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## Further Education and Localism in the Context of Wider Debates Concerning Devolution

### Paper one

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Funded by

FETL was conceived to offer to sector colleagues the opportunity to spend time thinking, on behalf of us all, about the topical concerns of leadership in today's complex education and training system and to do so in order to advance knowledge for the sector's future.

# Introduction

## The research project

The further education (FE) system is currently facing a 'perfect storm', both in terms of reductions in public funding and a welter of reforms and proposals for reform emanating from stakeholders at a variety of levels (Keep, 2014a). This project, undertaken in partnership by the Association of Colleges (AoC) and the Centre for Skills, Knowledge and Organisational Performance (SKOPE) at the Department of Education, Oxford University, seeks to explore a major strand within these developments: devolution and localism. The research is being funded by a grant from the Further Education Trust for Leadership (FETL).

The project has two aims:

1. To explore how the leadership and governance teams in individual institutions, localities, the 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 organisational strategies to support moves towards a more devolved, localised pattern of FE governance and funding. To then use this data to further understand how localism is developing across the system, and support the creation of new models to best deliver this; for example, through the construction of scenarios that propose 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 think through how these might be better developed and delivered across the FE system and other stakeholders involved.

It is intended that the project will deliver the following outcomes:

1. A clearer picture of how localism is playing out in specific areas, the underlying trends and what is driving them.
2. Enhanced knowledge and understanding among practitioners and policy makers 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 training and development needs across the sector around localisation, and the stimulation of new forms of provision to meet these.

## The purpose and aims of this paper

This background research paper aims to frame localism and devolution in FE within the broader policy context set by debates and policies on localism, and to identify some of the

issues and challenges that these throw up. Localism in the context of FE could be viewed through one of two lenses:

1. As a free-standing project that begins and ends with the development of new, more locally controlled and accountable systems for the delivery of skills.
2. As a component or area nested within, and at least partially dependent upon the success of, a much broader project concerned with the 're-scaling' of governance arrangements for particular areas of policy at a range of sub-national levels, and the potential repatriation of political and fiscal powers from central government to local levels (however defined).

Although some of the discussion about skills and localism adopts the first perspective, this paper starts from the assumption that the second lens offers a more accurate and useful approach to viewing and assessing the situation. Thinking about the concept of localism and associated problems of power and accountability below the national level in education and training cannot, as this paper aims to demonstrate, easily be separated from wider debates about the role and responsibilities of local and regional government, agencies, city regions, economic geography and spatial economics. Moreover, in practical and political terms, what happens within individual localities to FE and skills policy more generally is linked to the development and wider long-term trajectory of City Deals, Local Growth Deals, City Region Devolution Agreements, the 'Northern Powerhouse', Local Enterprise Partnerships (LEPs), and local government funding.

## The devolution debate

There is a large and rapidly growing range of literature devoted to the broad concept of devolution and localism within the UK. Some of this is academic research, but there is also a great deal of policy analysis and advocacy by various think tanks (for example the Centre for Cities and the Institute for Public Policy Research), and policy proposals from interest groups such as the Local Government Association (LGA) and various coalitions of LEPs. This paper makes no attempt to try and summarise this work in its entirety. This would be a massive task that lies beyond the remit of our project for FETL.

Instead, this paper aims to identify a limited number of strands within the general debates on localisation and devolution that are pertinent to what is and will be happening to the FE system. It also seeks to highlight some emerging tensions within current policy developments on the localisation of the FE and skills policy agenda. These issues form part of the backdrop to our research.

## Localism in historical context

It can be argued that devolution as we know it today has three sets of underlying drivers. The first, which is rooted in divergences in economic performance across England, predates the other two. As Martin et al (2015: 3) observe, spatial imbalances in the economy have been a long-standing concern in the UK, and post-war governments have sought a variety of approaches to tackle this issue. After the recession of the early 1980s and the decline of the coal, steel and manufacturing industries, some urban areas were perceived to be in sharp economic decline, with problems of long-term unemployment. The large and widening inequalities in economic performance between different parts of the country, alongside a growing awareness (in part fostered by the Organisation for Economic Co-operation

and Development (OECD) and European statistics) that many cities in the UK were being outperformed by overseas rivals, made boosting the economic performance of urban centres an increasingly important policy issue (McInroy and Jackson, 2015).

Moves to encourage the de-nationalisation of policy and the re-localisation of decision-making about economic regeneration mattered because research indicates that there are linkages between a city's governance systems and its economic performance (Ahrend and Schumann, 2014). The overall conclusion reached by research was that, "the most successful cities in Europe have more substantial powers and resources and operate within a much more decentralised national system than is the case with English cities" (BPF/NLP/APUDG, 2014: 22). These issues are given added urgency by the fact that between 1995 and 2013 spatial imbalances, as measured by regional shares of gross domestic product (GDP), rose faster in the UK than in France, Spain, Italy, Germany and, at state level, the USA (Martin et al, 2015: 3). As a result, a focus on economic development, cities and city regions emerged early on in the counter-movement to the government's centralisation of decision-making (see, for example, the Small Business Service's 2001 *City Growth Strategies – A Prospectus*).

The second force that led to calls for greater devolution has its roots in politics. The concept of transferring power from central government to smaller geographical units in England has been around for a relatively long time. As central government, particularly during and after the Thatcher era, chose to reduce the power of local authorities (LAs) and transfer control of many of their former responsibilities to central government or to a range of quangos, concerns about over-centralisation and accountability started to surface (Jenkins, 1995). In many ways, the stress on localism represents the counter-revolutionary movement to or backlash against this 'long wave' of delocalisation.

A counter-movement, with power repatriated to local bodies (although often not elected LAs) started to emerge, particularly in relation to the economic regeneration issues touched on above. From the early 1990s until 2001, this model was embodied by the Training and Enterprise Councils (TECs) in the fields of education and training (Jones, 1999). In the late 1980s and early noughties the hope among some policy makers was that regional government might be the answer (see, for example Craven, 1998). For instance, New Labour's Regional Development Agencies (RDAs) were meant, in part, to be the first steps towards elected regional assemblies (rejected in a referendum in the North East of England and thereafter never revived as a serious concept). The Coalition Government's abolition of RDAs and their replacement with LEPs was an attempt to revive many of the ideas that underpinned the TECs (Jones, 2013).

Thirdly, Scottish devolution and the subsequent independence debate and referendum triggered successive waves of concern in northern England, especially in the North East, where discretionary powers ceded to the Scots have been seen as giving them an advantage in locational competition for inward investment. Also, at a deeper level, national devolution to Scotland, Wales and Northern Ireland has raised a host of issues about what is the most appropriate level or levels at which decision-making and accountability for different areas of public policy and public service delivery should be located (Lodge, 2010).

## **Competing visions, boundaries and mappings of the 'local'**

Localism is currently a 'flavour of the month' policy concept, but one of its central problems is that different commentators and interest groups choose, for entirely rational reasons, to

conceive of 'the local' and localism in different ways. There is thus no single, commonly agreed model or vision of what localism should ultimately look like, or even how best to draw the boundaries for individual local units of decision-making. One person's locality is, for another person, simply a minor subset of their larger model of a locality or region. As the Centre for Urban and Regional Development Studies (CURDS) puts it, a key issue is, "where one place stops and the next starts" (CURDS, 2015). For governments, the main focus, at least within policy rhetoric, has been the city region. This essentially means the larger urban conurbations. However, there are other ways of viewing locality, not least in terms of geographic areas that are smaller in scale but have a common identity forged through economic underperformance; for example, ex-mining communities, seaside towns, and smaller cities in less prosperous regions of the country (see Martin et al, 2015; ATCM/IED/RICS/RTPI, 2015; Blond and Morrin, 2015; Centre for Cities, 2014; Commission for Underperforming Towns and Cities, 2015). The underperformance of rural areas provides another potential boundary-setting frame (Department for Environment, Food and Rural Affairs, 2015).

As a result, localism/devolution arguably represents an arena for conceptual and political contests to play out, for example:

1. England versus the other UK nations.
2. National government's power and status versus local government's power and status.
3. National agencies' power and status versus local agencies' power and status.
4. Cabinet ministers, national politicians and civil servants versus councillors and local government representatives and officials.
5. Large urban conurbation/metropolitan England versus rural/marginal/decaying former industrial districts.
6. London and the South East versus everyone and everywhere else.

These contests for power, influence and resources often overlap and intertwine, and take place against the backdrop of a set of broader debates about the place of the nation state within an increasingly globalised economy and set of international governance institutions (for example, the World Trade Organization and the OECD).

At the same time, the theoretical models that underpin regional policy and localism, which are related to economic activity and decision-making, are also subject to considerable and heated contestation. There are many different schools of thought about what causes spatial inequalities in economic outcomes and what, if anything, might be done to address them. Martin et al (2015) offer an excellent overview of these debates, particularly as they relate to the New Economic Geography and New Urban Economics theories that currently underpin much policy thinking within government and elsewhere.

Given these different models, it is not surprising that localism at both policy development and delivery level is faced with a number of key tensions.

# Tensions

## Much ado...? The (assumed) promise of devolution and localism versus the reality

The potential for tension between what is hoped for from localism and what it actually delivers covers both the process of localisation and the political, economic and social results that emerge from the process. If we imagine the varying perspectives that might be adopted in terms of the promise of positive change that devolution and localism hold, then we arrive at a spectrum where at one end devolution comes to be seen as some kind of cure-all that can deliver transformative effects; at the other, it is seen as a false or misleading promise that offers very limited prospects of delivering worthwhile and meaningful change.

Between these two extremes lies a range of intermediate positions. How actors, stakeholders and commentators position themselves along this spectrum is determined by the way in which tensions and issues play out. Because localism as a political project is still in its relatively early stages in England, the picture is a fast-changing one.

## Piecemeal powers

A key finding on devolution to date has been that the model is structured by two fundamental characteristics. First, devolution is a top-down process, whereby national government controls the pace and designs the process and criteria whereby any powers are to be transferred. Second, it is being undertaken by central government using an explicitly piecemeal approach. There is baseline funding for LEPs and other streams of money, much of which is available on a competitive basis (where national government runs and judges the competition), but beyond that there is no 'devolution' as a single, unified model with a standard blueprint for political and organisational change. Instead, there is a spectrum of diverse, often fluid devolution settlements on offer to different localities. The centre will engage with localities on an individual, case-by-case basis to negotiate one-off agreements to create a differentiated model. In the case of City Deals, this will only take place if the locality is prepared to sign up to the government's centrally (and unilaterally) designed blueprint for governance structures (O'Brien and Pike, 2015), with elected mayors now seen as a deal breaker despite their rejection in a number of earlier local votes. In other words, this is devolution piece by piece, designed and conducted on Whitehall's terms, with individual government departments keeping control over key decisions about what should be devolved and how funds should be distributed.

Moreover, the current governance configuration exists, as the National Audit Office (NAO) has noted, without any "comprehensive framework setting out the roles, responsibilities and accountabilities of the funding and oversight bodies" (NAO, 2014: 9). It is the result of largely isolated, ad hoc changes rather than the product of any form of systemic design. Localisation is thus currently being designed and enacted in a way that represents a very traditional English model of 'muddling through'. There is no nationwide grand plan or settlement, and the City Deal for Greater Manchester (Greater Manchester Combined Authority, 2015) is not the same as the Cornwall Devolution Deal (CC/HM Government/CISLEP/NHS, 2015).

This piecemeal approach has two consequences. First of all, it puts a strain on the capacity of both localities and central government to find the time, staffing and expertise to engage in the negotiations required to put together, superintend and deliver the deal (O'Brien and Pike, 2015: 6). Secondly, it is already clear that in the immediate future England will possess a patchwork quilt of various one-off 'deals' forged between central government and local bodies, so that in some instances localities will have powers available to them that their immediate neighbours do not. The evolution of these deals, their direction of travel, their speed of travel and the distance that their journey takes them will potentially vary significantly from area to area. Not everyone sees this as a disadvantage – see, for example, LEP Network (2015: 5). The upshot is that the national map of local governance and government will be highly complex, unstable and constantly changing for a long time to come, as local political settlements evolve.

## Resources – crumbs off the table?

Despite the high profile nature of City Deals and other manifestations of localism, the actual scale of financial resources that have so far been transferred from the centre to the locality is relatively small. This is taking place against the broader backdrop of massive overall central government-imposed reductions in local council spending, with an average funding cut in central government support of 37% between 2010-11 and 2015-16 (NAO, 2015: 4). In terms of the Wave 1 City Deals:

Overall, the government's funding for the deals is relatively small compared to its total funding for local authorities and other bodies such as LEPs and local authorities' total expenditure. For example, the government's funding for local authorities, both capital and revenue, was worth £36.1 billion in 2013-14, while capital expenditure by the local authorities totalled £2.9 billion. In contrast the Unit expects departments to grant cities £147 million funding attached to their City Deals in the same year.

(NAO, 2015a: 20)

Aside from the Chancellor's recently announced proposal that localities can retain the proceeds from business rates, the proportion of taxation that is set at local level within the UK is at a markedly lower level than is found in many other developed countries (1.7% of GDP, compared to 15.9% in Sweden, 15.3% in Canada, 10.9% in Germany, and 5.8% in France – see Martin et al, 2015: 13). Moreover, in terms of the various packages of funding being cascaded down from central government to localities, "what now exists is a plethora of piecemeal, largely unconnected forms of centralized support (mostly allocated locally on a competitive basis), that do not add up to a systematic, sufficiently-funded or coherent strategy for spatially re-balancing the economy" (Martin et al, 2015: 14). Martin et al also note that the National Audit Office has reached a similar conclusion (NAO, 2015b). At present, this picture does not look set to change dramatically.

## A transfer of power, or the devolution of hard choices?

Although City Deals and other aspects of localisation have attracted considerable media attention, an argument can be made that much of what has occurred to date represents a form of window dressing, rather than a genuinely radical and fundamental redistribution of power and resources between central and local authorities. It is certainly the case that some academic commentators (O'Brien and Pike, 2015; Martin et al, 2015; Moran and Williams, 2015) question

whether, as currently constituted, devolution amounts to more than a marginal shift in real economic and political power between centre and local areas. For example, O'Brien and Pike offer, "the tentative conclusion that City Deals, when viewed in an international context, and considered as a collective, do not represent radical de-centralisation" (2015: 8), while Moran and Williams argue that behind the political and media hype what is often being devolved is, "desperately hard choices away from Whitehall" (Moran and Williams, 2015: 2).

The particular instance Moran and Williams are discussing relates to the devolution of health and social care budgets to Greater Manchester, but similar sentiments might be expressed in relation to the devolution of post-19 skills budgets (see below). Moreover, further cuts in local government funding loom, and leaving the choices about where the axe falls to local politicians and officials has a strong appeal for both national politicians and civil servants (Keegan, 2015). In other words, it could be argued that at present what is being devolved is the implementation of austerity and the associated responsibility and potential blame, rather than large-scale resources and political power over fundamental decision-making.

## Outcomes – the example of re-balancing the economy

Devolution and localism are intended to have many beneficial effects on a wide range of social and economic policy areas. In the space available here, the focus is on one example that both localities and central government have strongly endorsed. This is the belief that the new focus on local decision-making about economic development would help support the government's aim of re-balancing the economy, both sectorally and spatially, and help reverse the disparity in economic outcomes across England.

Unfortunately, the evidence available suggests that, at least to date, re-balancing has failed to take place. Moreover, on some measures there has been rising inequality in rates of economic growth and employment both across and within regions and local areas (Berry and Hay, 2014; Moran and Williams, 2015; SPERI, 2015, Centre for Cities, 2015). The scale of these imbalances is laid bare by the Centre for Cities (2015) report *Cities Outlook 2015*. It shows that between 2004-2013 population growth in cities in the south of England rose at double the rate of cities in other parts of England; that the growth in the number of businesses was faster in the south (26.8% as against 13.7% elsewhere); and that for every 12 additional jobs created in the southern cities, one was created in cities in the rest of England. Thus, the gap between the South East and northern cities and conurbations has shown no signs of narrowing, and indeed there are some indications that the gap between London and other areas continues to widen (SPERI, 2015).

Sectoral re-balancing has also been something of a disappointment, with an increasing proportion of employment since 2012 moving into low value added, low-productivity parts of the service sector. There is also little sign that manufacturing, particularly the more advanced segments of the industry, has undergone any kind of sustained renaissance. As Dolphin and Hatfield observe, "a larger proportion of the labour force now works in relatively low-productivity sectors – particularly the accommodation and food sectors – and a smaller proportion works in high productivity jobs in finance and manufacturing" (2015: 4). The recent collapse of steelmaking at Redcar, and the attendant loss of 2,000 relatively highly skilled and highly paid jobs, is just one sign that re-balancing can also work in the opposite direction to that which policy desires. Overall, efforts to date have not generated the outcomes that the government or areas that rely on manufacturing were hoping for.

It is no surprise that re-balancing has proved difficult to accomplish. Although easy to specify as an objective at a rhetorical level, the reality is that:

Local areas start with an inherited pattern of land use and a resource base and institutions that were tailored to another era. The legacy of the past can weigh heavily, and adjusting to new futures is difficult. In the last thirty years the challenge in many areas has been to bring about economic, physical and social renewal and reorientation against a backdrop where much of their existing stock of floorspace, human and physical capital was configured to produce goods that either no longer exist or are now made elsewhere in the world.

(Martin et al, 2015: 13)

Some commentators also perceive that devolution carries the potential risk of, “central government using decentralisation/devolution as an excuse to abdicate all responsibility for pursuing balanced economic development across the UK. Stepping away and allowing a battle of the fittest to play out may well see gaps between places widen rather than narrow” (Commission for Underperforming Towns and Cities, 2015: 8).

## The future

There are many potential models for how localism and devolution should develop (for a selection, see Centre for Cities, 2014; City Growth Commission, 2014; Cox, Henderson and Raikes, 2014; Key Cities, 2015; Martin et al, 2015; McInroy and Jackson, 2015; LEP Network, 2015; PricewaterhouseCoopers, 2015; Centre for Local Economic Strategies, 2015; Blond and Morrin, 2015; Carr, 2015). They vary across a range of dimensions, but essentially there are two broad schools of thought: one that favours further incremental development (see, for example, PricewaterhouseCoopers, 2015; LEP Network, 2015), and the other which wants to see a radical redistribution of political and fiscal power away from national government (for example, McInroy and Jackson, 2015; Martin et al, 2015), though the exact form that this redistribution should take varies between its different advocates. In the short term at least, the first model appears more likely to be the one that is reflected in policy development in England.

## Conclusions

This brief overview suggests that localism is not yet providing the universal panacea that some had hoped and expected. There are numerous signs that, at least to date, central government is unwilling to ‘let go’ of policy control, and that what is being devolved are decisions about cuts and austerity that government is loath to be seen to take, or fragmented elements of responsibility for delivery of narrow strands of policy. In some instances government retains strategic control of these policy areas, through the maintenance of targets and performance management systems, and local areas are in effect becoming sub-contractors who will deliver to these objectives.

That said, localism and devolution is still a work in progress. It is constantly evolving as expectations mount and change, and as new deals are struck between the centre and localities. While government does not appear willing to endorse a grand plan of where the process should lead, there are many other stakeholders and opinion formers who do have such plans and want to see them achieved.

# Skills issues within localism and devolution

Having reviewed the overarching debates and issues that frame discussions about localism for skills and FE policy, we now turn to explore how policy developments within this area are shaping up. Is the localisation of skills and FE mirroring wider developments within localisation, or is it bucking the trend?

## Localism in FE – the opportunity for ‘metis’ and tapping into local expertise

Before undertaking this survey, it is first useful to introduce a concept central to AoC and SKOPE's project for FETL. The notion is one that is intended to form an important criterion for measuring the potential of new local funding, management and governance in order to move away from the centralised, top-down control model that has characterised the FE system over the last 20 years. This is Scott's (1998) concept of 'metis'.

Metis was developed from Scott's research on agrarian reform and the reasons behind the intermittent failures of large-scale government-sponsored schemes. The answer in many cases appeared to rest with two factors. The first was central planners' refusal to acknowledge the importance of local and practical knowledge that could have been used to inform the design of the reforms. The second stemmed from an unwillingness of state planners to acknowledge and embrace the need for informal processes and improvisation, exercised in conditions of mutual trust and respect, as a basis for policy formation and implementation. Scott termed this missing local and practitioner knowledge 'metis', and he argued that it would often form a stronger basis for reform of productive systems than centrally imposed, technocratic and hierarchical models of change.

This concept offers significant promise as a frame for research when we are transiting from a world of centralised national design and control of the FE system towards a more devolved and fragmented set of systems and sub-systems, the final shape(s) of which are as yet unknown. The 'New Localism' in FE could offer an opportunity to develop and deploy local leadership, knowledge and front-line expertise in ways that the previous, top-down model found it hard to permit or facilitate. However, this is by no means certain, and one of the research questions we will be seeking to address is under what circumstances metis can be created and embedded within localisation. With the concept of metis in mind, the paper will explore some of the most important issues raised by moves towards the localisation of skills policy and delivery in England.

## Centralisation/nationalisation of schools versus localisation for sixth form colleges and FE

The first topic concerns a fundamental underlying dichotomy within English E&T policy: that significant elements of the school system (primary and secondary) are in the processes of having their accountability 'nationalised', while sixth form colleges and FE colleges are heading

in the opposite direction. This reflects the fact that FE sits somewhat uneasily between two distinct spheres of policy influence and thinking. Because the policy mandate for E&T is split between the Department for Education (DfE) and Department for Business, Innovation and Skills (DBIS), and because the strategic relationship between these two central government departments has on occasion tended to be fraught and their policies are driven by divergent philosophies, the policy agenda is being split into two separate streams. The first relates to DfE's control over 14-18/19 E&T (DfE policy statements see compulsory education terminating at 18 and therefore try to ignore 19-year-olds, despite the fact that DBIS's responsibilities start at 19-plus). The result is that DfE maintains oversight of policies that deal with all institutions labelled as 'schools'. The second relates to DBIS's control over 19-plus provision and their overall responsibility for apprenticeship policy at all ages. The problem is that, in a sense, devolution and localisation is a DBIS policy; DfE on the other hand is still in the process of taking further national control of schooling.

As a result there are now two simultaneously divergent and incommensurable 'strategies' for the management of non-university E&T in operation:

**Model 1:** Devolution and localisation, with localities (local authorities, combined authorities, elected mayors, and rather less accountable LEPs) leading post-19 skills provision, and FE (and to a much lesser extent higher education institutions (HEIs)) becoming at least nominally 'tied in' to various forms of local skills planning arrangements (voluntary for HEIs).

**Model 2:** Ongoing removal of state-funded schools from local authority 'control'/accountability/bureaucracy as free schools, the promise of a University Technical College (UTC) near every city, studio schools, and roll out of academies. Recently the Prime Minister announced that he would like every school in England to be given the chance to convert to academy status in order "to benefit from the freedoms this brings. I want the power to be in the hands of the head teacher and the teachers rather than the bureaucrat" ([www.bbc.co.uk/news/education-33944203](http://www.bbc.co.uk/news/education-33944203)). The bureaucrats in this instance are presumably staff working for elected local councils. Thus, the spread of academies represents the latest wave of nationalisation of education policy, and a further major long-term reduction in the power, roles and responsibilities of elected local authorities.

That it is happening at the same time as the localisation of some aspects of post-16 E&T policy suggests either:

- There are wholly different underlying logics governing schools policy and provision, and FE/sixth form policy and provision, whereby governance of one stream of activity needs to be nationalised to deliver superior results, whereas governance of the parallel stream of activity needs to be more devolved and localised to deliver better results. If such divergent logics exist, government has not made them clear.
- Government policy on this issue is fundamentally incoherent.

It is certainly difficult to square the two schools of thought that appear to underpin these models. On the one hand, localisation of the partial control and funding of post-19 FE and training needs to pass from national government to that of local bodies such as LEPs and combined authorities because this will make provision more accountable and responsive to diverse local needs. On the other, when it comes to state-funded schooling, LAs are bureaucratic bodies that stifle innovation and responsiveness, and schools need to be set free from the burdens and constraints imposed by their oversight of provision. To put it another

way, having removed FE colleges from LA control through incorporation in the early 1990s, central government is now trying to increase the level of local (though not necessarily LA) influence over FE colleges, while at the same time trying to sharply reduce the level of LA influence over schools.

This tension is clear in the way that the initial design of the new area reviews has been framed (HM Government, 2015). Local provision is to be assessed and rationalised, but schools and their sixth forms are excluded from the main focus of the reviews. The area reviews are to be partial exercises because schools and schooling are being removed from local control – i.e. de-localised. In other words, the localisation policy agenda, at least as far as central government is concerned, has very real limits around schooling and the role of local authorities.

## **The ‘missing middle’**

Schools policy developments have been the primary driver of a vigorous debate about the lack of accountability within an increasingly nationalised but fragmented school ‘system’ (see, for example, Francis, 2013; Compass, 2014). Some contributors to this debate have pointed to the need to think more broadly and to include FE (pre- and post-19) and other forms of learning provision within a more holistic local approach (see Hodgson and Spours, 2013a & b, and 2015 for details).

Although there is considerable logic behind such a model, it may not be feasible or practical in the current political climate. Thus, although there are proposals from a range of sources that argue for the devolution of 14-19 or 16-19 funding and control to localities (see, for example, Blond and Morrin, 2015; and LGA, 2015), the reality is that this would be very hard to engineer given DfE’s model of policy formation and accountability, and ministers’ predilection for various forms of national control for schools.

It is also important to note that localisation/devolution as currently conceived is not necessarily expected to return services and functions from central to local levels to any form of democratically accountable control. The shift is often from national quangos to local quangos. For example, the shift from the Skills Funding Agency (SFA) (a ‘next steps’ agency accountable directly and solely to the Secretary of State) to LEPs, whose accountability to local communities has been called into question (Ward and Hardy, 2013; Pike et al, 2013). Moreover, the accountability systems for individual FE colleges are fixed by the traditional government obsession with vertical accountability to the national centre, rather than lateral or horizontal accountability to the local community (LSIS, 2012). As such they remain, at best, a ‘work in progress’ (see Graystone, Orr and Wye, 2015; Hodgson and Spours, 2015).

This state of affairs reflects the fact that localism and devolution is taking place within a policy environment where there is no commonly held vision or consensus around the ideal future role of elected LAs, and indeed other local bodies, within the overall spending and governance structures of publicly provided services. This is because, as previously noted, localisation has emerged and been embarked upon without there being any fundamental ‘from first principles’ review of the relative balance between, and roles of, central and local government.

## **Devolution – reality and aspiration**

Having looked at what is not being devolved (responsibility for schools) we now turn to those elements of skills and E&T policy that are in the process of being localised. Given the issues

outlined on the wider manifestations of devolution and localism, there is little surprise that many of the same topics and problems surface around the localisation of skills policy and delivery. On the whole, skills do not form an outlier or 'buck the trend'.

There are a number of extremely useful overviews of developments on the localisation of skills policy (Clayton and McGough, 2015; Gravatt, 2014). For instance, Clayton and McGough's (2015) report for the UK Commission on Employment and Skills (UKCES) provides a rational analysis of developments under the Coalition Government. It makes clear that behind the rhetoric about the devolution of skills funding and powers within City Deals, the reality is that decision-making moved from a central government model where its agencies hold a monopoly on power, to a 'dual key' model, wherein Whitehall and the City Deal can negotiate what the city region wishes to achieve, with Whitehall holding a right of veto over local proposals.

This is a long way from full local control or the local revenue raising powers that mean that funding is genuinely local, rather than relatively small packets of national funding being devolved down to localities with performance measures attached. Overall, despite rhetoric from government about ending, "an era of top down government by giving new powers to local councils, communities, neighbourhoods and individuals" (Office of the Leader of the House of Commons, 2014), the reality is a rather more limited set of developments.

Thus, when the dust has settled on City Deals and other forms of skills devolution, there is a possibility that local actors will be left with limited control. This control will often be exercised within the context of an involuntary or compulsory partnership with DBIS, whereby changes to the local system can only be achieved via 'dual key' sign-off (local level and national government), and where, after the national spending cuts in post-19 funding, the sums being transferred to the locality may be somewhere between small and irrelevant (Doel, 2015).

On the other side of the ledger, in terms of outcomes from the skills localisation process, Clayton and McGough (2015: 13) note the following successes:

- Enabling localities to 'flex' elements of national policy, albeit usually on relatively minor elements of that policy.
- Allowing localities to fill perceived gaps in national provision, for example through the establishment of Apprenticeship Hubs.
- Empowering localities to engage in limited experimentation and pilot schemes on skills.

The point made earlier in this paper about a plethora of one-off deals between individual localities and government leading to a patchwork 'map' of devolved powers applies strongly in the skills field. As Clayton and McGough (2015) illustrate, each locality tends to centre on its own package of funding and skills priorities, although there are often common themes across most deals (for instance improved employability, better matching of skills supply to perceived employer need, and more apprenticeship places).

In terms of the lessons that emerge from the negotiation of local employment and skills deals, UKCES identify a need to allow sufficient time for the deal-making processes to be undertaken, the need for skilled and experienced personnel to undertake the negotiations (on both the part of localities and central government), and the need for greater clarity concerning what exactly might be available for negotiation (Clayton and McGough, 2015: 34). As to the future, the following issues were seen as critical to further success: the strengthening of local employer engagement; ensuring that there are strong incentives to encourage stakeholders to pool

resources and work together; the effective design of localised performance management systems, key performance indicators and evaluation systems that enable the sharing of best practice; and having the local capacity to use labour market information in designing local strategies (Clayton and McGough, 2015: 34).

The overall picture is one of early, fairly tentative steps leading to limited but worthwhile success; however, this still falls a long way short of a new dispensation of power over policy between centre and locality. The interesting question is whether policy developments within central government may make further progress harder to achieve.

## **New government funding mechanisms favour central control**

Some of the key funding mechanisms that appear to be favoured by DBIS (the extension of loans to cover more areas of post-19 provision, and a national apprenticeship levy) do not easily support local variations, or indeed the localised governance and management of institutions and patterns of provision. Any extension of loans for post-19 FE is liable to be organised as a national scheme, overseen by DBIS.

Moreover, loans tend to make it harder to steer or manage patterns of provision as they focus decision-making not on localities or even individual provider institutions, but rather the atomised decisions arrived at by individual students to participate, and in which course and institution to do so. Policy discussions some years ago about the future funding of higher education in Scotland soon arrived at the conclusion that one reason against any move to a system funded via individual student fees rather than an institutional block grant system from a funding council was that this would make it much more difficult for government and/or employers to have any direct influence on the pattern of course provision.

In England, the current expectation is that there is a model whereby a loans-based finance system can accommodate and react to employer demand. This expectation arises from the generation (via the use of 'big data' sources) and dissemination of information to potential students on course outcomes (primarily wage returns). DBIS officials anticipate that this information will help guide students towards the best performing courses, qualifications and institutions as defined by wage and labour market progression outcomes. Given the different occupational wage levels and structures (e.g. social care versus electrical engineering), it is not entirely clear how potential students will interpret this data and how it will impact on their choice of course and institution.

There are many problems with this model, which for reasons of space cannot be covered in this paper, but for the purposes of debates about localisation the key point to note is that the locus of decision-making is the individual rather than anyone else. It is therefore hard to envisage how a national loans system and 'big data' can directly prioritise and be used to support individual LEP target occupations and sectors, or indeed what outcomes might be contained in any local Outcome Agreements (OAs) of the kind being explored by the Association of Colleges and the UK Commission for Employment and Skills (UKCES/AoC, 2015a & b; ICF Consulting Services, 2015). Many existing City Deals and City Region Devolution Agreements contain provision for co-commissioning of FE and skills provision, with the city and the SFA as partners. If more post-19 FE funding shifts to loans, co-commissioning becomes meaningless. The SFA will no longer be a funder.

In Scotland, OAs for both FE and HE work precisely because the Scottish Funding Council (SFC)

has the clout of a block grant funding system behind it (Keep, 2014b). Providers will not get their outcome agreements signed off until they demonstrate that they are making an attempt to reflect upon and accommodate employers' forecast demand for different types and levels of skill, and without the agreement there is no block grant funding for their institution.

The funding of apprenticeships via a national (UK-wide) apprenticeship levy on 'large' firms also raises issues about the degree to which funding of apprenticeship provision can easily be further devolved to localities (Doel, 2015). In England, the levy will deliver a national, unilaterally established government target of three million apprenticeship starts by 2020. The DBIS consultation on apprenticeships (DBIS, 2015) implicitly assumes a national, England-wide system of funding, funding tariffs, accountability and control, and it is currently hard to see how monies raised via the levy can be distributed on a differentiated basis to individual localities to spend as they desire, as has been suggested by the Institute for Public Policy Research (IPPR) (Raikes, 2015).

Experience suggests that funding systems tend to drive behaviours and create very clear boundaries to the choices that organisations can make. Both the mechanisms discussed above have two key characteristics:

1. They have been borne out of and exist within the context of an era of austerity. They have been adopted, at least in part, because public funding is severely constrained. Loans move funding 'off the books' as far as government spending is accounted for. The levy extracts funding from employers via a payroll tax and then seeks to bribe employers to participate in apprenticeship with what is in effect their own money.
2. Both mechanisms have been chosen, designed and developed by central government rather than any other body, and they will be overseen and managed primarily by central government and its agencies rather than any local entities.

It is also unclear whether the localism agenda will seriously impact on central government's ongoing enthusiasm for nationally designed and imposed reforms, or the deployment of national performance management systems (PMS), key performance indicators (KPIs) and targets, national learning entitlements, and national inspection systems and criteria. At present, control of some of the most important, high profile levers, such as a set of overriding national targets (for example, three million apprenticeship starts by 2020) and performance threshold standards remain firmly in the hands of national policy makers.

In other words, the new localism does not necessarily herald the end of a dominant role for national government and its agencies in FE. For example, as the author has noted elsewhere (Keep, 2015b), the area reviews process for 16-plus FE and sixth form college provision is a good example of how both the form and processes of a local policy activity, and the expected outcomes it is supposed to generate, is unilaterally dictated by central government. Moreover, another example of the ongoing dominance of centralism is the fact there is currently no sign of any significant change in the national high-stakes inspection regime as a vehicle for enforcing central government priorities and models across the system. As a result, the potential for tensions between local strategies and priorities and those evolved at national level is considerable. As Nash and Jones (2015: 43) note, there is a "contradiction between maintaining the policy and strategic drivers at the centre while expecting colleges and other providers to be locally responsive". Whether and how this contradiction can be resolved will be a central issue in determining the progress of the localisation of skills policy.

## Underlying models of skills policy

There are a number of underlying, general presuppositions on the part of many who are enthusiastic advocates of the localisation of skills policy. As policy develops and localisation grows and matures, these assumptions will be put to the test, with implications for how localism develops in the future.

### New places, new policy thinking spaces?

First, there is an expectation that localisation will lead to an opening up of new policy spaces that will allow local actors to be more responsive and adaptive to local need (however defined) than had previously been the case under national structures and schemes. This will in turn create the freedom to engage in new thinking that can deploy local knowledge in ways that allows the development of novel policy approaches and forms of intervention. In other words, the conditions in which metis can be valued and deployed will flourish.

This belief that radically new thinking about skills policy is possible at local level faces some major challenges. There are three potential dimensions to skills policy:

- 1. Supply** – traditionally the dominant concern in English policy (Keep, Mayhew and Payne, 2006; Keep and Mayhew, 2010) with a plethora of attempts to boost the number of students, apprentices and graduates, and to increase the skill level (replaced by qualifications) or the workforce.
- 2. Demand** – where policy might seek to increase the underlying levels of demand for skills within the economy and labour market, through economic development activity, business improvement, shifting firms' product market strategies and via legal requirements such as licence to practice regulations (whereby individuals need to hold certain types and levels of qualification in order to either enter or practise a particular trade or occupation) (Keep, Mayhew and Payne, 2006; Keep and Mayhew, 2014).
- 3. Utilisation** – where policy is focused on ensuring that once skills are developed (often at public expense) they are subsequently deployed to maximum productive effect within individual workplaces (Keep, Mayhew and Payne, 2006; Keep, forthcoming). Skills utilisation and workplace innovation policies take a variety of forms, but often revolve around new types of people management, work organisation and job design (Keep and Mayhew, 2014).

National level policy in England has, for the last 30 years, been obsessed with supply and has assumed that demand can be left to take care of itself. It has also believed that effective utilisation will be delivered by market forces and rational decision-making on the part of managers of organisations (Keep, 2002 and 2006; Keep and Mayhew, 2014). In other developed countries, including both Scotland and Wales, there has been a gradual shift in policy thinking towards a greater emphasis on issues two and three (Keep, forthcoming).

It is important to consider whether localisation does have the capacity to open up space for new policy thinking and development on skills, and, if so, whether this should take place along traditional lines, be focused exclusively on skills supply, and deliver smaller versions of what has previously tended to occur within the old (national) space (supply-led, target driven policies), or whether it embraces a broader perspective that can encompass demand and utilisation.

Early indications suggest that, at least to date, most local policy development on skills has been focused on supply and a traditional set of policy instruments, particularly targets and a belief that it is possible to 'match' the supply of skills to existing levels of 'demand', which in this instance is defined almost solely as what local employers say they want (Clayton and McGough, 2015). In other words, local skills policies look suspiciously like those that have (at national level) been in place for almost 30 years.

In the future, the central issue is going to be whether skills policies at local level can be more closely integrated into combined and coordinated models of economic development and business improvement (Keep, Mayhew and Payne, 2006; Keep and Mayhew, 2014). Without the policy framing provided by this kind of approach, the likelihood is that the incentive structures acting on colleges and other providers will not change in any fundamental way, and the result will be a continuation of traditional supply-led policies, but delivered within a localised patchwork of provision and accountability. New behaviours and visions need to be supported by new incentive structures. The question is whether LEPs, City Deals and others can design and deliver the new economic development policies that can change priorities, and also whether colleges can shape and lead these changes rather than simply reacting to altered funding patterns and incentives (Keep, 2014).

To put it another way, the development, acknowledgement and deployment of metis is not a foregone outcome arising from localisation. Localisation may be able to deliver more of the same on a different spatial scale, in the form of the creation of miniature, supply-led, command and control, target-driven models of policy design and management of the type that the New Labour Governments of 1997-2010 pursued to limited effect (Keep and Mayhew, 2010).

There are at least two reasons for this. First, localisation of decision-making (often partial) does not itself create new thinking or the adoption of fresh analytical frames within which to devise policy. The gravitational pull of familiar approaches and framing devices is considerable. National policy making has signally failed to escape them for over 30 years (Keep, 2002, 2006; Keep and Mayhew, 2014) and there are no deducible reasons why local officials and policy makers will find moving outside the traditional supply-side box any more comfortable and appealing than their counterparts in DBIS.

Secondly, the resources and capabilities (expertise, people power, time, analytical capacity and freedoms) to craft new policy approaches may be in even shorter supply at local level than at national level. It is entirely possible that 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 (Ward and Hardy, 2013; Pike et al, 2013).

One of the classic dichotomies in the research literature on skills policy is that which exists between problems caused by market failure and those that result from government failure (for an excellent overview of this debate, see Finegold, 1996). Although the English skills policy discourse has chosen to stress the problems that arise from market failure (Keep and Mayhew, 2004; Keep and Mayhew, 2010), in reality the ability of government to fashion effective policies and deliver them efficiently has also proved to be a major issue (Keep, 2002 and 2006; Higham and Yeomans, 2007; Lumby and Foskett, 2007; Hodgson and Spours, 2007; Panchamia, 2012; City and Guilds, 2014; King and Crewe, 2014; Nash and Jones, 2015; Fletcher, Gravatt and Sherlock, 2015). Simply moving the locus of policy from a reliance on national to local markets, or from national to local governance, does not in itself solve any of the major problems we face.

## Superior outcomes?

Besides the belief that localisation will create the opportunity for new policy thinking on skills, the second general underlying assumption about devolution is that it will catalyse superior social and economic policy outcomes. Within the skills policy arena there is a matching assumption that devolution of skills policy (or elements thereof) will produce policies and resulting patterns of provision and activity that are superior to those that currently occur under national funding and policy making structures. The other and less frequently discussed possibility is that in some instances national government is handing back problems that it has failed to solve over a 30-year plus period, while allowing limited policy discretion and reduced levels of public spending (Wolf, 2015) to the new local custodians of policy. This may be a form of devolution, but is also potentially what in rugby terms is known as a 'hospital pass'.

For example, as Hodgson and Spours (2013a) illustrate, moving localities out of structurally ingrained patterns of low educational achievement and post-compulsory participation that are largely determined by the local jobs market and economy is not a task that can simply be left to E&T providers. It requires major economic development efforts to transform the long-term outlook, which is much easier said than done.

More fundamentally, there is a good case to be made that many of the FE system's problems since incorporation have stemmed, at least in part, from the fact that incorporation was meant to expose colleges to two markets for learning: individual students and employers (Nash and Jones, 2015: 34). "Most of the difficulties have arisen because those two markets have either failed to buy sufficient learning from colleges or, in the judgement of politicians, they have purchased the wrong learning" (Nash and Jones, 2015: 34). Against the backdrop of major fiscal retrenchment, substantial reductions in public funding and greater reliance on student loans, coupled with long-term trends in employer investment in skills that appear to be relentless downward (see Keep, forthcoming), localisation may struggle to deliver better outcomes than those previously delivered by 30 years of central government policy. On its own, localisation is not a panacea.

# The outlook

Although localism has been around as a policy trend for some time, it remains relatively early days in operational terms. It takes time for major changes in policy development, and the structures that govern the delivery of public services need to bed in and start to generate visible effects. That said, there are already some signs that both the rhetoric of localism and the policy aspirations that it reflects are in danger of outrunning the reality of the government's willingness to undertake a fundamental transfer of power and resources outwards and downwards. Given the long-standing tradition of models based on centralisation and nationalisation in skills policy, and the way in which this has moulded national policy makers' norms, expectations and values (see Keep, 2002, 2006, 2009 and 2011), this is not a particularly surprising outcome. However, it is likely to make progress harder and slower to achieve than might have been hoped by some stakeholders.

It is also the case that localism is not the only 'show in town' when it comes to potential lines of skills policy development. The government and UKCES's various experiments with 'employer ownership' of the skills agenda, although in some instances less successful than had been expected, reflect a widespread and deep-seated desire on the part of policy makers to try to find new ways to engage with employers over E&T, and to ensure that they make a greater financial contribution to the costs of providing skills (Keep, forthcoming). Employer ownership is not set to vanish, even if government support for some of the employer ownership co-investment schemes is unlikely to survive, and it offers an alternative model for the future configuration of the skills system – one based on sectors and occupations rather than localities. Sectors matter to the government because their industrial and growth strategy is predicated around the notion of key sectors, where industrial partnerships (IPs) are the new, largely untested, form of collective employer organisation that can take forward the skills agenda (UKCES, 2015c).

Most successful national E&T systems in the developed world, outside of small city states like Singapore, tend to have systems of policy making and governance that contain three key elements:

1. A national strategic policy making focus and capacity.
2. A strong regional and/or local component.
3. A sectoral and/or occupational focus.

In England since the early 1980s, a fundamental systemic deficiency has led to a struggle to create and sustain any kind of sensible balance between these three elements, in part because of the weaknesses and instability of components two and three. As this paper has demonstrated, we still have a considerable distance to travel on two, and three is currently experiencing the slow decline (and in some cases demise) of the Sector Skills Councils (SSCs) and the rise of IPs. The best way to configure the institutional arrangements so that employers' views are 'concerted' and represented within the E&T system is a problem that as yet remains unresolved.

From the perspective of those currently working within the FE system, the most visible and important manifestation of localism in FE is the government's decision to implement the process of area reviews, with the explicit aim of reducing the number of colleges and rationalising provision to fit straitened financial circumstances (Keep, 2015b). Because the future existence of individual institutions is at stake, there is a clear and present danger that area reviews will become the sole focus of attention for college management and governance teams, and that for the FE system the process of area reviews will become the chief manifestation of localism in action. This would be an unfortunate outcome.

Area reviews might best be seen as one stage on a much longer journey towards more than just a locally 'rationalised' and restructured FE system. As discussed, there are different models of what localism might mean in reality, at least some of which hold out the prospect that localism could represent an opportunity for the locus of policy making to shift from national to local levels. Several of these models propose the creation of a very different, far more decentralised partnership structure for developing and determining skills policy and its implementation. Using this approach, power would be more widely distributed and government would no longer be able to set the agenda unilaterally; instead, it would have to consult and work with localities to forge a consensus around future reforms. Moreover, skills policy would be much more closely integrated into a wider range of social and economic policy fields, not least economic development, business support and innovation.

Colleges and their wider stakeholders have good reason to pursue such an agenda and to help to engineer a more fundamental shift in the traditional model of top-down, centralised skills policy formation and delivery. The different strategies for forging plans to bring this change about will be a major focus of this research.

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