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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, LEAs, 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:*

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 (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 post-19 provision. The key difficulty is that in most localities the list of potential streams of activity that the ASB/AEB could fund is liable to far exceed the sum of money available. These activities include:

1. English for speakers of other languages (ESOL).
2. Adult and community learning for the most disadvantaged and disengaged learners.
3. Adult literacy and numeracy (ALN) above and beyond entitlements mandated by central government.
4. Additional support for apprenticeship provision over and above funding from national government and the levy.
5. Adult re-training for those at risk of being made redundant.
6. Adult re-training for those changing careers who are not eligible under the adult entitlements.
7. Improvements in locally available information, advice and guidance (IAG) to support career and learning choices.
8. Adult upskilling for workers who want to progress within employment.
9. Funding of provision for post-19 individuals not in education, employment or training (NEET).
10. Additional (to Department for Work and Pensions (DWP) support) funding for training for long-term unemployed adults.
11. Strategic investment in skills to support bids for inward investment.
12. Strategic investment in skills to support LEP and CA priority economic development sectors.
13. Funding to support the re-organisation and re-structuring of institutions as a result of ABRs.

It seems inevitable that future demand for learning will exceed the sums of public money available to fund it. As a result, some hard choices will have to be made, with decision-making (and subsequent blame for the fallout generated) shifting from national to local levels. As Moran and Williams (2015) observe, what is often transferred through the devolution process are, "desperately hard choices away from Whitehall" (2015: 2). Indeed,

some of those interviewed for this project noted that the expansion of adult FE funding increased the trend for ever-greater centralisation. Now that funding was in decline, localism was in fashion.

Finding alternative local sources of funding to augment the devolved ASB/AEB will not be easy. The 'triple whammy' of cuts to public funding, coupled with pressures on the ability and willingness of either individuals or employers to contribute more (Keep, 2014) remains in place. For instance, the expectation that local skills policy can leverage additional employer investment in skills is speculative at best. There are two problems. First, employer investment in workforce skills and in the proportion of their workforce that receives training has declined over a period of time, which started long before the recession (Green et al, 2013). As the various 'employer ownership' pilot schemes organised by government and the UK Commission for Employment and Skills (UKCES) demonstrated, it takes considerable effort, even when working with willing firms, to design and deliver co-funding mechanisms. Moreover, evidence suggests that the ratio of private to public money means that a pound of public money has to be spent to leverage £1.40 of private investment (see Keep, 2015b for details).

In addition, the introduction of the national living wage (NLW) and the apprenticeship levy mean that large companies are facing major impacts on their payroll bill (Keep and James Relly, 2016). Employer reaction to the apprenticeship levy has generally been unenthusiastic, and until its impact has become clearer any wider attempt to extract additional skills investments from employers is liable to be unsuccessful.

### ***The coming of the single pot***

As it stands, central government funding for the first six mayoral devolution deals incorporates a single pot mechanism, whereby support for transport, additional investment funding, and Local Growth Fund (LGF) allocations are not ring-fenced, but are treated as a single pool which the locality can spend as it sees fit. The government has made it clear that over time other funding streams will be covered by this arrangement, including the Bus Service Operators Grant and the ASB/AEB (NAO, 2016a: 22).

This development occurs at a time when the financial resources available to local authorities are under ever-greater pressure. As the NAO (2015a) notes, between 2010/11 and 2015/16 local authority income (from central government and council tax) declined by 25% in real terms. This varied between authorities. For example, over the same period, Liverpool City Council's grants from central government fell by 52% – a cumulative loss of £329 million (Meegan et al, 2014). Local government funding is expected to decline by a further 8% over the period 2015/16 and 2019/20. This backdrop means that any available funding often has to be used to deliver statutory services, such as child protection and adult social care, with discretionary spending areas taking very substantial cuts (NAO, 2016b). Other discretionary areas of spending are absorbing significant reductions.

Many in the skills policy community believe that an entirely devolved AEB will automatically continue to be spent on E&T. In some LEP and CA areas, however, there is a real possibility that this may not be the case in the longer-term, and that money will be diverted to support other kinds of economic growth projects, such as investment in transport. Civil servants admit that such an eventuality is possible. At the very least, the single pot model adds further uncertainty to the scale and allocation of resources for skills at local level.

### ***Implications for FE***

Until we see how LEPs and CAs go about commissioning the AEB and negotiating and constructing the outcome agreements (OAs) that are required, it is hard to know what impact the new arrangements will have on colleges and other providers. Although the SFA has offered a template for planning the localisation process, and both AoC (2016) and UKCES have provided thoughts on how to make OAs work (UKCES, 2015), there are no guarantees that individual localities will choose to follow these templates, and may decide to strike off in new directions. Although some national officials accepted that this kind of experimentation might occur, others were of the view that localities' "room for manoeuvre beyond delivering the basic offer" would be limited.

### **Broader local aspirations for skills policy and delivery**

Fieldwork for this project, coupled with a substantial body of existing policy statements produced by local authorities, LEPs, think tanks and bodies that represent local actors, clearly indicated that LAs, LEPs and CAs (and many of the stakeholders within CAs and LEPs) wanted devolution to go significantly further than what was currently on offer. The key areas where local ambitions concerning the potential for 'place leadership' (Local Government Association (LGA), 2015) exceeded national government's desires, included:

#### ***Local systems not mini-markets***

Although competition and contestability between providers was mentioned by some respondents as a potentially important component of the future operation of E&T at local level, the bulk of thinking centred on ambitions to develop local systems. This choice faces a number of problems, some more obvious than others. The first is that each locality will have what is, at best, a sub-system. As previously noted, the bulk of E&T provision in any locality will remain under national control and national funding systems, and will be at least nominally marketised. Schools, HE, apprenticeships and even 16-19 FE will not formally be part of any locally controlled set up. Instead, the locality's system will directly cover only the activities that the devolved AEB can fund, plus whatever other funding national government stipulates. Anything beyond that will require influencing skills and negotiation, and is liable to be limited by provider autonomy and central government's strictly bounded commitment to sharing influence (see below).

There is also a risk that localisation will create miniaturised versions of the same old target driven supply-side models that have characterised skills policy for three decades. As the author and others have previously noted, skills has often been portrayed as a 'magic bullet' that can catalyse fundamental changes in business strategy and economic competitiveness. This has occurred in a context in which a coherent, fully rounded economic development policy is lacking (Keep, Mayhew and Payne, 2006; Keep and Mayhew, 2014), as is any kind of national economic development agency (Keep and Mayhew, 2014) or workplace innovation support infrastructure. In effect, 'skills' satisfies the policy gaps created by the under-development of other areas and forms of intervention (Keep and Mayhew, 2010; Keep and Mayhew, 2014). There is a danger that devolution will form the basis of this well-established national government approach at local levels (McInroy and Jackson, 2015: 8). Obsessing about skills supply without tackling the often weak underlying levels of demand from employers, and the fact that skills are often poorly used once created, risks replicating the long-standing failure to crack the 'skills problem' (Keep, Mayhew and Payne, 2006; Keep and Mayhew, 2014).

The capacity to link skills delivery with efforts to boost the demand for skills and to help employers to re-think work organisation, job design, employment relations and involvement systems in ways that enable better skills utilisation are critical to the chances of localism delivering better economic and social outcomes. However, they are much more difficult and demanding to achieve than traditional skills supply schemes. Whether many LEPs and CAs have the capacity to conceptualise skills policy in these ways is open to debate. For example, between 2010/11 and 2015/16 there was a real term fall of 68% in local authorities' net expenditure on economic development (NAO, 2016b; see also Walker, 2015).

In addition to capacity issues, new approaches also require the creation of new incentive structures. Unless the incentives for colleges and other providers change, we may get more (or less) of the same behaviours and outputs, but delivered within a localised patchwork of provision and accountability. The question, which was posed by several respondents, was whether LEPs, CAs and others are able to come up with fresh thinking, and also how colleges could help to lead change rather than simply reacting to funding patterns and incentives?

Early signs are not uniformly encouraging. The majority of policy statements by localities suggest that traditional skills supply templates dominate their thinking about models for creating new local systems. For instance, many have expressed the belief that a key aim of local control will be to enable a closer 'matching' of skills supply and local labour market demand, and that this will be relatively easily achieved through the planning and steering of patterns of provision, rather than through market forces (see, for example, Carr, 2014; LGA, 2015b; CCN, 2015; Thompson, Colebrook and Hatfield, 2016). A central government respondent in Randall, Casebourne and Davison's study (2015) suggested that, "...I think the greatest opportunity for me is local business involvement, matching skills, matching supply and demand, that's a well-worn expression, but I think it's quite true" (2015: 19). This is often billed as the creation of a demand-led system. It is also an extremely traditional way of thinking about the aims and objectives of skills policy (Keep, 2002 and 2006).

As a result, various advocates of local control have reiterated the well-versed misnomer of too many hairdressers and too few engineers and building workers. In 2015, the deputy mayor for policy and planning at the Greater London Authority remarked that, "there is no course in London to become a crane driver although that is a growth field. Put bluntly, we need fewer hairdressers and more bricklayers" (Local Government Chronicle, 20 March, 2015). Carr, in a think tank manifesto for LEPs, argued that, "a crucial part of the cross-party consensus on rebalancing the British economy must include empowering local agencies to steer those preparing to enter the workplace into areas where they can find gainful employment" (2014: 49).

Two observations can be made here. First, there are numerous difficulties with the traditional 'matching' model of skills supply and demand, and these were stressed by many respondents, particularly those from colleges. In the space available here they cannot be detailed in full, but one of the problems with a demand-led system (at whatever spatial level) is that there are different sources and types of demand. Employer demand for skills is often hard to square with career and E&T choices made by individuals, and vice versa (see Keep, 2002; and Keep and James, 2010), and E&T addresses both economic and social goals (Randall, Casebourne and Davison, 2015). While matching is often presented as a relatively simple technical issue, in reality it is potentially highly politically charged,

particularly at a time of constrained resources where meeting one type of demand probably means not catering for another. Moreover, in a system where the bulk of funding (Education Funding Agency (EFA) and Student Loans Company) follows individual student choice, ensuring that this 'matches' (in terms of subject area, level of course and numbers of students) what employers (however defined and represented) say they want, a matching system may not be all that simple or pain-free, particularly when the main policy lever is a limited pot of AEB monies.

Research suggests that matching will be hard to deliver. A study conducted by the OECD (Montt, 2015) and forthcoming work by Leesa Wheelahan and colleagues at Toronto University and Phil Brown and Manuel Souto-Otero at Cardiff University, demonstrate that matching is deeply problematic in labour markets (like our own) that lack an extensive Licence to Practice (LtP) regulation and where the hold that qualifications have on employers' recruitment and selection decisions is at best 'fuzzy'. Interestingly, the OECD argues that matching is not worth pursuing, not least because it is problematic in terms of student choice and career changes, which have significant social and economic costs (Montt, 2015). Furthermore, as Perry and Davies note, "colleges are only paid for actual enrolments, and these reflect student demand. Any institution that offered courses in what it felt students ought to do, rather than what they wanted to do, would soon go out of business" (2015: 53).

Talk of local alignment between supply and demand also assumes that each locality is a self-contained unit and that students' career goals are simply focused on their immediate locality (for an excellent example of how national and local actors approach this issue in different ways, see Randall, Casebourne and Davison, 2015: 29). At higher qualification levels providers may in fact be preparing students for work within wider regional or national occupational labour markets (Schmoller, 2015). This tension plainly exists within the concept of the Northern Powerhouse. Attempting to match local supply to local demand, particularly at higher skill levels, is difficult when one of the key policy thrusts of the Powerhouse is to create new transport corridors that allow more commuters to travel to skilled jobs across the entire region (Cridland, 2016). Research respondents in Greater Manchester made exactly this point, stressing that if the Powerhouse concept was to work, transport links needed to enable people living in Manchester to access employment opportunities in Leeds, and vice versa.

More sophisticated models of local skills policies are available. Hodgson and Spours' model of ecosystems offers one way to approach this issue (see Hodgson and Spours, 2015 and 2016). There is also the City Growth Commission's report on workforce investment (2014b), which offers an example of a more rounded and joined-up approach to what a localised skills system could look like and how it might interact with the wider labour market, employment and economic development and business improvement policies. The OECD has also provided examples of how to join-up local economic development, job creation, skills and job quality (OECD, 2014). The question is whether, and at what speed(s), different localities evolve beyond traditional obsessions with planning and matching towards something more sophisticated that links different policy agendas. The Leeds city region's work with the Joseph Rowntree Foundation (JRF) on inclusive growth offers a concrete example of a more integrated approach that combines upskilling with various forms of workplace innovation and improved employment packages (see JRF, 2014; and Green et al, 2016).



### *Influence (if not outright control) over elements of the E&T system currently not covered by devolution deals*

A second set of aspirations at local level centred on a desire for these local systems to go beyond the rather narrow confines of the AEB. Respondents within part of the CA in Greater Manchester argued that their strategy was not about acquiring control over particular funding streams, it was “about being able to exert influence within the system. Shared ambitions rather than systems control with the aim of developing a common agenda and objectives between all the players”.

Other respondents stressed their desire to acquire at least the potential to influence local schools and to intervene when they fail (see also NAO, 2016a). One local politician argued that the current inability of localities to intervene when schools were underperforming was a big problem, not least because problems with pre-16 achievement in maths and English were often passed on to colleges in the shape of adult literacy and numeracy problems that had to be remediated, and which absorbed large elements of the existing ASB. He stated, “You can’t have an integrated skills system if a key element of it is outside our influence”. His remarks are reflected in policy statements from various organisations representing localities. For example, the LGA has called for the DfE to, “devolve the post 16 education budget from the Education Funding Agency to those areas that are ready to design, commission and be accountable for 16 to 19 provision” (LGA, 2105a: 6; see also CCN, 2015; City Growth Commission, 2014b; Carr, 2014).

Other aspirations included:

- Influence and/or some element of control over apprenticeships and the levy. For example, Liverpool have asked in their March 2016 second devolution deal to discuss the uses and application of the apprenticeship levy (Sandford, 2016).
- Control over the traineeships budget (CCN, 2015: 7).
- Influence over student loans for FE, with the LGA wanting government to allow, “local variations in the 24+ Advanced Learner Loans” (LGA, 2015: 7).

The County Councils Network goes further, and argues:

*“The introduction of learner loans presents an opportunity to influence learner incentives and shape the system to align with local and national needs. Local areas are in a unique position to understand what is needed and put in place measures to influence and achieve this. For example, these could include powers to define loan eligibility criteria, or offer differential interest rates. Devolution would also allow local partnerships to join up support around demographics who may find this means of funding difficult to access.”*

(CCN, 2015: 6)

In much of the think tank and advocacy literature around localisation, considerable emphasis is placed on the potential for localities to gain control over some elements of the DWP budget for skills for disabled and unemployed adults (see LGA, 2015 for example). This topic cannot be addressed here, but it was raised by several respondents in Greater Manchester, who saw the chance to join up streams of funding from DfE, BIS and DWP as a major opportunity to create a much more integrated skills supply system for all those in and out of work.

### ***Opportunities to discuss and influence the development of national policy on E&T***

Local actors did not universally accept the current national level monopoly over the formulation of E&T policy. The LGA (2015), for example, has called for the development of Local Labour Market Agreements (LLMAs) covering skills and employment ambitions, and strategies at local level that are overseen by a National Employment and Skills Partnership (NESP). The NESP would, “ensure a devolved and integrated approach is enabled, and through which a constructive dialogue puts central government and local partners on more equal footing” (LGA, 2015: 17). Staff in one of the Manchester CA’s agencies expressed the hope that their efforts to establish a shared agenda with national government would gradually evolve into a longer-term ‘dual key’ approach to policymaking, acknowledging that, “you had to earn your way into the national policy conversation”. One local politician interviewed for this project argued that, “central government needs to shift its role and move away from commissioning, providing and trying to directly influence, and instead focus its efforts on becoming an enabler of local decision-making. It should hold local government to account and adopt a quality control role”.

### ***Likely responses from national government***

Evidence from policy statements, fieldwork interviews and other meetings with national policymakers suggest that the chances of this ‘wish list’ being granted are, as things currently stand, fairly remote. Many responses represented what might be termed ‘red lines’ in official policy, the breaching of which would not easily be countenanced. For example, Birmingham’s attempted ‘moratorium’ on the creation of new sixth forms was seen as being “outside their competence”, and neither the SFA nor School Commissioner’s powers would be “constrained by localities”. CAs “might get a seat at the table” when some issues were being discussed at national level, but would not be granted any greater powers of direction than those currently on offer. CAs needed to develop “realistic expectations”.

The gap between the expectations (realistic or otherwise) of actors at national and local level appears to be considerable. As a result, if national government continues to view devolution as a relatively closely circumscribed or isolated special case within wider moves towards further marketisation and de-localisation of decision-making and governance, then devolution is doomed to fall short of aspirations. The result will be considerable disappointment at local levels. The danger for FE is that it gets caught in the middle of this clash of expectations; neither responsive enough to the market to satisfy ministers, nor sufficiently hard-wired to meet local demand to satisfy the LEP or CA. Colleges will be tugged in different directions by divergent local and national policy priorities.

### ***Local geographies matter***

A final set of findings to flag up relate to the identity and character of individual localities. For the last three decades in England, national E&T policy often treated the labour market and the market for skills as a single, undifferentiated entity, which could be addressed via one-size-fits-all schemes and interventions (Keep, 2002 and 2006). A key strength of devolution is that it rejects this simplistic model and opens up the opportunity to re-focus policy thinking on specific localities and the circumstances and characteristics that shape their economic and social geographies.

However, as previously noted, defining the boundaries and identity of some localities is not easy. Respondents from rural areas pointed out that Greater Manchester was an unusual case and that their city deal was the payoff from a long-term project based on a

well-established collective identity. In rural areas issues of identity were sometimes more problematic, in that traditional geographic identities often did not reflect LEP boundaries, which one respondent defined as, “nonsensical, artificial and commanding no loyalty from the general public”. The same respondent argued that, “administrative boundaries are a very weak way of corralling loyalty”.

Another important issue is the different economic and social starting points and opportunities that confront individual localities (Martin et al, 2015; BIS, 2010). Some are in much better relative shape and have options that other parts of the country can only dream of (see Meegan et al, 2014, for a telling comparison of Liverpool and Bristol). As a result, even before choices about E&T are made at local level, the underlying economic potential and trajectory of a locality will create the conditions that drive divergence across the country. Whatever FE aspires to do, underlying economic and labour market conditions have already created a patchwork quilt of provision.

Research indicates that even within defined local boundaries there are often variations in employment, economic activity, jobs growth and skill need, and that local geographies of learning (for example, travel-to-learn patterns) are extremely important in shaping options for change. In Greater Manchester, for example, the economic and labour market baseline and outlook in Oldham or Bolton is very different from Manchester city centre (New Economy, 2016). Significant variations exist between the authorities that make up the Greater Manchester Combined Authority (GMCA), for instance GCSE achievement, participation in different forms of learning activity, and progression into HE (New Economy, 2016). Local respondents likened the GMCA to the solar system, with the city centre as the sun, and the more distant planets including places like Bolton and Wigan. Occasionally, policy thinking focused on what the centre liked and thought worked for them. Thus, the question, ‘how local is local?’ needed to be posed in order to ascertain whether the CA or individual local councils were best placed to make decisions.

Travel-to-learn patterns are also complex, varying both by level of qualification studied and by authority (for example, only 33% of young learners in Trafford studied in their own borough, whereas 93% did so in Bury – New Economy, 2016). Given this complex geography, several respondents interviewed in Greater Manchester stressed that if the ABR or other reforms recommended specialisation of provision at higher skill/learning/qualification levels in a few locations, this would only be effective if cheap and accessible public transport enabled students to travel to their place of learning. Similar views were expressed in the South West. Rural public transport provision often placed massive restrictions on altering travel-to-learn patterns.

Travel-to-learn preferences and options also determine the spatial level at which thinking about different types of provision might best be undertaken. On this point, BIS’s recent research paper on the FE market in England (Frontier Economics, 2016) suggests that, based on an analysis of travel-to-learn patterns, the FE market (or system) operates at three levels across seven groupings of provision:

## Local

- 1. Local core mixed environment training**, covering Levels 0-3 and leisure courses. Within this market there are distinct customer segments for 16 to 18-year-olds (who have a wider choice of providers than those aged 19-years-old and over), as well as for students routed via Jobcentre Plus, who may have little choice of providers.

**2. Local basic community-based training**, covering Levels 0 and 1, as well as adult community learning courses that do not lead to a qualification.

### **Regional**

**3. Capital intensive training**, offered through an FE provider's site (rather than in the workplace), covering all qualification levels.

**4. Regional advanced sector focused training**, covering Levels 4 and above, but only on courses that are not capital-intensive.

### **National markets**

**5. Sector focused training in the workplace**, covering all levels, with distinct customer segments for large employers.

**6. Specialist (often residential) provision.**

**7. Prison-based learning.**

This model implicitly underpins the assumptions upon which the case for National Colleges and Institutes of Technology (IoTs) has been founded.

This segmentation of the market/system suggests that some spatial units (e.g. smaller LEPs and some counties) may not be an appropriate level to plan or fund provision above Level 3, which opens up interesting questions about whether the emerging geography of the devolved AEB will need to encompass either mergers or cross-border planning mechanisms at higher levels. This returns us to the issue of the appropriate level for different types and levels of E&T activity to be conducted, funded and overseen.

# The development of localised skill policies – four scenarios for the future

## Clarifying the possibilities

The early stages of the fieldwork made it clear that the ABR process, coupled with other pressures, meant that much of the thinking about the future was focused on relatively short-term issues, and that well-developed models of where devolution might lead were less advanced than the project had assumed. In seeking to explore how localised skills policy might play out with respondents, a set of scenarios were developed as a device for structuring discussions. They were designed to aid reflection about different visions of the future, rather than intending to offer 'the vision' itself, and different elements of some of the scenarios could be in play at the same time. The four scenarios helped clarify some of the fundamental options and choices that colleges and their stakeholders face. They have been continuously refined in response to feedback.

The four scenarios were: Less of the same; Patchwork quilt; Markets rule!; and Localism in the lead.

## Scenario 1: Less of the same

In essence, what exists in 2020 is a smaller, less well-resourced, even lower trust version of what we have now. Government has failed to define a compelling or coherent strategy for post-19 FE. Instead, the meaning attached to localism and devolution has come to be dominated by two factors. First, the process of implementing the recommendations arising from ABRs has meant that, for many, localism has largely represented incremental rationalisation. Moreover, the ABRs have not fully stabilised the system. Some mergers have already failed or unravelled, and across the country some colleges continue to fall into financial difficulty. Several areas are now faced with a second round of ad hoc restructuring. The second factor is the local commissioning of the AEB. The realisation that the level of funding often falls far short of demand, and that localities have ended up with limited discretion to flex the offer or to innovate, has led to significant disappointment.

The main avenues of policy development continue to be set at national level by government and its agencies. Local authorities and LEPs have little or no role in or influence over national policy formation, and no formal mechanisms exist to facilitate this. As a result, priorities and targets continue to be set at national level, and localities are expected (with greater and lesser degrees of enthusiasm and ability) to configure delivery to meet these. National inspection regimes and the rules set by government when devolving the AEB, coupled with a nationally controlled apprenticeship levy and student loans system, mean that much de facto power remains at national level. The 'nationalisation'/de-localisation of schooling via the transfer to academy status and the creation of other, non-locally accountable schools continue apace. Localism in FE and skills exists in the spaces left (more or less accidentally) within national policies.

This, in turn, sets the tone for how localism is playing out on the ground. There is little room for metis (local initiative based on local knowledge), and individual localities generally lack the institutional and intellectual capacity to formulate and deliver major policy innovation. There is also limited trust within local systems, one symptom of which is localities using OAs with providers to drive a set of priorities with very little wider

consultation, with colleges (and others) expected to do the bidding of their LEP and CA. In other words, we have shifted from low trust national control to low trust local control, backed by punitive national inspection regimes and targets.

## **Scenario 2: Patchwork quilt**

Scenario 2 is similar to scenario 1, but it suggests that the likely practical outcome of localisation is a much greater and growing geographic variation in the nature and quality of the FE 'offer'.

The fragmented nature of the devolution process, particularly in relation to City Deals, with different powers granted at varying stages to individual localities, has produced a highly diverse and differentiated national 'map' of skills delivery, as well as making it far harder for localities to cooperate and construct a common cause or policy agenda. Moreover, the national level has proved adept at playing one locality off against others in a zero sum game for scarce and finite resources (e.g. funding, student numbers, the allocation of higher status institutions such as IoTs, etc.).

Devolution and divergent local economic growth trajectories have also led to massive variations in post-19 resourcing and strategy at local level, with some large CAs operating a 'systems' approach, while others have opted for a mini-market. Smaller and poorer rural areas, meanwhile, have seen a significant collapse in post-19 provision. Colleges operating across LEP and CA boundaries are left grappling with different funding and accountability systems and procedures. Connectivity between localities is fragmented geographically and politically as more and more localised 'offers', schemes and special deals emerge. Where you live is having a greater and greater impact on the local learning 'offer' available, and the gap between the best and the worst offers is widening. FE is yet another postcode lottery. Large national firms operating across the country are frustrated with the problems that this increasingly fragmented non-system is causing them.

## **Scenario 3: Markets rule!**

There continues to be no clearly articulated national plan or strategy for adult (post-19) skills – or for FE more generally. This is because the government's central policy principle is that market forces allocate more efficiently than any other mechanism. As a result, rather than local skills systems, skills providers operate in a set of localised marketplaces where the bulk of funding flows to providers via student loans or by employers purchasing apprenticeship and other training. DfE regulate this market – an approach that gives them considerable power to shape events.

Local stakeholder preferences are expressed via their choice of suppliers within the local market. LEPs and City Deals are expected to use their devolved AEB to purchase delivery of the (locally) required volumes and levels of learning via a competitive tendering process. The increasing marketisation of other forms of delivery means that individual providers are taking decisions about what courses to run based on expected income levels rather than any estimate of planned patterns of need. Student labour market outcome data, collected on a course-by-course and institution-by-institution basis (courtesy of matching student numbers to tax data), means that both students and the Student Loans Company are increasingly making choices on the basis of different local and occupational labour markets. Many lower level courses and qualifications show low or no returns to investment in terms of increased wages (e.g. hospitality, catering, social care and retail), and demand

from students reacts accordingly. Employers in these sectors are unhappy at this turn of events, and the cry is that yet again FE is not responding to employer demand.

Colleges have been left to develop their own survival plans. In the absence of any wider strategy, some colleges have built upon FE's long-standing adaptability and the propensity of college management teams to 'follow the money'. Colleges have reacted, sometimes in quite sophisticated ways, to the incentives provided by the remaining public funding, to relatively short-term growth opportunities in non-government funding, and, as ever, to trends in student demand.

The move to apprenticeships being funded via provider contracts with individual employers has greatly destabilised apprenticeship provision. As a result, there has been an expansion of college-managed apprenticeship provision, in part aided by the collapse of many smaller private providers due to cash-flow problems caused by the transition from SFA allocations to individual employer funding. In some instances the college has taken over local private providers, and use these as a more flexible and lower cost delivery model for a growing proportion of their business. Some colleges have also moved back down the educational supply chain, by sponsoring academies and/or free schools and studio schools, as a means of providing a 'feedstock' of post-19 students, particularly for loans-funded technical and professional education. They have also tried to increase their share of whatever is left of adult education, and the provision of HE in FE.

Colleges have also been relatively ruthless in pruning costs and exiting forms and areas of provision that do not break even. Small-scale, minority provision and courses that are high cost but attract limited student demand are axed on an institution-by-institution basis as tough commercial decisions are made.

These developments have implications for college management and governance, as colleges become 'holding companies' for a range of more or less autonomous operating units and subsidiaries. Colleges are now more dependent than ever upon their ability to operate as hunter-gatherers or 'scavengers'. There is an entrepreneurial form of metis in play, but it is heavily constrained by short-termism and levels of resourcing.

#### **Scenario 4: Localism in the lead**

The locality has become a powerful decision-maker, with the confidence, organisational capacity, expertise and political 'space' to innovate and initiate policy discussions and development. It is 'localism with legs'.

LEPs, CAs, individual LAs and colleges have seized the initiative and organised collectively to form a national confederation, and to demand seats at the table when national policy is being formulated. They have established a National Skills Confederation (NSC) to negotiate with DfE and other government agencies. The NSC has its own research capacity as well as a role in the development of policy thinking. Instead of unilateral policy formation by central government, where local levels simply act as delivery agents for ideas and policies formulated elsewhere, the new requirement is for 'dual key' policy formation arrangements, whereby those who have to implement policy at local level have a say in its shape and direction. Desperate for help given employers' negative reactions to the levy, stalled progress towards designing the new technical education pathways, the slow rollout of apprenticeship reforms, the weak adoption of the trailblazer standards, and limited overall progress towards the three million starts target, DfE realise that they have little to

lose by trying to get other stakeholders in the system on-side.

The embodiment of this new dispensation is a National FE Forum (localities, colleges, employers and national government) where co-formulation of policy is beginning to become the norm. Policy agenda setting has shifted outwards and downwards from Whitehall to localities and regions, and national politicians' virtual monopoly on skills policy formulation has been substantially weakened.

A new post-19 skills strategy has been constructed and new models of funding, including local and sectoral co-investment funds, are being developed to supplement the devolved AEB. The skills agenda is becoming better integrated into wider business development and support 'offers'. Trust between parties is growing and there is greater opportunity for local innovation

## Overview of responses to the scenarios

It could be argued that scenarios 2 and 3 are simply sub-variants of scenario 1. That said, all of the scenarios offer somewhat different trajectories within which policy and practice might develop.

The vast majority of those outside central government with whom the scenarios were discussed took the view that although their preferred option was scenario 4, the most likely outcome as policy developments currently stand was a mixture of scenarios 1, 2 and 3. It was also the view of many that it would take a significant length of time for the underlying direction of travel to become apparent, and that what happened in the next year or two might not provide an accurate guide to longer-term developments.

Evidence from other studies and responses to the interview for this project indicate that there are widely varying enthusiasms and appetites for the greater divergence that scenario 2 (a patchwork quilt model) might bring. A local interviewee for the Institute for Government (IfG) study argued, "we place too great a store on having this uniformity across funding rates, across qualifications, and all that sort of stuff. The ability to tailor a qualification locally requires an inordinate amount of work to draw down the national funding; that is ludicrous. Our argument would be, strip that away" (Randall, Casebourne and Davison, 2015: 42). A national interviewee countered this argument:

*"At the moment...a lot of local, particularly the combined authorities, just want to get the money, and they don't buy the argument that funding should be maintained nationally for simplicity and effectiveness. What do they want to do with the funding? They think actually that they can use the funding more sensitively [and] then can prioritise the latest fad and deprioritise things that shouldn't happen. And they want to play tunes with the funding. I think therein lies madness and complexity and bureaucracy. I believe that very, very strongly."*

(Randall, Casebourne and Davison, 2015: 46)

In scenario workshops, it was expressed that if scenarios 1 and/or 2 were likely, then as one respondent put it, "the question becomes how do we manage or influence the LEPs, and how do we use local employers to help do this?"

There was a clear view among those working in or governing colleges that elements of scenario 3 (Markets rule!) were highly likely to come to pass; however, there was also



limited enthusiasm for this prospect. One senior businessperson and chair of a LEP who was interviewed for this project suggested that the government's enthusiasm for a marketplace indicated that they were living "on another planet". He argued that devolution was a form of co-production and that ultimately some sharing of power was inevitable.

More generally, it was felt that markets tended to work badly for the less fortunate, but were advantageous to the powerful (in terms of money, choice, room to fail, information, etc.). Concerns were expressed about those localities, colleges and students who would get left behind in this brave new world. The concept of markets was also deemed problematic in rural areas, as in reality there was often little possibility of extensive competition due to travel constraints. Indeed, there were already real dangers that choices would be made on cost grounds, which would cripple certain types of provision in rural areas. On the other hand, the absence of or limits to competition in rural localities meant that it would be easier for colleges to act collectively.

A number of participants from colleges in the scenario workshop sessions disliked the use of the word 'scavenger' to describe college behaviour within a heightened marketplace (in scenario 3). To them, colleges' traditional ability to react entrepreneurially to new opportunities in the marketplace or funding system was seen as one of the great strengths of FE and a source of pride. This viewpoint mirrors Bailey and Unwin's observations about the historical tendency of FE colleges to act as a 'last resort' provider and to see themselves as individual, entrepreneurial institutions responsive to the ever-shifting patterns of student demand and policy fashions, rather than as parts of a coherent system (Bailey and Unwin, 2014). In contrast, some respondents lamented the fact that a 'follow the money' model meant that colleges often ended up reacting to external stimuli and demand rather than setting the agenda. As one interviewee noted, "vision in the sector is often 'what we've got, plus hoping for a bit more...'".

In terms of missing elements in the scenarios, the most frequently noted was the potential for a different relationship between FE and HE at local level. It was argued by some that the civic university model was set to come into its own again, and that FE and HE needed to learn to work together more closely. In Greater Manchester, for example, Manchester Metropolitan University was already a prominent apprenticeship provider. There were questions that could be posed to universities about what they could bring to the local reform agenda. Potential answers included increased local participation, especially from among disadvantaged groups; addressing higher-level skill needs and R&D; and helping local employers to re-think their recruitment and selection approaches.

The overall message from the scenarios was that the vast majority of respondents expected the future to resemble the recent past or the present, but with some current issues accentuated. This was certainly not their vision of choice. They would have preferred moves towards a model where localities were better able to deal with the national level, if not as equals then at least as some kind of partner, and for higher levels of trust to develop.

# Governance and capacity – ghosts at the feast?

Having explored how policymakers and practitioners wanted or expected devolution to play out, discussion now turns to two overarching topics that are liable to be of considerable importance in determining how devolution operates in practice: governance arrangements and the managerial and expert capacity of the different actors (colleges, LEPs, CAs, other LAs, employers and national government and its agencies). Both are areas that ought to be attracting greater attention.

## Multi-level governance and issues about power and representation

Governance is a vast and complex issue, and only some of the most important points can be touched upon here. There are potentially three levels at which governance issues need to be clarified:

1. Meta level – national government to local area (LEP, CA, etc.).
2. Mesa level – CA and LEP to their locality (including oversight of elements of E&T).
3. Micro level – college or FE provider to stakeholders, locality, LA, LEP, CA, and central government.

There are problems at each of these three levels, and these will be outlined below.

Information that has emerged to date on national and local relationships has proved contentious. Devolution represents a limited transfer of power from the national to the local level (variously defined), but so far it has not proved to be particularly concerned with securing greater public scrutiny or democratisation of decision-making. Policies, choices and deals once made behind closed doors in Whitehall have become policies, choices and deals made behind closed doors inside LEPs and CAs. As Pike et al observed:

*“The new institutional landscape is raising serious questions of accountability, transparency and scrutiny – the ‘Achilles heel’ of decentralisation... The wider public knows little about decentralisation of the governance system and is becoming increasingly disengaged and lacking faith in the ability of politics, public policy and institutions to make their lives better. Those better informed and engaged worry that power and control has simply shifted a little from elites in central national government to those at local level.”*

(Pike et al, 2016a: 21)

This view is echoed by Cox and Hunter:

*“...the democratic dimensions of devolution seem to be secondary to the expediency of getting a quick deal done. In truth, there is a significant risk that unless there is greater public deliberation, more business involvement, and greater clarity of process, many people will treat English devolution as a cynical transfer of powers between national and local political elites.”*

(Cox and Hunter, 2015: 4-5).

Lack of transparency has been coupled with the adoption, without any meaningful prior consultation, of a model for local governance in large urban areas of elected mayors – a goal of the former Chancellor of the Exchequer, George Osborne. While City Deals, CAs and elected mayors may provide a mechanism to attribute blame in instances of policy failure or poor use of public funds, they do almost nothing to address issues such as the involvement of local stakeholders in the decision-making process or the accountability of individual institutions that are in receipt of funding via a LEP or CA. At present there is no, “comprehensive framework setting out the roles, responsibilities and accountabilities of the funding and oversight bodies” (NAO, 2014: 9). Moreover, where the AEB flows through a LEP, there is a widely recognised problem that both the nature and structure of LEPs’ accountability to the areas they are supposed to represent is far from clear (Ward and Hardy, 2013; Meegan et al, 2014; Pike et al, 2013).

Colleges find themselves in the situation of being both nationally and locally accountable. They have been faced with this dual spatial accountability since incorporation, with the balance of power (until recently) strongly tilted towards the national stage in terms of hard accountability and performance management. However, devolution of elements of skills funding now mean that a college is accountable for a divided flow of resources. A college is responsible to DfE and the EFA for its 14-18/19 funding, but to the locality for its share of the AEB. The potential for tension between these two funding and accountability streams was recognised by research respondents at national level, and DfE had already started to focus attention on how to develop ways of working with CAs to ensure that various “national and local responsibilities were exercised in ways that minimised the risks of changing existing [national] policy priorities”. The expectation was that over time a consistent set of national and local relationships would emerge.

These issues are compounded by new structures and organisations within FE. The first, vertical integration, is where colleges form links up and down the educational ‘supply chain’. This is upwards into HE, via mergers or more formalised collaborations with local HEIs; sideways, via the acquisition of independent training providers (ITPs); and downwards via the establishment of multi-academy trusts, free schools and university technical colleges (UTCs) to provide a local ‘feedstock’ of post-16 learners. The second is horizontal integration, where colleges (or colleges and ITPs that the colleges have absorbed) form chains and operate across extended geographies rather than within a single locality. Their responsibilities are to multiple LEPs and/or CAs, rather than to one. As noted earlier, this model undermines the traditional example of single colleges rooted in and responsible to their immediate locality. Combinations of vertical and horizontal integration are, of course, possible.

Both strategic moves are a way of dealing with uncertainty by diversifying income streams (for further details see LSIS, 2012), and both pose significant challenges to established models of governance. Where colleges operate as part of a group across different localities, for instance, are governors in individual colleges simply superintending a branch office? Furthermore, if major decisions about patterns of provision are made centrally at group level, how and to whom is the group structure locally accountable?

The research uncovered a range of questions on governance to which practitioners wanted answers. These cross-cutting issues were bound up with how and by whom a new system of multi-level governance is to be developed in a world of differentiated and localised power-sharing between central government and individual localities – as well as between colleges and their oversight at local and national levels. The questions included:

1. Through what mechanisms, if any, will localities liaise about their skills policies and to what degree will they choose to confederate (regionally and/or nationally) to create forms of collective policy deliberation and representation?
2. Given the emerging answers to question 1, how in the longer-term will DfE structure and manage their accountability relationship with localities (individually and collectively) and those that govern policy therein?
3. What will be the relationship between national targets, entitlements and priorities, and those set by localities, and how will any tensions between these (not least for scarce public resources) be mediated?
4. To what extent, if any, will central government cede a share of influence over the fashioning of strategic skills policy goals, and if it does, through what mechanisms will this 'dual key' model of policy formulation be structured?
5. What issues and decisions are best made centrally and which locally, and are there some that can and should be shared (and if so, through what mechanisms)?

Some of these questions are currently not much closer to being answered than they were when originally posed. For example, those interviewed as part of the Institute for Government's project on skills devolution (Randall, Casebourne and Davison, 2015) raised a host of points about how national level systems, not least the inspection regime, can mesh with local oversight of providers. How this is resolved, other than simply by a de facto central government imposition of the status quo is an open question. What is apparent is the notable absence of any wider public debate on the longer-term evolution of new governance arrangements. Consequently, there are masses of administrative, technical and process detail emerging from government about the mechanics of devolving the ASB to localities and turning it into an AEB, but there has been silence on what a devolved post-19 skills world should look like or how localities and government might best cooperate in answering the issues covered under question 5.

A significant number of those interviewed for this project noted that the new world into which FE was heading would require new forms of governance (for colleges and for other actors such as LEPs and CAs). On the whole, however, the pressure of more immediate concerns meant that the modelling of what this might look like was not taking place in any concerted fashion. Those pressures included the instability and ever increasing complexity of funding streams and of, "being on my fourth finance director in six years", as one college principal put it. Governance was flagged up as an issue that needs to be addressed, but how and by whom was left unresolved.

If form is a function of purpose then the pursuit of new models of FE governance will require greater clarity about what FE is there to do, and, perhaps even more importantly given its traditional status as provider of last resort (Bailey and Unwin, 2014), what it is not there to do. An important theme across many interviews and other forums was the identification of a need for FE to develop what one respondent termed, "a clearer vision of what it wanted its future to look like, rather than having other people's multiple and often competing visions imposed from outside on colleges". It was also acknowledged, however, that it was much easier to state the need for this than to actually accomplish it.

Some respondents stressed that as sources of funding diversified and more were outside the direct control of central government (student loans, AEB and employers spending their apprenticeship levy contributions), the issue of those who pay having more of a say in

their use would inevitably loom large. If the majority of post-19 students fund their course through loans, it implies a different line of responsibility from that of the early 2000s, when national government was the main funder. As the devolved skills 'deals' and governance configurations of individual CAs are different, devising local governance arrangements for FE may have to vary from locality to locality. It seems likely that, as things stand, colleges (individually and collectively) will have to take the lead and forge new models. One useful starting point for fresh thinking remains the LSIS/AoC (2012) publication, *Thinking Outside the College*.

## **The capacity of localities to design and deliver skills policy**

One of the clearest messages to emerge from the fieldwork was an almost universal view (from colleges and other stakeholders in the FE system) that at present many CAs, LAs and/or LEPs lack the capacity (staff, time, expertise, contacts and networks, analytical capacity, processes and data) to fulfil their new and slowly emerging role as custodians, supervisors and deliverers of a more localised skills policy. One respondent (an adult learning provider) expressed "fear and trepidation" at the prospect of LAs acquiring additional E&T responsibilities given their current inability to discharge their existing statutory duties effectively.

The task of taking charge of the AEB is liable to represent a major challenge for many localities, as local authorities have long since seen their expertise in non-school based E&T diminish, and because FE and vocational skills was "fiendishly complex", as one college principal put it. The Institute for Government's study on skills devolution uncovered similar concerns (Randall, Casebourne and Davison, 2015), and a civil servant interviewed for this project argued that some LEPs were probably "too small and weak to handle this new role", particularly where the identity of the locality was less well-defined and where the LAs were not used to working with one another. Such concerns may be well founded. As the NAO reported, the median number of full-time or equivalent staff employed by LEPs is currently eight (NAO, 2016b: 4).

*"LEPs are highly dependent upon local authorities, and the sustainability of this support is uncertain. We found that LEPs depend on local authority partners for staff and expertise, and that private sector contributions have not yet materialised to the extent expected. However, cuts in central government funding mean that local authorities are themselves reducing their spending in areas such as economic development in favour of protecting statutory services..."*

(NAO, 2016b: 8).

Lack of capacity manifests itself at a range of levels. For example, one CA was described as having "no capacity, strategy or ideas" by a provider representative interviewed as part of this project. In this instance it was reported that local colleges were already threatening the CA with judicial review if it attempted to vary current allocations of the ASB when it took charge. Several respondents volunteered the view that a key role for the LEP and CA was to understand their colleges and providers, and to possess detailed knowledge of their strengths and weaknesses. Many, however, expressed doubts as to whether this was currently the case. The view that national government and its agencies often struggled to come to terms with individual localities and appeared to lack the personnel and knowledge to make localism work was also put forward by a number of interviewees, particularly in the wake of recent staffing cuts. In addition, employer engagement would also appear to be crucial (Clayton and McGough, 2015), but there are real issues about where and from

whom the employer 'voice' is to be sought. In some CAs, such as Greater Manchester, employers are relatively well organised (through the GM Chamber of Commerce); in other conurbations and more rural areas, however, a well-developed, locality-based infrastructure is sometimes entirely absent. Finally, some respondents noted that, in contrast to schools and HE, FE and vocational learning generally lacked a large-scale academic research community to support it.

The question of differential capacity was also raised. Some CAs were well organised and had evolved structures that allowed the integration of skills with other issues, such as employment, economic development and inward investment. Outside the major conurbations, however, this was not always the case. In relation to delivering the Growth Deal, the NAO (2016b) observed that:

*"LEPs need access to staff with expertise in complex areas such as forecasting, economic modelling, and monitoring and evaluation. Only 5% of LEPs considered the resources available to them to be sufficient to meet the expectations placed on them by government. Additionally, 69% of LEPs reported that they did not have sufficient staff and 28% did not think they had sufficiently skilled staff. LEPs frequently cite insufficient revenue funding as a reason for this. Funding uncertainty has made it difficult to recruit and retain skilled staff."*

(NAO: 2016b: 8).

The loss of UKCES means that one of the few bodies in England with any established track record in thinking about and piloting how skills interventions might work alongside economic development, labour market progression and improvements to work organisation and job design has been wound up, and its accumulated pool of knowledge dissipated.

### ***Capacity within colleges***

There were also concerns about colleges' long-term ability to thrive in the future. The challenges outlined above have put college management and governance teams under significant pressure. As this paper has noted, the range of changes and reforms that are sweeping through FE represent a major issue, both in terms of comprehending what each means and of thinking about how they might interact at individual college (or college grouping) level. A significant number of respondents observed that the growing levels of complexity and volatility in funding streams and the dwindling of any 'slack' in the system meant that even leaving aside all the other changes and challenges that were looming, running a college was becoming ever more difficult. Few believed that ABRs would resolve this to any great extent.

Managing the impacts of localisation is therefore just one problem and source of complexity among many. This situation raises issues about senior management staffing in colleges, and also their training and development needs. Caught between the rock of a high stakes national inspection and performance management regime, which draws energy and attention towards day-to-day delivery issues (attendance, Prevent, safeguarding and success rates); and the hard place of structural change (reforms to funding, curriculum, assessment and the need to interact and manage relationships with a range of external stakeholders), it is clear that college management is complex and high pressured, and this has knock-on effects on how management is executed. As Fletcher, Gravatt and Sherlock noted:

*“A poor inspection grade or a financial deficit can spell the end of a professional career or a college. A particularly unfortunate consequence of this has been a tendency to prioritise the tactical skills needed for an institution to survive from day-to-day, rather than the strategic thinking demanded to take the sector forward in the national interest. The skills required to navigate the minefield of FE control systems differ from those needed to articulate a clear and compelling alternative vision of the future.”*

(2015: 173.)

It is also the case that both vertical and horizontal integration means that some colleges are becoming like multi-divisional companies. The knowledge needed to run a college grouping that covers school provision is very different from the knowledge required to manage traditional FE provision, while the attributes needed to oversee the progress of a single college also differ. These emerging models may require a new skills mix, and the government's *Post-16 Skills Plan* acknowledges this:

*“Reform on this scale will inevitably pose leadership and governance challenges for colleges and other training providers. The structures arising from area reviews are likely to be significantly larger and more complex, with a different skill set needed to lead and govern them. The restructuring process opens up the potential to recruit new leaders and governors. The move to an employer-led system means that college governing boards need to attract more business people who can bring the experience and understanding necessary to enable greater responsiveness to employer needs.”*

(BIS, 2016a: 35).

As a result of these pressures, there was support among respondents for recommendations proposed in the Sharp Review, and for consideration to be given “to the establishment of a dedicated college or sector leadership centre which combines first-class training with guidance and peer support in building partnerships and taking and handling risk” (2011: 26). This would deliver staff development and CPD, management and leadership training, and perhaps also act as a think tank for the sector. Participants on its courses could be drawn from:

- FE provider senior management teams
- Governors
- LEP and CA staff covering both skills and local economic development
- Government and its agencies (EFA and SFA)
- Institute for Apprenticeships (IfA).

The opportunity for staff from different constituencies to interact, learn from one another and establish a common baseline of knowledge and understanding would be a significant advantage in developing local learning systems.

# Matters for further thought and reflection

Given that this publication reports on a stage of an ongoing journey rather than offering any kind of description of the journey's ultimate destination, its conclusions are mainly tentative. At present, devolution is a multi-actor, multi-speed quest in search of a weakly specified and contested 'grail' – both generally and in relation to skills. How devolution develops, therefore, is up to a number of different parties. Currently there are a considerable number of 'known unknowns' (and indeed many 'unknown unknowns') in play across devolution policy, in wider E&T policy, and also with the elements of E&T that are being devolved. That said, there are areas where issues and problems can already be identified.

## **A clash of expectations and the danger of disappointment**

One of the key tensions is the potential for divergence and dispute between parties – government (who are transferring power downwards) and those in localities who are receiving new responsibilities and resources. In terms of E&T and skills, the issues for both parties chiefly centre upon:

1. Scale of expectations. The research has suggested that government's expectations of the freedoms being granted are limited, whereas some commentators and localities want to present devolution as a fundamental change.
2. Different ideas about the best model for progress, where devolution should be leading, and how far it should go.

There is also the potential for differences of opinion within the two camps, particularly within localities, where markedly different visions of what localisation might mean are often in play as various interest groups and stakeholders vie for power and influence over the policy agenda and resource allocation.

The main danger is one of disappointment, particularly at local level. One of the problems with devolution is that it has become laden with hopes for solutions to the vast, long-term structurally embedded economic and social challenges found in many of our communities. As a result, significant expectations have built up around City Deals and the localisation of aspects of skills policy and delivery, and it is apparent that in some instances these are liable, in the short-term at least, not to be fully met.

As the report has illustrated, clashes of ideas and expectations have implications for management, governance and practice within FE institutions (individually and collectively). For instance, if the national level continues to gravitate towards market-based solutions to skills problems while localities opt for more system-based approaches, then there is a danger that many of the issues identified in this report will be difficult to address because perceptions of the problem will be constructed on a different basis. If we take the example of management capacity at local levels, for instance, the nature and scale of the problem, and the solutions that might be adopted, look very different from contrasting market and systems perspectives.

If central government envisages a set of localised marketplaces, then specific skills are required, such as the ability to manage a competitive tendering process to commission provision and the ability to specify contractual obligations via outcome agreements.



Most major strategic decisions no longer rest with management in institutions, but are rather delivered by the 'invisible hand' of market forces. In much the same way, if markets are the dominant model then market forces and student choice become the primary 'governance' mechanism. By contrast, a systems approach demands very different skills and capabilities.

### **New spaces or same old game?**

Many believe that localisation will open up new policy spaces, but in reality there is a possibility that it may, in some instances at least, deliver smaller versions of what has gone before within the old (national) space, i.e. supply-led, target driven policies. There are at least two reasons for this. First, localisation of decision-making (often partial) does not create new thinking or enable the adoption of fresh analytical frameworks within which to devise policy. The gravitational pull of familiar approaches and framing devices is considerable – national policymaking has failed to escape this familiarity over a 30-year period (Keep, 2006). Furthermore, there is no reason why local officials and policymakers will feel more comfortable moving outside the traditional supply-side model than their counterparts in central government. Second, the resources and capabilities (expertise, person power, time, analytical capacity and freedoms) to craft new policy approaches may be in even shorter supply at local level than it is at national level. The crisis of capacity at the centre may very well be replicated, perhaps even amplified, at local levels, where individual LEPs already find their ability to engage with skills policy (and many other challenges) under considerable pressure.

The development, acknowledgement and deployment of metis is not a foregone conclusion arising from localisation. Localisation may deliver more of the same on a different spatial scale, in the form of miniature command and control, target driven models of policy design and management. In this model, colleges swap elements of SFA bureaucracy for a new localised set of electronic forms. If localisation of elements of the E&T agenda is to produce opportunities for fresh thinking and new ways of working, it requires leadership and sustained capacity building, as well as the development of trust.

### **Knowing what success or progress looks like**

The NAO's reports on devolution (NAO, 2016a) and LEPs (2016b) both note that quantifiable objectives for devolution, and for the various aspects of the process, have not been established by government, and this means that assessing progress (or lack of) is hard. Without clear definitions of what 'success' might look like and the means to monitor whether developments are actually leading towards the expected outcomes, judging the results of ASB/AEB devolution will be impossible. The danger is that policymakers at local level will revert back to the tried and tested NPM device of endless output targets (for example, X more apprenticeships by year Y). Cumulative experience over the last 30 years in English E&T policy suggests that these targets often have no relationship to real needs within economy and society, are set in an almost entirely arbitrary manner, and measure outputs rather than any long-term outcomes (Keep, 2002 and 2006).

Developing more sophisticated methods for determining the success of skills devolution, not least some measures of the quality of the policy process within localities and the nature of the relationships between various partners is essential to making progress. In addition to summative evaluation and performance management, we also need formative feedback and progress monitoring to help those who design and deliver skills policy within

localities to see where and how improvements can be made. Methodologies for such evaluation exist (see, for example, OECD, 2009).

## **A 'foot in the door' moment?**

Martin Doel, the former Chief Executive of the Association of Colleges, recently suggested that, "lifting your head up from the immediate and pausing to consider future possibilities is at once difficult and essential for any organisation that aspires to be high performing" (Doel, 2016: 55). This report suggests that the time for some serious horizon scanning is now upon all those embarked upon the localisation of parts of E&T.

This means taking a step back from immediate questions and concerns, such as what to do with or about the AEB. It means confronting fundamental choices concerning mission, vision and purpose for skills provision in particular localities – as well as for institutions within each skills system and/or marketplace.

As this report has argued, without fresh thinking, there is a considerable danger that expectations on all sides may not be met. For colleges, this process demands thought about how they wish to perceive themselves – as players, victims or agenda setters. Colleges have been socialised into, and are extremely adept at, reacting to external stimuli in highly innovative and entrepreneurial ways, but may not be quite as proficient at carving out their own visions, priorities and establishing the means to deliver these – either on their own or in partnership with others.

Localisation does not diminish this problem. It simply suggests that without change, colleges will be ruled both by local and national forces and bodies. Localism therefore provides a powerful impetus for contemplating wider changes. It also potentially offers a foot in the door of policymaking. As noted in scenario 4, the current skills reform agenda is hugely ambitious. Realistically, it can only be delivered if actors at local levels endorse its various elements and help to deliver them. National government can will the ends, but the means of delivering them ultimately requires some form of negotiation and coalition with other interested parties. There may be a significant opportunity to create the space for fresh thinking and to forge new alliances at a range of levels. For instance, a major step would be the conceptualisation of governance mechanisms that go beyond accountability and act as forums for catalysing, energising and harnessing broader coalitions to deliver mutually agreed goals. Painter (2016) offers a strong example of how FE colleges could take the lead in helping develop the 'cities of learning' concept.

Once the dust from ABRs has settled, colleges and other stakeholders need to discuss what they want to see and how they might go about achieving their aims. Discussions need to take place at national level between parties such as AoC, FETL, the Education and Training Foundation, the SFA, Ofsted, the Institute for Government, the Local Government Association, DfE and other representatives of localities and the devolution movement (including the relevant think tanks). Conversations also need to occur within and between individual localities.

Below are some questions that might be useful as a basic starting point for framing efforts to address the issues outlined in this report:

1. Where in 10 years' time do people want to be, and how do they think they might get there? What can FE colleges (individually and collectively) do to influence what happens?

2. What can localities (and the colleges that serve them) do that is both different and better than current policies and models allow?
3. Should the guiding overall design principle for FE be one of markets or one of systems?
4. If there is to be any re-balancing of the rights, roles and responsibilities between national and local levels then it would seem reasonable to assume that, sooner or later, there needs to be some more explicit formulation of this new balance of power. How and by whom might this best be arrived at? What mechanisms or institutional arrangements might need to be created to assist in this?
5. If localities want to assume greater responsibilities, and to design and enact skills policy better than has been the case with central government, what capacities and capabilities do they and other partners need to develop? For example, what knowledge, skills and abilities do college leadership and management teams need to thrive in this new environment, and to what extent are they different from the skills needed in the recent past? How can such skill needs best be met, and by whom?
6. What new forms of local accountability may be required, and how can we create new representational institutions that deliver stakeholder involvement and commitment, not least from employers? Where, in the long-term, might multi-level governance take us, and what institutional forms might it take? Is a local skills ecosystem approach useful, and to what extent do localities have the capacity and willingness to adopt and develop this model?
7. How can employers and students be more involved in governance? How can the (sometimes) competing demands of employers and the individual student best be balanced in the new world into which we are heading?

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