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# The Long-Term Implications of Devolution and Localism for FE in England

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# Foreword

**David Hughes, *Chief Executive, Association of Colleges***

Colleges are vital parts of the local education system, are major employers and do so much to support the local economy, healthy communities and social cohesion. Yet they have been pushed and pulled by national policy shifts more than any other institutions in education. That's why we need to think about how localism might best be implemented so that it can provide a more stable, secure and fruitful future for colleges to be able to serve their communities, employers and students.

This project set out to evaluate how this is being developed now and the impact it will have on colleges. Through in-depth research and events, Professor Keep has set out the approaches college leaders might consider to ensure localism works well. I believe that there are opportunities in localism and devolution as well as risks and this report is an important contribution to realising those opportunities.

With the changed leadership in Government, it is unclear how devolution and localism will develop. The plans to give control of the Adult Education Budget to local leaders were not seen as sufficient in many parts of the country where the interest was also in 16-19 funding and apprenticeships. The machinery of government change has now brought the more pro-localism BIS into the more centralist and market-led DfE, so it will be fascinating to see what happens next.

Whether or not you are a proponent of localism and devolution, it is abundantly clear from this paper that many localities do not yet have the capacity or capability to manage the Adult Education Budget, let alone anything more. Whitehall itself has not yet articulated clearly how it intends to set the balance between central and local power. Meanwhile, the country as a whole, is going through a period of transition and we await the full impact of Brexit, not least on migration and the labour market.

At the same time, the policy changes do mean that there is a lot to play for. It may be that good devolution, well thought through would bring colleges together with local leaders in a powerful force for good. That's why the findings of this report are so crucial for college leaders and why I am keen that we use this report to support college leaders and ensure that colleges remain at the heart of the skills and education agendas.

# Foreword

**Dame Ruth Silver, *President, Further Education Trust for Leadership***

Professor Keep has produced an extremely useful, lucid and timely report, which not only takes the temperature of the further education and skills sector at a time of profound and far-reaching change but also offers a number of intelligent, forward-focused provocations to help leaders orient their thinking and plot a sound course for their institutions. These are, of course, challenging times for further education colleges and independent training providers – to a degree, it has always been thus: life on the neglected mezzanine floor of the English education system has long been one of near-constant adaptation and reinvention. Devolution may look like a step into the unknown, particularly given the unfolding implications of Brexit, looming ‘reform overload’ and the other competing pressures FE and skills leaders face, but I am inclined to be optimistic. I think we have the skills and the capacity to look beyond the short-term distractions and, with our partners, think our way to a future that is worth living in.

As Professor Keep says, the sector has reached a ‘foot in the door’ moment. Localism demands modernised models of governance, which, in turn, demand clarity of purpose and fresh thinking. The sector must go beyond adaptation and set the agenda, making its own sense of the opportunities it has and being outspoken about what it can offer. Making meaning in new and radically contested terrain is difficult, of course. The concept of devolution itself is problematic and there are distinct signs that the understanding of central government is somewhat at odds with that of those on the ground who would like devolution to proceed in a genuinely local fashion, with more devolved power, more control over funding and more ground-up policy solutions. Realistically, central government will continue to have a big say over the provision of further education and skills, alongside a shifting cohort of local players. If FE and skills is not to be squeezed between these competing forces it must become, itself, a force to be reckoned with: bold, self-confident and creative in its response to change.

This is a moment not to reform further education and skills but to reformulate its role within still-emerging local frameworks of influence. Professor Keep uses the concept of ‘metis’ – localized, practice-based knowledge and expertise – in contrast to the view that has characterized English skills policy for the past 30 years or so, that ‘the centre nearly always knows best’. I find this particularly useful and fitting. The localism agenda represents an opportunity to place greater emphasis on metis and rebalance national and local power in further education and skills. Elsewhere, Professor Keep has stressed the interconnections between metis and trust. As he argues, the most effective education and training systems ‘possess and engender relatively high levels of trust between different actors and stakeholders’ (Keep, 2016: 3). Decades of centralisation have somewhat eroded this but localism creates a space in which to begin to rebuild it, provided central government lives up, in part at least, to the rhetoric of devolution and is prepared to relax its grip on the levers of power and allow local actors to use their local expertise intelligently and creatively.

If the sector can get on the front foot I believe it can play a meaningful role in a rebalanced system where the political anima is around new connections and partnerships, with employers, with local authorities and with other key local players at different levels of influence. The US Cities of Learning project, recently described by Anthony Painter in a joint publication from FETL and the RSA (Painter, 2016), offers some light here. This digital-

led initiative sought to strengthen the identity of cities as places of learning by galvanizing local institutions, organizations and communities, gathering together educational, business and political support around a city-wide digital platform linked to learning opportunities – effectively connecting the whole city. There is clearly some potential for FE and skills providers to lead similar projects in the UK, given the shifting landscape and the uncertainty of destination. At the very least, the US project highlights the untapped potential for FE and skills to play a much more energetic, enterprising role in localities.

To make progress, and to avoid being pulled in two different directions by competing national and local priorities, the sector must, as Professor Keep eloquently argues, confront its choices as well as its mission and vision. We need to ask not what devolution means (the term is essentially contested) but what it could mean for us, stretching governance beyond regulation into being genuinely strategic and generative in our thinking. The report ends with some questions to be used as a starting point in framing moves to respond to the issues it sets out. These are a useful means of steering and stretching our thinking, as well as an invitation to the sector to be more future-focused. This is important. At FETL, we do not see our role as being to tell others what to think or how to be. Our role is to feed the brains of others so they can respond to change in an appropriate and far-sighted way. We aim to enable people to make and take a fitting and forward-looking place in the FE and skills system. This report offers just such a provocation; detailed, readable and intelligent but also highly useful in helping us exploit in expansive ways the new space that now exists in the sector for fresh thinking and new strategic partnerships.

# Introduction

This report analyses and draws together the findings from a one-year research project undertaken in partnership between the Association of Colleges (AoC) and the Centre on Skills, Knowledge and Organisational Performance (SKOPE) at the Department of Education, Oxford University. The research has been funded by a grant from the Further Education Trust for Leadership (FETL) and commenced in September 2015.

The project had two aims:

1. To explore how the leadership and governance teams in individual institutions, localities, the further education (FE) system more widely (including its many stakeholders), and the national bodies that superintend the system conceive of and make sense of localism, and how they identify and develop effective models of organisational strategy to support moves towards a more devolved, localised pattern of FE governance and funding. To then use this information to further understanding of how localism is developing across the system, and support the creation of new models to best deliver localism, for example, through the construction of scenarios of the different forms that localism might take.
2. To identify the capabilities, theories, knowledge and expertise (individual and institutional) needed to underpin and develop effective organisational leadership and associated strategies, and explore how these might be better developed and delivered across the FE system.

The project was intended to deliver the following outcomes:

1. A clearer picture of how localism is playing out in specific areas, and of the underlying trends and what is driving them.
2. Enhanced knowledge and understanding among practitioners and policymakers of the implications of localism and how these might best be addressed, not least in terms of a greater role for FE in policy interventions around economic development, business support, progression and job enhancement.
3. A framework for understanding how a balance between local and national priorities and policies can be negotiated and managed.
4. Identification of localisation training and development needs across the sector/system, and the stimulation of new forms of provision to meet these.

The conceptual backbone of the project has been the notion of 'metis' or localised, practice-based knowledge (Scott, 1998) – for further details see Keep, 2015a and 2016. Metis is an appropriate concept in relation to English skills policy because, for the last 30 years or more, government and its agencies has focused on incremental centralisation, adopting the view that the centre nearly always knows best (Keep, 2006 and 2009). The deployment of various forms of New Public Management (NPM) techniques, particularly in relation to inspection regimes, targets and planning systems, has been imposed by national government on other actors, indicating a lack of trust in the intentions and capacities of other actors within the education and training (E&T) system (see Keep, 2002, 2006 and 2009 for further details). In other words, successive governments have consciously limited metis in the design and delivery of local English E&T policy. Given the rhetoric around devolution and localism, the degree to which these developments now provide opportunities to re-balance national and local power and responsibility and

place greater emphasis on metis, is a potentially useful yardstick by which to measure the efficacy of the new policies. One of the overarching questions the project has tried to explore is the degree to which devolution enables metis to be deployed in conditions of trust between central government and localities, and between local actors and stakeholders.

## **The project's evidence base**

Project data was gathered via:

- Interviews, focus groups and AoC conference sessions (at national and regional level [chiefly Manchester and the South West, but also Yorkshire and the Humber]) involving senior college managers, chairs of governors, governors, finance directors and clerks to the colleges' corporations.
- Interviews with stakeholders in the FE system at local level (chairs of local enterprise partnerships (LEPs), chambers of commerce, local council leaders, local economic development staff).
- Interviews with national policymakers and stakeholders.
- Analysis of the large and rapidly growing body of academic and policy literature on localism and devolution (both in general terms and also specifically in relation to E&T and skills).
- Presentations to a Learning and Skills Research Network (LSRN) workshop on the future of technical and professional education; the Department for Business, Innovation and Skills (BIS) Skills Policy Analysis Academic Panel; and a Centre for Urban Research on Austerity workshop on Austerity and Local Economic Development in England.

A set of scenarios for the future of FE was developed and deployed in workshops, conference sessions and focus groups to investigate possible and/or desirable futures with stakeholders. These scenarios form one of the later sections of this report.

## **Devolution as an ongoing process**

Although this is billed as a final report, it should be stressed that devolution as a policy agenda and process in England remains very much a work in progress, both in general terms and also in relation to skills and FE (National Audit Office, 2016a and b). Therefore the activities and institutions that are the subject of this research have been and remain in constant (and possibly perpetual) motion, and both the means by which many aspects of skills devolution will be brought to fruition and the ways in which the impacts of these developments will be measured and assessed are currently best described as weakly specified and extremely fluid. For instance, national government has offered no detailed vision of what they expect the skills system to look like once the current aspects of devolution have been delivered, or a coherent account of the outcomes this new settlement might be expected to achieve. As a result, writing a report that tries to lay out what could or should happen next, and what implications might arise, is akin to trying to review a play as the curtains are closing on its first act.

The research was seeking to explore the long-term implications of devolution; however, the bulk of practitioners' energies have been focused on more immediate concerns, most notably area based reviews (ABRs), which had not been announced when the project

was being designed. For many, as interviews for this project found, ABRs have consumed significant amounts of time and managerial resources; engendered an atmosphere of uncertainty; and directed attention and thinking to the short-term issues of institutional viability and survival. As a result, relatively few senior practitioners, both in FE and among its stakeholders, have had the time to “see beyond the now”, as the then-head of the Association of Employment and Learning Providers (AELP), Stewart Segal put it at the 2015 AELP Conference. They have also been unable to develop detailed views about where the wider and longer-term aspects of devolution might take us.

Besides the general evolutionary nature of the devolution policy ‘journey’ and the uncertainty as to its final destination(s), there are two very specific aspects of ongoing skills policy that have not reached fruition yet, and whose long-term implications are therefore unclear. The first are the previously mentioned ABRs, which are meant to deliver a re-structure of the pattern of provision and of the institutions, in order to stabilise the FE system in the face of significant cuts to public funding. It is worth noting that very few of those interviewed for this project at local levels had much good to say about ABRs, either in terms of the design or conduct of the exercise. One employer representative described them as “pitiful” and “nothing to do with localisation per se”, and doubts were expressed as to how applicable the process was across localities that had divergent starting points and challenges, or whether a focus on financial viability was enough. For example, several respondents noted that one of the key aspects missing from consideration in the ABRs was the quality of the student experience.

The ABR process is ongoing and although the first reviews are now publicly available, their implementation has yet to take place. The FE Commissioner has forecast that they will result in a reduction in college numbers of about a third (FE Week, 7 July 2016), but the wider, longer-term effects are unknown and unknowable at this stage. It is also uncertain whether ABRs will generate the anticipated long-term stabilisation of the FE institutional map. Mergers are not a panacea, and as several of those interviewed noted, it would be surprising if some did not fail to deliver the anticipated benefits. Respondents argued that bigger was not necessarily better or cheaper in the long run. It is also possible that there will be further fluctuations and uncertainties around funding and colleges’ income streams given the impact of greater reliance on post-19 student loans, the uncharted waters into which apprenticeship provision is heading, the changes in post-16 vocational provision heralded by the Sainsbury Review (Sainsbury et al, 2016), and the impact of the localisation of the Adult Skills Budget (ASB).

This brings us to the second missing piece of policy closure: the main plank of skills devolution in the shape of the localisation of the existing ASB and its transformation into the Adult Education Budget (AEB). As discussed below, there are fundamentally divergent views about the potential impact of a localised AEB, and until the process is complete and the newly localised commissioning of adult provision has settled down, the full implications of the move are impossible to forecast with any certainty. As it stands, some of the key aspects of the devolution of the ASB/AEB are still to be finalised, and it will not be clear as to how these arrangements will actually work in practice until 2019 at the earliest.

### **Wider uncertainties in policy**

If devolution were all that was happening to E&T, modelling and forecasting its impacts would be easier. This is not the case, however, as many other aspects of E&T policy in the

FE sector are also undergoing a series of fundamental reforms. These include:

- The Sainsbury Review (Sainsbury et al, 2016) and the Post-16 Skills Plan (BIS, 2016a), which usher in proposals for profound changes to the structure of vocational courses, their relationship with apprenticeship provision, and the entire system of vocational qualifications and awarding bodies.
- The rollout of the new expanded FE student loans system for post-19 provision above level 2. The impact of this on volumes and patterns of post-19 participation, and upon colleges' finances, are as yet unknown.
- Apprenticeship reforms, the introduction of an apprenticeship levy and an entirely new system of apprenticeship funding, the full details of which are at this stage unclear (see Lanning, 2016). These developments are liable to have a significant impact on both independent training providers (ITPs) and colleges, not least because the government will expect colleges to increase their share of the market for apprenticeship provision (Westwood, 2016).
- Machinery of government changes that see the Department for Education (DfE) take charge of post-19 FE, apprenticeships, and the teaching aspects of higher education policy. It is hard to forecast how this revision to the structural arrangements will play out, but there is a possibility that FE may find itself being squeezed by the political importance of schools and HE policy. FE may only command attention as a result of the challenges posed by the rollout of apprenticeship reforms, the levy and the new technical pathways (see contributors to Lanning, 2016).

On their own, each of the above would pose significant challenges for colleges' management and governance teams. Taken together, they threaten to disrupt current systems of funding and course provision, not least in terms of the ways, both intended and unintended, in which these different reforms may interact. The results of the EU referendum and the subsequent changes in the ministerial team are further potential sources of disruption. Localisation and devolution is simply another element of instability within a complex and extremely turbulent policy environment (Ipsos MORI, 2015), and some stakeholders from outside FE who were interviewed for this project were concerned at the potential 'reform overload' that was looming. An employer representative observed that, "FE has been kicked around like a rag doll for the last 30 years, leaving colleges constantly on the back foot reacting to yet another government policy change". In his view, this approach did not create an environment conducive to sensible long-term management. A council leader offered the view that there was "far too much random change in policy at national level" and that, "most of it is b\*\*\*\*\*s!". A key issue for the future is to shift the policy horizon beyond the five-year term of national government.

# THE CONTEXT SET BY WIDER NOTIONS OF DEVOLUTION

## Devolution as a contested concept

A recurring theme is that many of the issues that surround the localisation of skills are simply reflections of wider questions about the aims of devolution in England, and how the devolution process is designed, conducted and managed. Precisely the same journey metaphor (a voyage undertaken at uncertain and varying speed, towards a vaguely specified and sometimes contested destination) can be applied to devolution as a whole, as much as it can to the skills element within it (see Pike et al, 2016a).

As the Centre for Urban and Regional Development Studies (CURDS) observe:

*“Thinking and practice has been tactical rather than strategic... The aims, purposes and goals of decentralisation have multiplied and widened... It is unclear now exactly what decentralisation is trying to achieve: unlocking local growth? Spatially rebalancing the national economy? Savings and public sector reform? Addressing societal challenges like climate change and ageing locally? Improving public accountability? All of the above? There is a lack of clarity about exactly what decentralisation is for, where it is heading, when, how and with whom.”*

(Pike et al, 2016a: 13)

Moreover, individual actors, stakeholders and commentators hold radically different views on the meaning and importance of developments to date, and also on where devolution and the localisation of some aspects of policy could or should be leading (see Pike et al, 2016a for a useful discussion). Consensus is in short supply.

To give an example, the scale and identity of the spatial units to which power is or should be devolved to by national government are the subject of heated debates (Clarke and Cochran, 2013; Carr, 2014; Keep, 2015a; CNN, 2015; City Growth Commission, 2014a; Commission for Underperforming Towns and Cities, 2015; Blond and Morrin, 2015; CLES, 2015; Cox, Henderson and Raikes, 2014; Cox and Hunter, 2015; Cox and Longlands, 2016). The problem is that since World War II, “an oscillating pendulum between different broadly defined and sometimes overlapping forms of decentralisation has been evident” (Pike et al, 2016a: 10), not least in terms of whether the region is the critical spatial unit or whether smaller geographical divisions make better sense. There is additional confusion regarding the level that different kinds of decisions might best be made. As a result, “one person’s locality is, for another person, simply a minor sub-set of their larger model of a locality or region” (Keep, 2015a: 6). Different levels of spatial identity – pan-regional (the Northern Powerhouse, the Midlands Engine), city regions (which may or may not have the same boundaries as the combined authority [CA]), smaller cities, towns, LEPs, and counties – are all seeking to depict their spatial unit as the one that is central to the success of devolution, as they engage in a zero sum game for power, money and influence.

For example, the National Audit Office (NAO) has pointed out:

*“The English devolution landscape is changing considerably and is not yet clear how LEPs fit into it. The government regards LEPs as central to its plans for English*

*devolution. However, LEPs are often uncertain of their role within a more devolved landscape, particularly in areas where their economic geography does not align with the combined authorities.”*

(NAO, 2016b: 6)

This situation is leading to confusion about which level, and hence type of local body, should be responsible for skills issues in the longer-term.

## **Devolution as a top-down process**

Devolution is being undertaken in a top-down fashion. The deal-making process between individual localities and central government has been conducted on terms unilaterally established at the national level, with the centre acting as “supporter, appraiser and authoriser of the plans of local actors” (Pike et al, 2016a: 15). As a result, “those negotiating the deals have experienced the paradox that this episode of decentralisation in England has actually been a highly centralised process” (Pike et al, 2016a: 15). Professor Robin Hambleton has argued that, “ministers, not elected local politicians, still less local citizens, will decide whether the deals are acceptable. The accountability is up to distant figures in Whitehall, not down to local people” (quoted in Sandford, 2016: 24). This approach has applied as much to the devolution of E&T issues as it has to other policy areas.

## **Great expectations**

Before exploring the specific case of skills policy and its place within moves towards localisation, it is important to locate skills within the wider overall devolution ‘promise’. The overarching prospectus that is being used to sell devolution offers an ambitious range of potential outcomes (Pike et al, 2016a):

1. Re-balancing of economic activity – spatial and sectoral – and a reduction in spatial inequalities (economic and social).
2. Better long-term outcomes (economic and social).
3. A re-invigoration of local governance and accountability (though not always through traditional forms of elected local government).
4. Opportunities to bring local knowledge and understanding to bear on complex economic and social policy problems (i.e. the deployment of metis).

These are ambitious promises and they occur against a backdrop where the social and economic issues that devolution is expected to address are becoming more rather than less acute, for example geographical imbalances in economic growth (see Keep, 2015a; Centre for Cities, 2015; Kumar, 2016; Pike et al, 2016a and b; McCann, 2016). The UK’s inter-regional economic disparities are, according to many indicators, the worst in the Organisation for Economic Co-operation and Development (OECD), and data suggests that London and its surrounding areas continues to de-couple itself from the rest of the country (McCann, 2016).

As has been widely noted (Martin et al, 2015; Moran and Williams, 2015; Keep, 2015a and 2016a; Pike et al, 2016a) there is a considerable gap between the policy goals that have been loaded onto devolution and the actual powers and resources that are being granted to localities to achieve these goals. This has provoked questions as to whether devolution, at least from national government’s perspective, is an attempt to shift the blame for the

ongoing failure to successfully address long-term structural problems within our economy, infrastructure, political system and society. Although billed as an opportunity for localities and communities to take control and make informed choices, it is possible to argue that devolution might also be 'passing the buck' on a grand scale, as central government, short of resources and viable ideas, seeks to offload a set of policy problems onto the desks of local politicians and officials.

Economic regeneration and re-balancing across both sectoral and spatial dimensions is being attempted in the context of an economy with long-standing structural weaknesses (Froud et al, 2011). These include:

1. Weak private investment in plant and equipment (HM Treasury, 2015).
2. Weak private investment in research and development (R&D) (HM Treasury, 2015).
3. Weak and declining employer investment in workforce skills (Keep, 2015b).
4. Weak long-term public investment in infrastructure (Aghion et al, 2013; HM Treasury, 2015).
5. Weak (relative) public investment in science and R&D (Aghion et al, 2013).
6. Massive geographic imbalances in GDP/GVA/wages/employment growth within and across regions, with London and the South East tending to climb away from the rest of England (Berry and Hay, 2014; City Growth Commission, 2014; Centre for Cities, 2015; Martin et al, 2015; McCann, 2016).
7. A relatively weak and hollowed out manufacturing base (Bentham et al, 2013).
8. A structural trade imbalance and growing current account deficit with the rest of the world (Coutts and Rowthorn, 2013).
9. Low productivity growth and substantial gaps between our hourly productivity and that found in most other developed countries (HM Treasury, 2015).

The scale and longevity of these challenges raises questions about the corresponding scale of policy responses, not least in terms of localism as a solution (Martin et al, 2015: 13; Keep, 2015a). As a considerable body of existing research and analysis makes clear, the degree to which these structural problems and resulting economic underperformance can be addressed via traditional skills supply policies is open to question (Keep, 2014; Keep and Mayhew, 2010; Keep, Mayhew and Payne, 2006; UKCES, 2010).

There is a danger, therefore, that devolution is, on the economic front, being over-sold at two levels. First, devolution may be unable to make significant inroads into some of the country's economic problems, in terms of either spatial re-balancing or weak productivity. Second, the contribution that E&T and skills can make towards such efforts, and towards economic regeneration in deprived localities, may be more limited than some anticipate. These issues are not the primary focus of this research, but they should be considered, as they interlink with a set of current and looming tensions between policy aspiration and subsequent outcomes.

# FUNDAMENTAL CHOICES ABOUT UNDERLYING MODELS FOR E&T

Much of the literature on the localisation of skills tends to take policy claims about its importance at face value and then focus on the detail of emerging forms of E&T devolution. However, as earlier reports from this project have argued, it is important to locate skills devolution within the overall structure and direction of E&T policy choice, as this enables an appreciation of the scale and importance of devolution relative to other developments, and also where (or where not) the localisation of skills policy and delivery fits within broader policy trends (Keep, 2015a and 2016).

There are two key points of fracture within the overall models of funding, structure and governance of E&T:

1. National versus local.
2. Markets versus systems/planning.

Given the current dispensation of power between national and local government in England, both sets of choices have tended to be made by national government alone. Major tensions between the expectations and desires of national and local actors have emerged, and these tensions have implications for those who manage and govern FE.

## **National versus local**

In trying to make sense of the devolution of skills policy it is important to bear in mind that for the last three decades the balance of power between national and local has been simple and unidirectional, with power and discretion removed from local levels and transferred to national government and its various agencies (Keep, 2015a and 2016). In E&T, these developments have been described as a process of delocalisation, centralisation and nationalisation (Bash and Coulby, 1989). The result has been that local education authorities (LEAs) ceased to exist, and the powers, funding and responsibilities for E&T possessed by local government and other local agencies are now minor and residual (for example, securing the education of students with special needs). This backdrop has significant consequences for devolution.

Devolution is being enacted against policy trends that are well established, and its conception, design and delivery represents a challenge for national policymakers whose assumptive starting point is that they are best placed to make strategic choices (Keep, 2006 and 2009). For ministers, their advisors and civil servants, sharing power with others is not necessarily a natural inclination, given what has gone before. As a result, national government's view of skills devolution has very clear and firm boundaries in terms of what is on the table as an offer, and what is not. National politicians' ambitions for the scope of devolution are far more limited than the expansive agenda embraced by some of their counterparts at local level.

This is illustrated by that fact that the rhetoric around devolution contradicts current national policy, which demonstrates continuing enthusiasm for further de-localisation and the 'nationalisation' of decision-making, not least in education (Keep, 2016). The white paper Educational Excellence Everywhere (DfE, 2016) demonstrated that schools policy is heading in the opposite direction to localism, with proposals to compel all schools

to become part of multi-academy chains (MACs) by 2020 and the reduction of local authorities' role in schooling. In other words, the rhetoric and aspirations of localism co-exists alongside a rival model that seeks to transfer power to a marketplace of atomised parental choice supervised and regulated at national level by ministers (DfE, 2016). Although the government has agreed to drop the threat of forcing all schools to become academies, this remains their stated aim. This creates a tension; while aspects of FE funding and control are devolved to localities (though not necessarily to directly-elected local authorities), policy on schools moves in the opposite direction through further centralisation of power (Keep, 2016) as schools become, "local branches of a national educational programme" (d'Ancona, 2016: 14).

A reflection of this divergence has been the exclusion of schools from the scope of ABRs. ABRs seek to rationalise local provision, but schools are in effect a nationalised and marketised form of provision, and local actors cannot be granted a say over how they are configured. As one commentator observed, "localism...means taking responsibility for services run by others [schools], while finance is moved away from local government and... accountability disappears into a Sargasso Sea somewhere between schools, academy chains, the Schools Funding Agency and Parliament" (Walker, 2016).

During the course of this research, some national policymakers and agency officials suggested that the introduction of a Schools Commissioner and Regional Schools Commissioners (RSCs) was a form of localisation, and it is the case that the government has tried to explain it as such (see Durbin et al, 2015). However, as the commissioners are appointed by the Secretary of State and are solely responsible to them, this claim seems hard to credit. It is more plausible to suggest that RSCs are the local/regional representatives of, and delivery agents for, further central government intervention. This is certainly the view of one former Secretary of State (Morris, 2016: 35).

Respondents at local level were well aware of the underlying contradiction between the rhetoric of devolution espoused by some at national level, and the reality of ongoing de-localisation and centralisation of E&T decision-making by others in government. One employer representative suggested that this discontinuity made "zero sense".

The gradual removal of planning, funding, management and inspection powers and responsibilities from local authorities (LAs) over recent decades means that they now have very limited staffing and expertise to deploy within E&T, and as a result their knowledge of FE and skills policy is often extremely limited. The return of some responsibilities via devolution therefore raises a major challenge around institutional capacity – a point to which we will return.

Finally, even when the planned devolution of skills has taken place, the overall balance will remain skewed towards the national level. Central government will maintain primacy and in many instances total unilateral control over the bulk of decision-making and funding choices. In this sense, devolution is a limited anomaly.

The pattern of policy control and funding for different elements of E&T once current plans for devolution are complete:

## NATIONAL

Early years	NATIONAL
Primary schooling	NATIONAL
Secondary schooling	NATIONAL
16-19 FE	NATIONAL
Apprenticeship	NATIONAL
Post-19 (loan-funded activity)	NATIONAL
Post-19 (AEB-funded)	LOCAL (but subject to national control of learning entitlements)
Higher education	NATIONAL
Inspection system	NATIONAL

Early years	NATIONAL
Primary schooling	NATIONAL
Secondary schooling	NATIONAL
16-19 FE	NATIONAL
Apprenticeship	NATIONAL
Post-19 (loan-funded activity)	NATIONAL
Post-19 (AEB-funded)	LOCAL (but subject to national control of learning entitlements)
Higher education	NATIONAL
Inspection system	NATIONAL

### Centralised funding systems

Control of funding remains largely in the hands of centralised bodies. As earlier outputs from this project have noted (Keep, 2016), neither the student loan system nor the apprenticeship levy are designed to be open to influence at local level. They are national funding systems, one superintended by the government (DfE) and the Student Loans Company, the other a tax under the direct supervision of HM Treasury. One council leader offered the view that the levy, “showed the distance that BIS has to travel in a new era of localism, as the levy is a hard form of national control that leaves little room for localisation. National firms would strike bargains with national providers”.

When it comes to funding streams, localisation has led to the allocation of some relatively limited budget lines:

- European Social Fund monies worth around £157 million per annum in 2013/14, but with national oversight due to EU concerns about the capabilities of LEPs. This funding will cease at some point once the UK has exited membership of the EU.
- Capital funding for FE, transferred from the Skills Funding Agency (SFA).
- Various pools of money allocated under standalone central/local government ‘deals’ (for details see Clayton and McGough, 2015; and Sandford, 2016).
- The one significant source of funding is the impending devolution of the ASB, the detailed implications of which are outlined below. This is by far the largest and most concrete manifestation of skills devolution to date, yet the entire AEB (at £1.5 billion per annum) represents about 1.7% of planned educational expenditure by the UK government

in 2017 (£85.2 billion).

Although devolution is often billed as a major revolution in skills policy, the reality is that it could just as convincingly be portrayed as a relatively minor adjustment to the overall dispensation of spending power.

Policy control at national level

There has not yet been any sign of the development of formalised consultative mechanisms that might enable localities to input into the development of E&T policy. To date, only the supervision and delivery of a relatively narrow sub-set of E&T activity (post-19 adult skills) is being devolved, rather than any influence over the overall nature and direction of E&T policy. That remains firmly located at national level. For example, local involvement in national thinking about safeguarding, maths and English, Prevent, apprenticeship reform, and the reform of post-16 qualifications and curriculum, has been close to nil.

The de-localisation of providers?

The final tension between national and local levels focuses on a basic assumption that the bulk of local needs will be met by providers that are locally-based and who identify themselves as being part of that community or geographical unit (see, for example, Sharp, 2011). This means schools, colleges, adult education services (if they still exist locally), private providers and at least some higher education providers. The assumption that provision is delivered by organisations whose identity is linked to a specific locality is under increasing threat.

There are two problems. The first brings us back to Educational Excellence Everywhere (DfE, 2016), which suggests the need to break up geographic monopolies so that parents in a locality have a choice between schools that are part of competing MACs. Secondly, FE is experiencing horizontal integration, where colleges (or colleges and independent training providers (ITPs) that the colleges have absorbed) are forming chains and operate across extended geographies rather than within a single locality. Their responsibilities are therefore to multiple LEPs and/or CAs, rather than to one. We will return to this issue later.

Markets versus systems

Markets in education have been steadily spreading across different streams of provision within English E&T, and have come to be seen by government as the default policy setting. As the white papers Educational Excellence Everywhere (DfE, 2016) and Success in a Knowledge Economy (BIS, 2016b) indicate, further intensification of the marketisation of both schools and higher education is seen as a means to drive up standards and improve the overall quality and responsiveness of education provision. In relation to FE, BIS has commissioned research (Frontier Economics, 2016) to explore how market forces can be deployed to greater effect.

Funding mechanisms are designed to support this marketplace, with public resources following pupil choice in schools, and loan funding for fees following student choice in HE. The extension of loan funding to cover a much larger swathe of post-19 FE extends this regime. The new model places decision-making in the hands of individual students via a student loan. Investment is an act of individual choice, rather than something that can be planned or influenced by collective local agency. At the same time, one of the aims of apprenticeship reforms is to create a more vibrant training marketplace where employers, through whom government and levy funding will now be routed, shop around for higher quality and more cost-effective training providers (in contrast to the current model where funding is allocated to providers through the SFA).

For schools, colleges and ITPs this market is monitored by a punitive, high-stakes national inspection regime. In HE, the new Teaching Excellence Framework (TEF) will inform student choice around teaching quality to support competition through which value for money will be assessed. This student market (for schools, colleges and HE) will be powered by

league tables in order to provide quality indicators, inspection reports, and big data-enabled outcome measures (particularly in terms of post-college earning levels and where HE courses lead students to in the labour market). With this information in front of them, the government believes that prospective students and their families will be able to weigh up different learning options and providers, and arrive at rational, income maximising choices (BIS, 2016b; Frontier Economics, 2016). It is assumed that the supply of learning opportunities will come to better reflect employer demand for particular types and levels of skill, skill shortages will be addressed, and therefore the traditional goal of ‘planning and matching’ will be enabled via a more effectively functioning marketplace (see Frontier Economics, 2016). Implicit in this model is the requirement for there to be a permanent element of over-capacity among providers, as without this it would not be possible for students (and in the case of apprenticeships, for employers) to exercise the required choice of provider and/or course.

In overall terms, as the table below demonstrates, market models now embrace most forms of educational provision in England.

The pattern of choice between a markets or systems approach for E&T once devolution is ‘complete’:

1.	Early years	MARKET
2.	Primary schooling	MARKET
3.	Secondary schooling	MARKET
4.	16-19 FE	MARKET
5.	Qualifications	MIXTURE
6.	Apprenticeship	MARKET
7.	Post-19 (loan-funded activity)	MARKET
8.	Post-19 (AEB-funded)	MIXTURE
9.	Higher education	MARKET

It is worth noting that the publication of the Sainsbury Review of Technical Education (Sainsbury et al, 2016) and the government’s response, the Post-16 Skills Plan (BIS, 2016a), has created a major change in the fundamental choice between market-based competition and forms of planning. Both Sainsbury and the government agree that the marketplace model for qualifications, overseen by a market regulator (Ofqual), has failed to deliver consistency and simplicity, and may in some instances have led to a race to the bottom in terms of rigour and quality. Their response is a move to a much more limited and planned vocational qualification market, whereby awarding bodies now bid to the Institute for Apprenticeship (IfA) for a monopoly right to design and supply qualifications for each of the 15 vocational pathways. This tendering process will be the only competitive element of the process. Once the monopoly has been granted for each pathway, the market ceases to play any part. Interestingly, neither Lord Sainsbury and his team, nor the government, have chosen to reflect on the general lessons offered by the adjudged failure of the existing qualifications market, or the wider use of markets in education policy.

This marketised provision (i.e. the bulk of initial and continuing E&T) has, at least to date, been conceived by government as forming an exclusively national marketplace, with control and regulation and level of public funding solely determined at national level by central government. There is limited space within this model for substantive local policy influence or interventions.

**SKILLS DEVOLUTION – WHAT’S ON THE TABLE?**

As noted above, the government’s skills devolution ‘offer’ revolves round the transfer of the ASB to combined authorities and LEPs (subject to readiness conditions managed and adjudged by the SFA) by 2018/19. The ASB currently covers central government support for all forms of post-19 E&T provision (other than apprenticeships, higher education and community learning). When the ASB is devolved and becomes the AEB, funding for

community learning and discretionary learner support (currently ring-fenced and worth £200 million per annum across England) will have its ring-fencing removed, and will be amalgamated with the wider AEB. This, along with the fact that the newly devolved AEB can be used to fund courses that do not lead to whole qualifications, is being presented by national government as a major reform.

There are a number of points that can be made in relation to this claim. The first is that national government has yet to offer a vision of what it expects a devolved post-19 E&T world to look like. This is in marked contrast to its policies on apprenticeships, where there is a strategic national vision of what the apprenticeship system is expected to look like and deliver by 2020 (HM Government, 2015).

Second, the ASB has been subject to repeated cuts since the election of the Coalition government in 2010. Between 2010 and 2014, funding fell by approximately 35%, with a further 24% cut announced in 2014. It now amounts to about £1.5 billion across the whole of England. Against this backdrop, "recent National Audit Office and Committee of Public Accounts reports have highlighted ongoing concerns about the financial sustainability in a range of local public services...including further education..." (NAO, 2016a: 12). The result has been further falls in the number of post-16 learners, on top of the major reductions that took place under New Labour, when post-19 funding was re-focused onto qualification-bearing courses and Train to Gain provision. The new AEB is projected to remain stable at the current ASB level of £1.5 billion per annum, but given inflation, this means that its real value will decline. As noted above, the AEB will represent just 1.7% of the government's overall annual spending on education.

The sums being devolved to the individual LEP or CA are not huge. We do not know their exact magnitude at present, as historic allocations of the ASB will not be used to calculate the new AEB allocations to CAs and LEPs. Instead, a complex new formula will be applied, based in part on deprivation measures and other forms of 'need', in order to re-calculate each locality's share of the AEB. This will only add to the uncertainty created by devolution. Devolution of the AEB does not mean that local actors will necessarily have complete freedom as to how this money is spent – far from it. The SFA calculates that as much as one third of the ASB/AEB that is being devolved to each locality will in fact already be committed to meeting national statutory learning entitlements and other nationally mandated objectives (for example, the first Level 2 and 3 qualifications for certain categories of adult learner), and will therefore remain outside the reach of local influence. It has also been argued that a significant proportion of the existing ASB is dedicated to supporting interventions around adult literacy and numeracy (ALN), and that this too will have priority before any local allocations can be made. SFA officials stated that it was their overall expectation that the devolved AEB would focus mainly on unemployed adults and those furthest from the labour market.

It is difficult to judge the strength of these assertions around adult entitlements and ALN. When asked, civil servants noted that entitlements, although enshrined in statute, are vaguely specified and their enforceability has not been tested in the courts. An interpretation by government is that colleges are not absolutely obliged to provide for students who are entitled; the student only has to be offered a course if the college has money and places available.

When referring to local commissioning of the AEB, civil servants and the SFA talk of localities as 'informed customers' or 'intelligent customers' (BIS, 2016c), i.e. as customers in a marketplace. Despite this market model, they also expect localities to develop skills strategies that are, "likely to cover learners ranging from those furthest from the workforce to those undertaking technical and professional education", and to help provision evolve to "match local labour market needs" (BIS, 2016c).

LEPs and CAs are likely to face a range of problems and choices when commissioning

