less at the national level and more at the regional level and more at the local level.

Mr Haysom: Yes. What we are talking about is having small expert teams at the local level whose job it is to really work locally and understand need and then they are supported with a regional level. It is not about taking everything to the region and making decisions there; it is absolutely not about that. The only way you can work this thing is by making those decisions locally.

Q113 Mr Bacon: So you are in favour of greater local autonomy basically?

Mr Haysom: I am in favour of people trying to make decisions as close to where they live as possible. I am in favour of trying to get providers working together in communities to come up with solutions for the benefit of learners and employers.

Q114 Mr Bacon: Talking about employers, the NETP is going to have a budgetary impact. How are you going to fund that? Are you going to fund it by top-slicing college budgets?

Mr Haysom: Some new money is going in there and savings are going to be made elsewhere to contribute to this. It is not as simple as saying we are going to take a top slice of colleges' budgets to fund this.

Q115 Mr Bacon: You put a lot of emphasis on the word "some". You made it sound as though there was not enough coming in to fund it. You have to get it from somewhere, do you not?

Mr Haysom: Yes, we have to get it from the totality of our budgets and that is what we have been doing; not just us but the Department as well have been looking at their budgets to see whether they could release money towards that.

Q116 Mr Bacon: Are you confident you will be able to fund it without damaging the colleges?

Mr Haysom: Yes. What the letter which has gone out to all colleges and the information which your colleagues have and you probably have as well makes clear is that the whole range of measures we are proposing for 2006–07 also includes the NETP.

Q117 Mr Bacon: May I return to paragraph 2.14 which you referred to earlier? You basically acknowledged that the funding timetable was not adequate and that the colleges got the information rather too late and that you would like to see them have greater notice. Can you say why they did not have more notice?

Mr Haysom: I would have to remind myself on the specifics of that one.

Q118 Mr Bacon: Let me remind you. You acknowledged that they only learned of the change quite late in the day and that in business you needed to be able to plan ahead.

Mr Haysom: Absolutely.

Q119 Mr Bacon: You said that there were problems. You went on to say that you did not need to go into the particular circumstances or words to that effect.

Mr Haysom: No, I said that there were all sorts of circumstances surrounding it.

Q120 Mr Bacon: What were the circumstances which meant that it was so late they did not get enough notice?

Mr Haysom: What we were trying to do very much at that time was to balance the budget, to make sure that we were making that money work as hard as it possibly could for us. We were looking for ways in which we can reduce the impact on the sector. We were working through a whole complex series of issues there and one of the proposals that we had was to say "Okay, we can do this thing to get a one-off benefit in this particular year".

Q121 Mr Bacon: But it leaves the colleges having less money.

Mr Haysom: No, it did not; it led to a timing issue at one particular point in the year.

Q122 Mr Bacon: Some colleges had to borrow money to cover the difference. That is what it says in paragraph 2.14. May I just read this out? It says "... some colleges may experience cash flow problems in the first quarter of 2005 and may even have to borrow money to see them through. Colleges we visited and the Association of Colleges were concerned that colleges had only learned of this major change just before the start of the 2004–05 academic year.

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Mr Haysom: Yes and it was late. We worked through a complex series of measures and it was late.

Q123 Mr Bacon: My question was: why was it late? They do need to know.

Mr Haysom: It was late in terms of the decision being taken that we could actually proceed on that basis.

Q124 Mr Bacon: You told them that they could only have this much money and they had to cope with it somehow basically.

Mr Haysom: That is the nature of life, is it not? We know that we have a finite resource, we are doing our best to make that resource stretch as far as possible. This was one way we could do it and we had to go through a process to make sure that was a legitimate way of doing it. We decided it was and it was late in the day; we would have preferred to have done it early. We had to help four colleges during the year as a consequence of that decision; only four. We lent them money on a short-term basis to do that.

Q125 Mr Bacon: You would hope in future to be able to give colleges much better notice.

Mr Haysom: That is a separate situation which we talked about earlier and it is absolutely the intention to give colleges very early notification of their allocations.

Q126 Mr Bacon: May I ask you to turn to figure 7, which is on page 13? It refers to self-assessment on the right-hand side. Could you say how many colleges are capable of starting to develop self-assessment now?

Mr Haysom: It is fair to say that our college section is on a big journey on this; all colleges are expected to go through a self-assessment approach. We are working with colleges and trying to design pilots to see how far we can go with peer review, which is part of this whole process.

Q127 Mr Bacon: Would you say there are any colleges which are able to do it now?

Mr Haysom: Yes, I guess there would be; we have many excellent colleges.

Q128 Mr Bacon: What proportion would you say are able to do it now?

Mr Haysom: I could not hazard a guess on that.

Q129 Mr Bacon: How long do you think it will take?

Sir David Normington: We will know more about this. Ofsted are shifting their inspection regime to include looking at the self-assessment capability of colleges; they are just starting that this year. That will give us better information. Up until now they have had a much more in depth inspection.

Q130 Mr Bacon: How long do you think it will take to get everybody up to the level where they could do it?

Mr Haysom: I think we are talking some years to get to that point.

Q131 Mr Williams: This discussion is all against a background of an ever-widening productivity gap between us and the United States and some of our colleague countries in the EU. When you look at figure 21 on page 31, what you are actually looking at is an absolute mess, is it not? I emphasise that it is not of your making and I put this question to Mr Haysom. Would you have taken the job if you had seen that diagram before you started?

Mr Haysom: Well I did.

Q132 Mr Williams: You did?

Mr Haysom: Yes, I did and I knew just how complex this was. Part of the job of the Learning and Skills Council is to try to make sense of it.

Q133 Mr Williams: It is not "making sense" of it. What are you doing at the moment? Are you just managing chaos, which is what you have, or are you effectively pursuing a policy of rationalisation? I do not see much evidence so far, but in fairness, you have only been there a couple of years. I am not blaming you for the mess which exists. I do not see much clear evidence that we are going to get rationalisation, particularly when I hear what comes from the Department.

Mr Haysom: I am not sure that it is within my gift to rationalise this because these bodies do not actually report to us.

Q134 Mr Williams: If you do not have any say, if you are stuck with the system they have landed you with and you do not have a say in how it is revised, then you are wasting your time, are you not?

Mr Haysom: Forgive me, but I did not say that I did not have a say: I said that it is not within my gift to make changes. When I say that it is our job to make sense of it, what I am trying to say is that all these different organisations actually do have a different role. We are the point at which all that should come together and we then try to take that to our providers. We are making sense of it from that point of view and from the learner's point of view, but it is complex.

Sir David Normington: With all due respect, this does make it a bit more complicated than it needs to be: the National Audit Office are on it, local employers are on it, local schools are on it, local colleges. Whatever we did there would be that kind of diversity. A smaller number of bodies are concerned with the planning, funding and raising the quality of provision in the post-16 sector. It does rather complicate it, but I have already said that I accept that it is quite a complicated picture: it is not quite as complicated as that suggests.

Q135 Mr Williams: I am not sure we need to go into that in great detail. I differ with you considerably but I only have 10 minutes. Your problem in dealing with it is also made more difficult by the financial inertia of the Department in allowing you to deal with it. They have made clear that they are not going to have a transfer of resources between the sixth

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forms and the colleges, despite the fact that the colleges are actually in many cases showing far greater productivity themselves in producing results.

Mr Haysom: Financial inertia? I am not sure I understand.

Sir David Normington: Perhaps I ought to answer that.

Q136 Mr Williams: It is because you have said that the Government are committed to narrowing the gap between sixth forms and the colleges. How wide is that gap? Do you know?

Sir David Normington: There are various assessments of it. In terms of the funding of sixth form students and equivalence, some think it is 13% and some think it is 7% and it is somewhere between.

Q137 Mr Williams: The gap is 13%? I am sorry; could you explain what the 13% is?

Sir David Normington: The unit price between what we pay for a school and what we pay for a college student, but I think it is lower than that and that is not my estimate. I think it is lower than that.

Q138 Mr Williams: That is rather interesting. If it is 13%, we have just lived through eight years in which we have had a trebling in the resources which have gone into education.

Sir David Normington: Yes.

Q139 Mr Williams: Why have you had little success in narrowing the gap? The money was there, was it not?

Sir David Normington: Because we have increased school funding so significantly as well.

Q140 Mr Williams: Despite the extras.

Sir David Normington: There is a chart in here which shows very considerable increases in unit funding for colleges, but alongside that we have been increasing the funding for schools very significantly. We have not been narrowing the gap, they have been going up and the gap continues.

Q141 Mr Williams: So the gap is still the same as it was before, or has it got even wider?

Sir David Normington: No, it has got narrower.

Q142 Mr Williams: Per head?

Sir David Normington: Per head. That is a contested point between us and the FE sector. These figures are not agreed. I believe it has got narrower, they do not accept that.

Q143 Mr Williams: Coming to the point of the financial difficulties some of the colleges find themselves in, which Mr Bacon has referred to, this is your fault here if there is a fault. Why on earth do you on the one hand preach the doctrine of three-year programming and then yourself, at six months' notice, alter the financial ground rules?

Mr Haysom: We are back to paragraph 2.14. We are talking about two issues here: the financial ground rules. What we did was change the phasing of the funding, the allocations we pay, which caused a

short-term issue for a number of colleges during that year. I repeat that we actually had to help four colleges during the year.

Q144 Mr Williams: Why did you need to do it?

Mr Haysom: Because there was a benefit to everyone from doing it. There was a one-year benefit of £180 million and otherwise we would have had to find savings elsewhere.

Q145 Mr Williams: So what about the colleges now who are in financial difficulties?

Mr Haysom: Which colleges? There are not many. There was a very short-term issue.

Q146 Mr Williams: They are possibly going to have to borrow.

Mr Haysom: My understanding is that there were four colleges to which we gave exceptional support during the year and that was a short-term cash flow issue for a few months.

Q147 Mr Williams: Again it is a situation you inherited and I do not know whether you have done anything about it. We are told by the NAO in the briefing they have given us that even chairs of governors, let alone the governors as a collective group, receive little information from the Learning and Skills Council directly; they have to get their information from the principal. From some of our previous dealings with certain principals in further education that does not exactly seem the ideal situation.

Mr Haysom: No and, as I said earlier, we acknowledge that point. There was probably more going on in terms of communication with governors than the report suggests.

Q148 Mr Williams: It is not just education, it is sheer basic information, is it not? If they do not know what your objectives are, if they have to go to get the principal's interpretation of what your policy is, that is utterly undesirable.

Mr Haysom: Absolutely; yes. We have worked very hard to correct that, we have upped the communications, we have a communications strategy all about governors, we have an area of our website devoted to governors, we are trying to make sure we meet with governors on a much more frequent basis, particularly with our Agenda for Change work, we have started to describe how we would work with governors more closely, we are engaged with the Association of Colleges in working with this whole area.

Q149 Angela Browning: I am very concerned about this shift of emphasis just onto qualifications and the impact that has on students with learning disabilities. May I just ask you, Sir David, particularly, how frequently your Department talks with the Department of Health about the *Valuing People* White Paper and the strategy which is being put into place by social services departments under the auspices of the Department of Health? There seems to be some moving away now, if you read

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Valuing People and how education and learning just life skills in a formalised setting is important to that group of people, but would perhaps be setting them up to fail if you were to insist at the end of that course they had to take a national framework qualification. How frequently do you talk to the other department involved in that project?

Sir David Normington: We talk a lot to the Department of Health; we regard them as one of our key partner Departments for a whole range of reasons, right through from children to adults. I just want to reassure you about this. Our drive to get outcomes in terms of qualifications does not mean that we are unrealistic or insensitive about people who can only take one step on the ladder and who cannot get full qualifications. In fact it is part of our Skills for Life strategy that we will ensure that people can take small steps. We are increasing funding for people with learning difficulties and learning disabilities within the overall funding that we have

described. Over the period up to 2008 the funding will increase by 14%. We recognise this point precisely and we shall be very, very concerned if those people above all suffer.

Q150 Angela Browning: I may need to write to you on the specifics, if I may?

Sir David Normington: Please do.

Chairman: Gentlemen, thank you very much. I think that figure 21 is instructive. I am just counting up the number of organisations which are mentioned in that figure circling round the poor learner: it is 23. What I think is quite amusing is that at the outer reaches of those organisations is the Bureaucracy Review Group reviewing the other bureaucracies. I am sure that in our report we would wish to refer back to this figure and see what we can do to help you in your endeavours to reduce the number of organisations between the learner and the learning. Thank you very much.

 Supplementary memorandum submitted by the Learning and Skills Council

Questions 30–31 (Mr Sadiq Khan): Review of ESOL Provision

The question of whether changes should be made to the way ESOL is funded was considered in our recent discussions with DfES colleagues on priorities for funding in 2006–07 and 2007–08. We agreed that while the pressures from increasing demand for ESOL provision are great, the sensitivities involved in changing the way it is funded, without due consultation or consideration of the impact this would have on potential learners, would leave both the LSC and DfES open to possible legal challenge. For this reason, we agreed to make no changes to ESOL funding in 2006–07, but to work instead with DfES colleagues on a further review of ESOL to inform arrangements from 2007–08. This intention is confirmed in paragraph 60 of *Priorities for Success—Funding for Learning and Skills 2006–08*.

DfES are leading on this review and a detailed proposal, including the timeframe, is being developed, but we expect that work will be by December and continue into 2006, with outcomes available by autumn 2006 to inform planning and funding guidance for 2007–08.

Question 49 (Mrs Angela Browning): Childcare provision at Bicton College

Mrs Browning expressed concern about a college in her constituency that had received capital funding to develop nursery provision and was struggling to find revenue funding for the nursery. I promised to investigate the situation and I am now in a position to provide the Committee with details. The college in question (Bicton College) received a capital contribution of £78,650 from the LSC to fund a new nursery through the National FE Childcare Places Programme (small scale, second round) administered through the LSC national office. Total projected costs were £121,792. Bicton College contributed £43,142. The application for Bicton College to establish a new nursery was approved in November 2002 and the Saplings Nursery opened in November 2003.

In 2001–02, Bicton was allocated £12,101 for childcare support (actual spend was £401). In 2002–03, the allocation was £16,216 (actual spend was £583). At that time, a national review identified persistent under or overspending patterns at colleges on childcare. Consequently, there was a national LSC decision to rebase childcare support allocations for 2004–05 based on actual expenditure by colleges in 2002–03.

This resulted in Bicton's allocation of £686 in 2004–05. Overall Learner Support Funds (Residential Bursaries, Childcare Support, Hardship Funds) allocated to Bicton were £313k in 2003–04, £291k in 2004–05 and £269k in 2005–06. A significant amount of this funding is available for expenditure at the discretion of the College including expenditure on childcare.

The aim of the national capital scheme was to establish childcare places in FE. At the application stage, colleges were advised that subsequent running costs were an issue for each institution and that it would be unlikely that the LSC Learner Support Funds on their own would be enough to sustain a nursery.

It was made clear to colleges that there is no connection between the provision of LSC capital funding for childcare and the allocation of childcare support funds. Most colleges operate their nursery provision on a commercial basis without significant recourse to LSC revenue funding.

Question 60 (Mr Stephen Williams): Learning and Skills Council staff numbers

Comparison of Learning and Skills Council staff numbers in September 2004 with September 2005 are given in the table below. Please note that the figure of 3,870 is an FTE (Full Time Equivalent) figure, and 4,700 is an actual headcount figure. These are rounded figures. At September 2004 we were not capturing external funding or agency staff details so we are not able to provide a more detailed breakdown.

	<i>Sep 04</i>		<i>Sept 05</i>		<i>Difference</i>	
	FTE	Headcount	FTE	Headcount	FTE	Headcount
Contract Type						
Fixed Term	298	304	273	285	- 25	- 19
Permanent	3,571	3,711	3,778	3,929	207	218
LSC Payroll Total	3,869	4,015	4,051	4,214	182	199
Agency	n/a	n/a	n/a	500	n/a	n/a
Workforce Deployed Total	n/a	n/a	n/a	4,714	n/a	n/a

Question 61 (Mr Stephen Williams): Redundancy costs

Please note that the data below only includes redundancy or voluntary severance payments to employees and excludes the cost of early retirement. This data excludes other associated redundancy costs such as outplacement consultants or tribunal costs.

	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>
Statutory redundancy	£3,083,273.82	£307,645.86	£386,407.53	£185,995.48	£105,230.90	£4,068,553.59
Reshaping and redundancy			£11,799,561.26	£52,996.04	£16,006.50	£11,868,563.80
Total	£3,083,273.82	£307,645.86	£12,185,968.79	£238,991.52	£121,237.40	£15,937,117.39