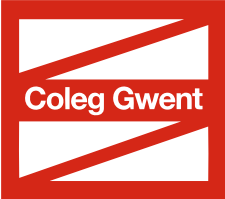


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**THE CHANGING FACE OF FE LEADERSHIP
IN WALES: MEETING THE CHALLENGES
OF FINANCIAL AUSTERITY**

ABOUT FETL

The Further Education Trust for Leadership's vision is of a further education sector that is valued and respected for:

- Innovating constantly to meet the needs of learners, communities and employers;
- Preparing for the long term as well as delivering in the short term; and
- Sharing fresh ideas generously and informing practice with knowledge.

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COLEG GWENT

Coleg Gwent is amongst the biggest and best performing FE colleges in Wales. Serving a population of over half a million, with over 23,000 students, the college delivers a wide range of vocational, tertiary, work-based and higher education courses across five campuses and through a commercial training service. The college was the first to adopt a two-tier governance structure by forming 'Community Partnerships' to engage with local employers, complemented by a new, smaller and more strategically focused Board. It aims to be an outstanding college that empowers learners and creates prosperity in the community.

OLDBELL 3

Old Bell 3 Ltd. provides social research, evaluation and advisory services to public, private and voluntary sector organisations on the development and implementation of public policy. Over the past fifteen years the company has built up an extensive track record of carrying out major research commissions for Welsh, UK and European clients across a wide range of policy areas including learning, skills and employment, public service improvement, economic development, community regeneration, social and financial inclusion, equalities and the Welsh language.

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FOREWORD

Dame Ruth Silver – President

Further Education Trust for Leadership

FETL awards grant funding to proposals from the sector that have the potential to add value to the current knowledge base and thinking about the strengths of, and challenges to, the FE and skills system. Our drive to support the leadership of thinking rather than leadership of doing led to projects focused on the future of the FE and skills system, including research across academic, practitioner and strategic contexts.

FETL's use of the term 'system' is deliberate and considered. It is intended to remind us that we need to consider the rich and varied range of perspectives within and across FE and skills, as well as recognise our own world view and position. What is the purpose of the FE and skills system as a whole – not just the parts within it? We exist to step back and consider the breadth of the sector, its connections as well as its constituent parts. This is only achievable by 'slicing' or taking particular perspectives through the whole, which is what we seek to do through our grant projects.

If our usual ways of thinking, practising and leading are not making a difference, simply doing more of them will not have the impact and the change we seek. How do we refresh existing perspectives and practices? How do we inject new perspectives into the wider system? What are the wider consequences of not doing these things? Thinking holistically as well as logically – and with evidence – is what FETL seeks to encourage, through this focus on the 'leadership of thinking', and through projects led by those who are of the system, both present and future.

FETL is delighted to have been able to support this project in Wales, which spanned the breadth of not only a sector but also a nation. The issues that are highlighted – around the focus and purpose of governance; the skills required; and the source of these skills – are of vital importance across all of the UK nations.

We trust they give all who read it something further to think about.

Angela Lloyd

Chair of Governors, Coleg Gwent

Wales is a small country with a population equal only to some of England's larger cities but with a significant diversity of language, culture, wealth, deprivation, terrain and demographics. The Further Education (FE) sector in Wales has been the subject of unprecedented change in recent years due to funding cuts, which are expected to continue until at least 2019.

The FE Sector in Wales is described within the report as the 'neglected middle child', squeezed between schools and universities who are far more effective lobbyists. It is the system within the education sector which consistently delivers high quality outcomes with the lowest levels of funding and a low level of recognition of its breadth of provision and the successes of its student community. FE is also charged by government with delivering skills and training to the populace of Wales and also up-skilling those with low level skills or those wishing to retrain, whilst at the same time addressing social inclusion and deprivation and contributing to the regeneration of communities.

This report represents the voices of senior leaders in both management and governance; their thoughts on the effects of funding cuts and the actions which they have already taken to address these, but more importantly their thoughts on how to deal with future cuts, their strategic plans and how they view the future landscape of the FE sector in Wales. Whilst there is consensus that "no one size fits all" in terms of a successful strategic plan, the impacts on, and implications for, governance and leadership are significant.

If "the learner is at the heart of everything we do", then we have a duty to adapt and diversify. This research has produced a thought provoking, challenging and constructive narrative in highlighting the current quality and commitment of leadership in the sector whilst identifying the need for further change to maintain and support its core business.

Glossary of acronyms

Acronym	Explanation
AMs	Assembly Members
CEO	Chief Executive Officer
DfES	Departments for Education and Skills
FE	Further Education
FEIs	Further Education Institutions
FETL	Further Education Trust for Leadership
FHE Act	Further and Higher Education (Governance and Information) (Wales) Act 2014
HE	Higher Education
HEIs	Higher Education Institutions
HR	Human Resources
ICT	Information Communication Technology
MPs	Members of Parliament
NEET	Not in education, employment or training
NPISH	Not-for-profit institutions serving households
NPTC Group	Neath Port Talbot College Group
STEM	Science, Technology, Engineering and Mathematics
WBL	Work-based learning
WEA YMCA CC Cymru	Workers' Educational Association & YMCA Community College Cymru

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EXECUTIVE SUMMARY

Introduction

1. This Further Education Trust for Leadership (FETL) funded research was commissioned by Coleg Gwent to look at the changing face of further education leadership in Wales, in particular at how FE institutions might meet the challenges of future austerity.
2. FETL is an independent charity and think tank established to develop leadership of thought and evidence to change policy and practice within the FE and skills sector.
3. Old Bell 3 Ltd. undertook the independent research to 'investigate the governance role of FE college leaders in working together to meet the challenges ahead, by considering the perspectives and experiences of college governors, Chairs and Principals'.
4. The research was carried out between April and November 2015. It involved a systematic literature review of national level policy and strategy documents and a review of college-specific literature for each FE institution in Wales followed by a series of eight case study visits to FE institutions in Wales which were chosen to reflect the diversity of the sector and a series of external stakeholder interviews. A focus group with FE leaders was then convened to test and validate the emerging findings prior to preparing this report.

The FE sector in Wales

5. FE includes education and training provision mainly for people aged over 16 and covers all aspects from basic skills and work-based learning to sixth-form and tertiary provision and Higher Education (HE) provision. FE programmes are mainly taught at FE college campuses, in the workplace or in adult community learning environments.

6. Since the *Further and Higher Education Act 1992*, FE institutions in Wales have become legally separate corporations responsible for their own governance arrangements, finance, estates, human resource systems and curriculum portfolios. Since 2006, the Welsh Government's Department for Education and Skills (DfES) has funded each FE institution in Wales directly and provides them with their main source of income. However, FE institutions are also able to generate their own income through commercial activities and investments.
7. FE institutions in Wales have been through a period of change recently which has led to a number of mergers and collaborative arrangements and an increasingly regionalised approach to delivery. As a result, the number of FE colleges has decreased from 25 to 14 in recent years¹, with a number of inter-sector mergers between FE and HE institutions also taking place.

Key findings

8. The key findings are outlined below in relation to the five agreed research aims²:

Research Aim 1:

What is the nature of the leadership role of governors and senior leaders in managing and contesting austerity at a college and national level in the longer term?

9. Several FE institutions were either in the process of reviewing, or saw themselves as being in 'a period of reflection' as they considered the opportunities to adapt their Board composition and memorandum of understanding as a result of the opportunities offered under the new FHE (Wales) Act.
10. Across the board, FEIs were of the opinion that their Boards,

¹ As at 21st October 2015

² Coleg Gwent, 2015, 'FETL Project Plan: *The changing face of FE leadership in Wales: meeting the challenges of financial austerity*', Research Aims, p. 3

whatever the current structure, were working effectively. Those with a large membership base did not feel that this posed any barriers in terms of effective governance although several suggested that a high number of sub-committees could disincentivise crucial 'big hitters' and 'strategic thinkers' from joining a Board of Governors.

11. Many FE institutions seemed to be considering the issue of governing body membership in terms of what was needed to respond to future demands and challenges. There was a difference of opinion to a certain degree in terms of the calibre of governors on college Boards. In some of the case study FEIs there was a view on the part of some interviewees that, in the past, the recruitment process had not been selective and robust enough, especially when it came to re-appointment. In addition, there was a general opinion that colleges needed to be more energetic in their head hunting and pro actively approach people to join their Boards.
12. Many of the case study FEIs highlighted the importance of 'an appropriate distinction between governance and management'. There was general consensus as to the Board's important role of providing 'considerable scrutiny and robust challenge' to the work of the Principal and the senior management team. It was deemed particularly important that Chairs were willing to challenge Principals, and subsequently that Board members felt confident to challenge both Chairs and Principals.
13. In particular, several FE colleges felt that the skillset of the Board of Governors needed to be widened and the comments on this issue were two-fold. Firstly, it was felt that the sector needed to broaden its appeal and search for governors with higher levels of skills and expertise in financial, legal and commercial affairs in particular.
14. Secondly, some respondents were also mindful of the need to ensure governors were fully trained and briefed to understand their roles. Specifically, it was felt that whilst governors were not generally educationalists, they were responsible for setting the

strategic direction of the FE institution and that it was important that they also had the necessary skills to validate, challenge and scrutinise the work of the Principal and the senior management team.

15. Overall, there was agreement that future leaders of the FE sector in Wales needed to demonstrate a more balanced split between the skills required to lead the College from a pedagogical perspective, and those required to lead from a commercial perspective. Several FE institutions believed that their leadership teams already collectively possessed the necessary range of attributes and skills to ensure the financial robustness and success of their institution. There was however, general acceptance within the sector that the skills needed to deal effectively with the changes over the coming years were not necessarily widely available.
16. When asked what type of skills were required from the leaders and senior management of the sector, the most often cited skills included the ability to communicate effectively and develop good relationships with everyone from employers to civil servants and local businesses. Other required skills mentioned included: generic finance, HR and operational management expertise, the ability to adapt to change, the ability to motivate staff, the need to have vision and be full of ideas, the ability to think and act strategically.
17. In terms of identifying and developing future leaders for the sector it was argued that the potential pool from which FEIs in Wales could recruit 'home grown' leaders was quite small and that providing adequate and suitable leadership development training, with a focus on developing commercial acumen and expertise, was a high priority.
18. In terms of ensuring that the necessary leadership skills existed within the FE sector's leadership teams, several respondents felt that the sector should also look outside of Wales and wider afield when recruiting to key posts. However, one respondent highlighted that the growing divergence between Welsh and English FE policy would make it increasingly difficult to recruit from across the border.

Research Aim 2:

How do governors perceive the impact of FE austerity on communities in Wales and the implications for the FE sector going forward?

19. FEIs generally felt that they were under more financial pressure now than they had been at any time in the last twenty years and that the situation was going to get ever more challenging. Whilst they were aware of the potential impact of cuts on their core business, their focus to date had been on ensuring that the quality of their provision did not suffer.
20. Part-time and adult learning has already seen a profound impact and as a result of these cutbacks many colleges had seen their student profile narrow. In addition, these heavy cuts were impacting on social inclusion and creating inequalities in terms of access to education and training, particularly in communities with areas of high deprivation, hitting socially excluded groups particularly hard. In particular, adults in low-paid jobs who wished to re-train or increase their skills were not provided with the same opportunities as had previously been the case and there was concern that this would create a problem in the long term as government tried to achieve its priorities around the social inclusion, equality and tackling poverty agendas.
21. Respondents also suggested that further funding cuts would have a negative impact on the quality of the learning provision. Several colleges had also already started to implement redundancy exercises and further restructuring of the workforce was expected in the near future.
22. The evidence suggests that the FE sector recognises that the need to decrease reliance on Welsh Government funding is a key priority, with many strategic plans highlighting the intention to diversify income sources in order to be more resilient and financially stable. The solutions being adopted differ depending on the nature, location and size of the FEIs and it was deemed to be quite a complex challenge to achieve such change within the next three to four years

Research Aim 3:

How effective are the mechanisms utilised by college management and governors in generating efficiencies and fostering a culture of enterprise and innovation?

23. Several colleges were aiming to actively engage their workforce in coming up with innovative solutions for the future and recognised that this required a change in culture, working environment and approaches to delivery of provision. However, whilst there was much discussion and thought about various options, there were very few examples of decisive action thus far.
24. Respondents also highlighted the potential impact on staff morale during a time of funding cuts and uncertainty. They stressed the importance of communicating honestly and openly on a regular basis with staff, providing information about the current financial situation of the college and the ideas and plans in place for the future.
25. Several FEIs were also trying to create a more enterprising culture within the FE sector through the recruitment and appointment of staff with new and different competencies. Some colleges already seemed to be recruiting managers increasingly from outside the sector and were moving away from prioritising pedagogical ability or sector experience, concentrating instead on recruiting for a certain mind-set, core competencies and skills. Being responsive and 'fleet of foot' in order to respond to employer requirements was deemed to be extremely important, with a requirement on FE institutions to be flexible enough to accommodate employer requirements as necessary.
26. Many of the case study FEIs were now considering setting up a subsidiary company to deliver Work-Based Learning (WBL) provision in the main. Many respondents believed that this could be a way of becoming more competitive as it would enable FE institutions to employ people to deliver such provision more competitively – more flexibly at a lower cost – and would also overcome many of the perceived issues and restrictions. There

was general agreement that the current FE workforce set-up was not entirely suitable for the requirements of the future, and that FE institutions needed more flexibility within the workforce in order to respond better and more innovatively to the needs and demands of the employer. However, there was some concern about how a 'two tier' employment system could create a 'cultural division' between core and commercial staff.

27. Several FE institutions believed that there was some scope to adopt more varied teaching methods in order to reduce the amount of tutor teaching time, including greater use of e-learning and blended learning methods, in order to save on costs and to target wider markets beyond Wales.

Research Aim 4:

What strategies are used by college leaders to enhance their influence more widely at a local and national level?

28. Respondents were concerned that the sector was being squeezed between two very effective lobbyists within the Welsh education sector (namely HE and schools) and that the FE sector simply did not have the same 'kudos'. It was felt that FE as a sector was not as successful at influencing policy decisions³.
29. One of the main problems facing the sector was that its complexity in terms of provision made it difficult for people to understand its role and purpose. This was exacerbated by the fact that politicians and decision makers in the main had no direct, personal experience of the FE sector.
30. At a national level, it was felt that the sector needed to position itself at the heart of delivering the skills agenda and should focus on two key pillars, namely tackling poverty and supporting economic development. There was also a call for more 'thought leadership' from the sector so that they could influence policy decisions more effectively.

³ Though it is important to recognise that the fieldwork was undertaken before the publication of the Welsh Government's draft budget proposals for 2016/17 which were considerably more positive for FE than had been expected.

31. The importance of developing strong links with key local stakeholders and employers was also highlighted, and it was argued that it was more important than ever for Principals and members of the senior management teams to liaise with employers, attend business networks, maintain strong links with key players in the private sector and meet regularly with local and national politicians. Effective use of social media was seen as an increasingly important tool in the armoury to keep stakeholders up to date with college developments.

Research Aim 5:

What longer-term strategies are college leaders developing to address the funding gap and increase non-government funded income?

32. The general consensus was that several FEIs were in a strong position to develop commercial income further and could well be in a position to be seen as the default provider of skills development in their region. A large amount of training was procured by employers annually, but for the most part, this was currently being delivered by private providers
33. It was suggested that if FEIs could match the private sector in terms of quality, flexibility and price, whilst also offering accreditation, then there was some confidence that this would bring substantial benefits to the sector. However, colleges would need to be much more visible and would need to reconfigure their services so that they could be more flexible in terms of delivery.
34. One approach being considered by a few of the case study respondents was to expand commercial income by generating opportunities from non-Welsh markets, including overseas markets. Some of the other colleges were a little more uncertain in terms of whether they should or could emulate this process of developing wider commercial opportunities, and were wary that the initial investment did not tend to generate a profit until many years later.

35. Another approach already undertaken by some FE institutions, and currently being considered by others, was to purchase an existing training provider in order to increase commercial activity and this was working very effectively in some instances as a market entry strategy.
36. There was a difference of opinion as to whether these approaches to increasing commercial income were suitable for all FE institutions in Wales. Some respondents, particularly those who had already experienced some success in increasing their commercial income, felt that it was an approach that all colleges could undertake and that 'anyone can do it'. However, other FE institutions felt that it would prove substantially more difficult for smaller institutions, those with a more tertiary focus or those in more rural settings to emulate the success of the larger institutions and that it was 'not the answer for all'.
37. Most FEIs were looking to increase their HE provision in order to increase income for the future. One respondent felt that the growth in this area to date had largely come about as a result of financial austerity (with students choosing to study from home to save money) rather than any drive from the college to increase its market share. Respondents suggested that there were plenty of opportunities to actively pursue more growth in the sector, although the specific approaches to achieving this seemed to differ slightly from institution to institution.
38. Some concern was raised about the long-term viability of this strategy of pursuing growth via HE provision particularly as potential future changes to the funding regime for HE (following the recommendations of the Diamond Review expected in 2016) could change the situation and the ability of FE to continue as providers.
39. Several FEIs highlighted the need to continue discussions with Welsh Government and their respective local authorities about the future of sixth form provision, with opportunities available for FE institutions to deliver more of the provision that was needed, in a more cost-effective way.

40. The sector itself, according to some respondents, also needed to work more collaboratively, with colleges developing more sector specialisations in order to differentiate their offering and to make savings by avoiding unnecessary duplication of provision, at a regional basis.

Conclusions and recommendations

41. The FE sector in Wales is very adept at continuously changing and redefining itself in order to meet the economic and educational needs of the communities it serves. It is in the sector's nature and is part of its ethos. It is indeed one of its key strengths to adapt successfully to the new requirements demanded of it.
42. The sector's purpose in Wales is also very simple in essence. It is to widen participation in education and in the economy, for the benefit of the individual and the wider community alike. Nevertheless, the sector is expected to tackle a broad range of political priorities – tackling poverty, social inclusion, increasing educational attainment and contributing to a vibrant and viable economy during a challenging era of ever diminishing resources. This **'difficult to define, difficult to understand'**⁴ sector needs to be particularly resilient and fleet of foot if it is to survive into the next decade.
43. Whilst the FE sector in Wales clearly recognises that there are significant funding cuts yet to be realised and appreciates the scale and possible impacts of the cuts on future provision, only a few institutions have a vision in terms of how they intend to respond and clear, detailed plans in place to mitigate their effects. There also appears to be a degree of complacency about the fitness for purpose of current governance arrangements, while at the same time different FEIs (and in some cases different interviewees within the same FEIs) have radically different views of the appropriate roles of governors and managers.

⁴ Further Education Trust for Leadership, 2015, *Remembered Thinking... on further education and leading*, p.13

44. Many FE institutions, leaders and governors need to move much more swiftly to develop a robust strategy or new business model for the years ahead and work diligently to change the culture of their institutions if they are to successfully adapt to the new funding environment in Wales.
45. Board membership of some FE institutions needs to be reviewed and a skills audit conducted of Board members so that the necessary skillset is available to respond effectively to the inevitable changes ahead. An increasing focus on diversifying income streams beyond the traditional approaches will also require more commercial acumen and experience within the wider leadership and governance teams of a number of FE institutions than is currently the case.
46. It is also imperative that there is good corporate governance and leadership across all FEIs in Wales. Put simply, there needs to be a renewed focus on both 'doing the right things and doing them right'.
47. The current financial climate is calling for the FE sector in Wales to adapt and change at an unprecedented rate, and there is a need to develop future leaders with the necessary skills and expertise to deal with this. Managing change effectively always requires 'strategic implants' – some good people brought in who want and know how to, work differently.
48. One clear message which was reiterated several times was that the FE sector in Wales is a diverse one and there is 'no one size fits all' approach. Responding to the funding cuts requires flexibility and creativity in order to react to the future needs and demands of local communities and employers. There is a real opportunity to collaborate and share plans for future development at an early stage to avoid unnecessary competition and duplication and to maximise cost savings.
49. The Welsh Government also has a role to play in providing greater leadership and clarity in terms of how it wants the sector to develop in future. The FE sector on the other hand needs to be

more robust as it challenges the decisions of government policy and more visible in order to develop the understanding and trust of communities, learners and decision-makers alike. The sector needs to shout much louder in its collective voice to highlight and hopefully minimise, the impact of future funding cuts as far as possible.

The following recommendations are made

At FE institution level

Recommendation 1

FE institutions in Wales should consider reviewing their governing body membership ensuring a balanced governing body which provides community representation, educational expertise and commercial/ income generating experience.

Recommendation 2

All FE institutions in Wales should look to undertake a skills audit of their governing bodies, with a focus on widening the skillset of the Board to adequately respond to future needs and challenges. In situations where gaps in expertise are identified within governing bodies, consideration should be given to creating a recruitment process which enables the highest possible calibre of individuals to be informed of the opportunities available, what it might entail and to be encouraged to put their names forward.

Recommendation 3

In addition to the above, governing bodies should also consider 'lean' structures, particularly in terms of sub-committee requirements with the aim of creating a structure that works most effectively for the organisation without duplicating efforts and that utilises the time of governing body members most effectively.

Recommendation 4

Consideration should be given to the current experience of the senior management team with a focus on ensuring that all future requirements are catered for within the team. Specifically, colleges should be open to the option of widening the recruitment process by looking to appoint from outside the sector to fill any identified gap in expertise within the

senior management team (including from HE, the private sector or from outside Wales as necessary).

Recommendation 5

FE colleges in Wales should contemplate opportunities to generate additional income from non-educational commercial activity both on and off campus, recognising that the expertise to develop this type of income stream might also need to be sourced from outside the institution.

Recommendation 6

All FE institutions which have indicated a desire to increase and diversify income streams should develop a clear, detailed and costed strategic commercial plan outlining how this is to be achieved, acknowledging that there is no 'one size fits all' approach.

At a sector-wide level

Recommendation 7

In light of the changing face of further education in Wales, the sector should agree a new vision and mission for the future with a clear narrative on the purpose and role of FE, relating to its role in tackling social inclusion, deprivation and poverty through the development of skills.

Recommendation 8

The sector needs to develop a consistent and robust 'voice' and a set of key messages for Welsh Government, supported by a sound research and evidence base regarding the negative impact of funding cuts on communities.

Recommendation 9

The research uncovered differing views within FEIs in Wales in terms of the appropriate role of governors. We therefore suggest a need for a sector wide event or conference which brings together senior managers and governors (and with input from both FETL and ColegauCymru) in order to build consensus on the respective roles of governing bodies and senior managers.

Recommendation 10

Leadership development programmes which develop future leaders from within the sector should increasingly be focused on developing skills, competencies and expertise for future leaders to deliver change management, innovative and adaptable solutions and commercial approaches to the funding challenges ahead.

Recommendation 11

As the education structures in Wales and England move further apart due to different political priorities at a national level, creating greater divergences in terms of funding and provision, it is important that this does not inhibit potential leaders and governors from outside of Wales or outside of the sector from applying for key roles. The sector should therefore consider creating 'fast-track' training provision suitable for introducing new governing board members and senior management positions alike to the structures, processes and funding streams of the FE sector in Wales.

Recommendation 12

Collectively, the sector should seek to explore different delivery models that could be developed by FE institutions so that they can compete with the private sector and respond to the requirements and demands of employers more effectively by widening the workforce utilised to deliver provision. This should include an exploration of the subsidiary company or subsidiary brand option for delivery of training provision outside of the current region.

Recommendation 13

The findings suggest that some of the larger colleges are benefiting from the economies of scale that they can achieve. Whilst further mergers are unlikely to be high on the agenda over the coming years, FE colleges should explore regional opportunities for collaboration including shared services, developing centres of excellence for tertiary provision and other commercial training contracts.

1. INTRODUCTION

Background to the study

- 1.1 Old Bell 3 Ltd was commissioned by Coleg Gwent to undertake Further Education Trust for Leadership (FETL) funded research into the changing face of further education (FE) leadership in Wales, looking in particular at how FE institutions might meet the challenges of financial austerity.
- 1.2 FETL is an independent charity and think tank established to develop leadership of thought in the further education and skills sector. The research grants are given to build the evidence needed to change policy and practice in the **'under-understood, under-conceptualised, under-researched and under-theorised'**⁵ FE and skills sector. FETL's vision is of an FE and skills sector which is valued for its constant innovation to meet the needs of its learners, communities and employers, is prepared for the long-term while delivering in the short term and which is sharing fresh ideas and best practice to inform future delivery.
- 1.3 Coleg Gwent was successful in its application for a FETL grant to investigate the governance role of FE leaders in aiming to meet the challenges of financial austerity. It was the only FETL funded research activity in Wales, and was one of only five research projects shortlisted and funded from an initial 56 applications.

⁵ Further Education Trust for Leadership, 2015, *Remembered Thinking...on further education and leading*, p.5

1.4 All 15 FE institutions in Wales expressed an interest in participating in the research at the time of its inception. The research was supported by a steering group tasked with overseeing the delivery of the project, managed by Coleg Gwent. The steering group was chaired by Angela Lloyd, Chair of Coleg Gwent Corporation and its membership included representation from Welsh FE Colleges, Colegau Cymru and FETL. Robert Humphreys, Director of Open University Wales was appointed as an independent academic adviser.

Aim of the research

- 1.5** The aim of the research was to 'investigate the governance role of FE college leaders in working together to meet the challenges ahead, by considering the perspectives and experiences of college governors, Chairs and Principals' and to 'investigate their role in fostering good practice within and between colleges'⁶.
- 1.6** The application for research funding recognised that although the FE sector in Wales was a key player in helping the Welsh Government deliver its aims to widen participation, tackle social exclusion, increase skills and stimulate economic regeneration, it was also facing tough financial decisions as a result of a decline in public sector funding. This 'unprecedented level of financial pressure and change'⁷ was likely to impact on current and future leadership decisions, structures and services affecting learners and their communities. As a result of the sector's 'heavy reliance on core funding from the Welsh Government'⁸ which was now in sharp decline, along with a national policy shift towards co-investment, with the emphasis on moving the cost of training and education to employers and individuals, there was an identified need to look at solutions to overcome these new challenges. Specifically, the research was tasked with examining five key areas:

⁶ Coleg Gwent (2014), *Application for FETL funding*, p.2

⁷ *Ibid.*, p.1

⁸ *Ibid.*, p.1

Figure 1.1: Research aims⁹

- What is the nature of the leadership role of governors and senior leaders in managing and contesting austerity at a college and national level in the longer term?
- How do governors perceive the impact of FE austerity on communities in Wales and the implications for the FE sector going forward?
- How effective are the mechanisms that are utilised by college management and governors in generating efficiencies and fostering a culture of enterprise and innovation?
- What strategies are used by college leaders to enhance their influence more widely at a local and national level?
- What longer-term strategies are college leaders developing to address the funding gap and increase non-government funded income?

⁹ Coleg Gwent (2014), *FETL Project Plan*, p.1

Method and work programme

- 1.7** The specification for this research outlined a particular methodological approach which required a systematic review of existing literature, a thematic case study approach with a sample of Further Education institutions in Wales, followed by a focus group to discuss and 'test' the initial findings.

Figure 1.2: Project outputs and outcomes¹⁰

Project outputs

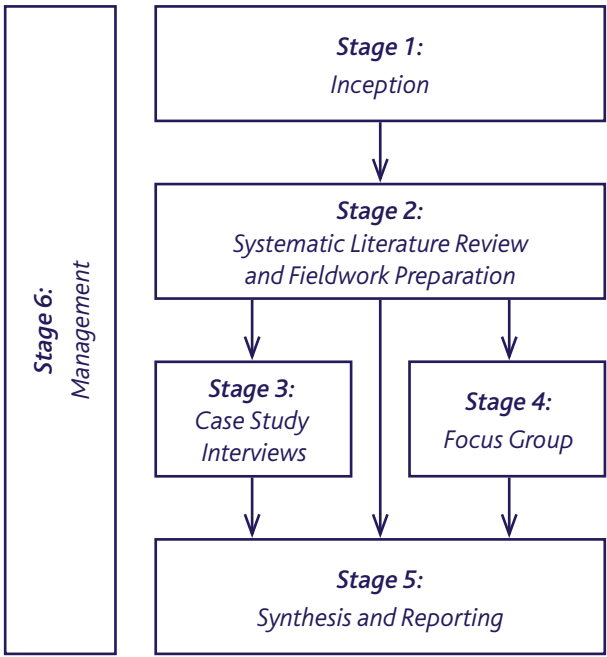
- Thematic case study interviews conducted with further education Chairs and Principals
- Focus groups conducted with Principals and Chairs from participating colleges
- A research report highlighting the findings
- Production of good practice guidelines for college governance in dealing with cuts through strategic planning and resource utilisation
- Dissemination of the results via ColegauCymru networks and events

Project outcomes

- A narrative of the impact of austerity from a governor perspective in Wales that will contribute to the FE academic evidence base
- An increase in understanding of the roles governors and Principals play in addressing austerity in Wales
- Fill a gap within the research especially from a Welsh context
- Facilitate the cross fertilisation of good practice
- Identify potential areas for improvement
- Examine future leadership practice across the sector in Wales and the UK
- Influence college governance, the leadership role in strategic planning and resource utilisation going forward

- 1.8** Furthermore, it was agreed at inception that this final report should also provide evidence of efficiencies and innovative solutions undertaken by the sector to date, and provide a picture of what the FE sector might look like in 2020.
- 1.9** Our approach to the study involved six main elements of work as shown in Figure 1.3 below, with the work carried out between April and November 2015:

Figure 1.3 : Research work programme¹¹



- 1.10** Our systematic literature review consisted of a two-fold approach. Firstly, we undertook a general review of national level policy and strategy documents to provide the necessary policy context for this research which is outlined in more detail in Chapter 2. Secondly, we reviewed college-specific literature for each FE institution in Wales including strategic plans, annual

¹⁰ Coleg Gwent (2014), *Tender Specification*, p.6.

¹¹ Although this is the methodological approach initially agreed, in reality the focus group stage occurred after the case study interview stage, and was used to test the findings of Stage 2 and 3

reports, financial statements and recent Estyn reports, looking in particular at findings relating to leadership, governance and financial performance. In some instances, where the information was readily available, we also sourced additional information from individual colleges around their commercial developments and governance structures. The data and information was collated using a matrix approach, under the following themes:

Figure 1.4:

Research themes for systematic literature review:

- 1. Diversification** – how are the leaders of FE institutions looking to, or already actively participating in, new or more varied areas of work?
 - 2. Collaboration** – how are FE leaders looking for, or already actively involved in, collective solutions to austerity with other key partners?
 - 3. Composition** – how are FE leaders looking to change the composition of their institution so that it can better adapt or react to the challenges of financial austerity?
 - 4. Entrepreneurship** – how are FE leaders promoting entrepreneurial behaviour to create innovative solutions for the future?
 - 5. Efficiency** – how are FE leaders driving the invest-to-save agenda within their institutions?
 - 6. Leadership and Governance** – how are FE leaders ensuring they have robust processes and procedures in place to lead their institutions effectively during this harsh financial period?
 - 7. Advocacy** – how are FE leaders highlighting to key stakeholders the effects of austerity (at an institution and sector wide level) and influencing key decisions that impact on the sector?
- 1.11** A matrix of the relevant information was developed for each FE institution which helped inform the subsequent stages of the research, particularly in terms of identifying case study institutions and to inform the questioning themes for the case study interview topic guide. The relevant matrix of information also provided useful background information prior to each case study visit.

1.12 Stage three of the study involved undertaking case study visits to a sample of eight FE institutions which was agreed with the project steering group. The eight case studies were chosen to reflect the FE sector in Wales in terms of size, remit and geographical location, and where the literature review had highlighted interesting developments or potential good practice for the purposes of this research.

Figure 1.5:
List of case study FE institutions (in alphabetical order)

1. Cardiff and Vale College
2. Coleg Cambria
3. Coleg Gwent
4. Grŵp Llandrillo-Menai
5. Merthyr Tydfil College
6. NPTC Group
7. Pembrokeshire College
8. WEA YMCA CC Cymru

1.13 In total, 21 individuals across the eight FE institutions were interviewed during July and September 2015, including Chairs and Vice-Chairs of the governing bodies, Principals, Deputy Principals, Assistant Principals and other relevant senior management staff such as key members of the commercial teams¹².

1.14 Additional consultations were also held with the following individuals in order to gain the views of external stakeholders with relevant insights to the aims of this research:

- Andrew Clark, Deputy Director, Further Education and Apprenticeships Division, Welsh Government
- Greg Walker, Deputy Chief Executive, ColegauCymru
- Iestyn Davies, Chief Executive, ColegauCymru

¹² It was agreed that comments made during these interviews would not be attributable to the individuals concerned

1.15 A focus group was convened in October 2015 with a group of eight FE leaders to test and validate the emerging findings and to ascertain key recommendations for future leadership practice within FE institutions as part of stage five of the research, with attendance from five different colleges, two of which had not been involved with the research at any previous stage.

Structure of the report

1.16 The remainder of this report is set out as follows:

- Background to the FE sector in Wales (Chapter 2)
- Policy context for the FE sector in Wales (Chapter 3)
- Findings: Impact of reductions to FE funding (Chapter 4)
- Findings: Strategies utilised to address the funding gap (Chapter 5)
- Findings: Leadership within the FE sector (Chapter 6)
- Findings: Generating a culture of enterprise and innovation (Chapter 7)
- Findings: Strategies for enhancing the influence of the sector (Chapter 8)
- Findings: Views on the future of the sector in Wales (Chapter 9)
- Conclusions and recommendations (Chapter 10)

2. BACKGROUND: THE FE SECTOR IN WALES

Overview of the FE sector in Wales

2.1 FE includes education and training provision mainly for people aged over 16 and covers all aspects from basic skills and work-based learning to sixth-form and tertiary provision and Higher Education (HE) degree provision. FE programmes are mainly taught at FE college campuses, in the workplace or in adult community learning environments. The FE sector often has a less prominent profile than schools and the higher education sector, yet it is key for developing and sustaining the vocational skills of both individuals and the wider workforce and has an important contribution to make to the development and growth of the local and national economy¹³.

2.2 The broad purposes of further education in Wales are widely agreed to be as follows:

- Providing high quality learning via diverse modes of delivery to enable learners from the age of 14 to adult to achieve their full potential.
- Supporting economic prosperity by working in partnership with businesses/ employers to meet training and skills needs.
- Raising the aspirations of communities and of learners, overcoming barriers to remaining in or returning to learning.
- Encouraging the development of active citizens and instilling

¹³ National Assembly for Wales Research paper, 2013, *Further Education structure in Wales*, p.3

a wider sense of social responsibility.

- Collaborating with other stakeholders in the planning and development of progression routes for learners.
- Widening participation through social inclusion.
- Supporting the regeneration of local communities and regions.
- Putting the best interests of the learner at the heart of all decision-making¹⁴.

2.3 Since the Further and Higher Education Act 1992, FE institutions in Wales have become legally separate corporations responsible for their own governance arrangements, finance, estates, human resource systems and curriculum portfolios. Since 2006, the Welsh Government's Department for Education and Skills (DfES) has funded each FE institution in Wales directly and provides them with their main source of income. However, FE institutions are also able to generate their own income through commercial activities and investments.

2.4 The FE sector has a long track record of delivering in Wales, and often leads the UK with its consistently high quality provision, its inspection ratings and its success rates in ensuring qualifications for its learners¹⁵.

FE institutions in Wales

2.5 FE institutions in Wales have been through a period of change in response to a Wales-wide transformation of the post-16 education landscape, at the behest of Welsh Government¹⁶, which led to a number of mergers and collaborative arrangements,

¹⁴ Adapted from Welsh Government, 2011, *An Independent Review of Governance Arrangements for Further Education Institutions in Wales*, p.9

¹⁵ 'Funding challenges require a rethink', Western Mail, 16 October 2014

¹⁶ Welsh Government's Transforming Education and Training Provision in Wales agenda was published in 2008 and required secondary schools, FEIs and HEIs to work more collaboratively to reduce inefficiencies in the provision of post 16 learning opportunities. A further report, *The structure of education services in Wales – independent task and finish group report* was published by the Welsh Government in March 2011 which recommended that Welsh FEIs should continue with their rationalisation agenda to between eight and twelve FE corporate entities by August 2013.

and an increasingly regionalised approach to delivery. As a result, the number of FE colleges has decreased from 25 to 14 in recent years¹⁷, with a number of inter-sector mergers between FE and HE institutions also taking place.

Figure 2.1:
Map of further education institutions in Wales



- | | |
|--------------------------------|------------------------------|
| 1. Coleg Gwent | 9. Coleg Sir Gâr |
| 2. St David's Catholic College | 10. Pembrokeshire College |
| 3. Cardiff and Vale College | 11. Coleg Ceredigion |
| 4. Coleg y Cymoedd | 12. Grŵp Llandrillo-Menai |
| 5. The College Merthyr Tydfil | 13. Coleg Cambria |
| 6. Bridgend College | 14. WEA YMCA Community |
| 7. Grŵp NPTC Group | College Cymru is a community |
| 8. Gower College Swansea | based FE institution, which |
| | services the whole of Wales |

Source: Adapted from http://www.colegaucymru.ac.uk/en-GB/wales_colleges-42.aspx

¹⁷ As at 21st October 2015

2.6 Each of the FE institutions in Wales can be roughly grouped according to the following typology. Several of the larger colleges (1, 3, 4, 7, 8, 12 and 13 above) typically have an annual turnover of over £40m and employ in excess of 700 staff. They have a wide FE remit and provide the widest possible range of provision which usually includes sixth form, tertiary, work-based learning, HE and commercial activities. Coleg Gwent has existed in its current format as an FE corporation since 1992¹⁸ whilst the other larger colleges are all the result of recent mergers between previously existing, smaller, sub-regional FE colleges. Two independent FE colleges remain in Wales (6 and 10) who also deliver a wide range of FE services, although Pembrokeshire College has a strong work-based learning (WBL) provision and Bridgend College has a focus on HE provision. Three FEIs – Merthyr College (5), Coleg Sir Gâr (9) and Coleg Ceredigion (11) – have each merged with a HE institution in their region, whilst St. David’s Catholic College (2) is an independent sixth form college. Finally, WEA YMCA CC Cymru (14) merged in August 2015, with its main focus on community based adult learning provision.

2.7 The colleges are supported and represented by a national organisation, ColegauCymru (CollegesWales), which was created in 1993 as an educational charity and a company limited by guarantee where a small team of core staff and consultants seek to influence the policy framework, raise awareness of the value of further education, disseminate and develop good practice, deliver externally-funded projects that benefit FE learners in Wales and organise training and CPD activities¹⁹.

2.8 In 2013/14 there were 167,715 learners at FE institutions in Wales, a reduction of 4.1 per cent on the previous year, attributed mainly to a decline in part-time learners as a result of funding cuts. In total there were 48,055 full-time learners, 101,135 part time learners and a significant 11 per cent growth to 18,520 in work-based learning enrolments at FE institutions²⁰.

Further education at FEIs

¹⁸ *The Further and Higher Education Act 1992* (FHEA) created FE corporations, each with a governing body that determined the educational character and mission of the college and its financial solvency

¹⁹ www.collegeswales.ac.uk/en-GB/what_we_do_13.aspx [accessed on 13 October 2015]

²⁰ Welsh Government (2015), *Further education, work-based learning and community learning 2013/14*, p.2 [accessed 21 October 2015].

Table 2.1: Enrolments on learning programmes at further education institutions, community learning or work-based learning providers by provision type and mode of study, 2013-14²¹

Further education at FEIs	
(excluding local authority community learning)	
Full time	49,365
Part time	131,615
Total	180,980
Higher education at FEIs²²	
Full time	135
Part time	1,505
Total	1,640
Work-based learning provision	
Work-based learning programmes at FEIs	18,510
Pathways to Apprenticeships at FEIs	1,405
Programme at other training providers	53,115
Total	73,035
Community learning	
(including those enrolled at FEIs and LAs)	
Full time	20
Part time	36,585
Total	36,605
All levels of study	
(including those enrolled at FEIs and LAs)	
Full time	49,520
Part time	169,705
Work-based learning	73,035
Total	292,260

²¹ Welsh Government (2015), *Further education, work-based learning and community learning 2013/14*, p.4 [accessed 21 October 2015]

²² These figures only included programmes which are designed in their entirety as HE and exclude, for instance, work-based learning programmes (Higher Apprenticeships in particular) with HE learning activities.

- 2.9** In terms of learning activities, 785,665 qualifications were gained at FE institutions in Wales during 2013/14, of which 495,540 (63 per cent) were further education qualifications, 230,440 (29 per cent) were work-based learning qualifications and 52,710 (6.7 per cent) were gained via community learning.
- 2.10** The data captured above – which shows only 1 per cent or 6,970 HE qualifications being gained at Welsh FEIs – does not, however, provide an accurate picture of HE provision at FEIs, as it does not include Higher Apprenticeships or the most substantial part of HE provision, which is provided on a franchised basis from HEIs. A detailed review of HE provision within FE colleges in Wales was conducted by Welsh Government in 2013 which revealed that there were well over 5,000 additional enrolments per year to the data collated above. In the analysis of the 2012/13 HESA Student Record data from the review, Grŵp Llandrillo Menai (1,445), Bridgend College (1,000) and Coleg Sir Gâr (905) were responsible for well over half of those enrolments whilst there were also significant HE enrolments at Coleg Gwent, Cardiff and Vale College and NPTC Group and at the predecessor colleges of Coleg Cambria and Coleg y Cymoedd²³.
- 2.11** Of the learning activities for which the qualification level is known, 26 per cent were at Level 1, 36 per cent at Level 2 and 24 per cent at Level 3 with less than 3 per cent at Level 4 or higher. There has been a gradual increase in the number of enrolments on qualifications at Level 3 and above (up from 18 per cent in 2006/07) with a downward trend at Level 1 (down from 33 per cent in 2006/07).

²³Welsh Government, 2015, *Review of higher education in further education institutions*, p.26 – the data combines the number of enrolments franchised in from HEIs and taught at FE institutions and the enrolments at FEIs directly funded by HEFCW in 2012-13. The data excludes Merthyr Tydfil College as their data is included under the University of Glamorgan (University of South Wales) for statistical purposes.

Table 2.2: Enrolments on learning activities at further education institutions and work-based learning providers by qualification level 2013/14²⁴

Qualification level	Further and higher education and work-based learning
Pre-entry level	3,540
Entry level	65,140
Level 1	174,465
Level 2	255,175
Level 3	169,830
Level 4 and above / HE	18,070
Mixed Levels	60
Unknown or not required	46,680
Total	732,955

2.12 The size of institutions in relation to staff employed varies greatly in Wales, but this tends to reflect the range of provision offered, therefore colleges with a strong sixth form/tertiary focus tend to be smaller in size compared to larger colleges providing the widest range of FE provision. The larger colleges are almost all the result of fairly recent mergers and in almost all cases have nearly doubled in size as a result. It is unsurprising therefore that the remaining independent colleges on the whole tend to be around half the size of these larger entities.

²⁴ <http://gov.wales/docs/statistics/2015/150325-further-education-work-based-learning-community-learning-2013-14-en.pdf#page=6&zoom=auto,-70,607>, p.6 [accessed 22 October, 2015].

Table 2.3: Full time equivalent staff numbers at FE Institutions (by institution, 2013/14)²⁵

Further education institution	2013/14
YMCA	15
St David's Sixth Form College	115
Coleg Ceredigion	135
WEA Cymru	160
Merthyr Tydfil College	255
Pembrokeshire College	405
Coleg Sir Gâr	570
Bridgend College	590
Coleg y Cymoedd	770
Cardiff and Vale College	785
Gower College Swansea	785
Grŵp NPTC	905
Coleg Gwent	975
Coleg Cambria	1,115
Grŵp Llandrillo Menai	1,550
Total	9,130

Funding of the FE sector in Wales

2.13 The change in the structure of the sector in Wales, with (as already noted) a fall from a total of 25 FE institutions to 14 (with the most recent merger between WEA Cymru and YMCA Wales having taken place during August 2015), has been reflected in a more distinct split emerging in terms of finance, with more than half of the colleges having a turnover exceeding £40m and other smaller institutions with turnover ranging between £6-30m in the main. This wide breadth of institutional size means that management approaches and challenges and potential solutions to a decline in public funding are equally likely to vary significantly.

²⁵ <https://statswales.wales.gov.uk/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Staff-at-Further-Education-Institutions/fulltimeequivalentstaffnumbersatfurthereducationinstitutions-by-institution> [accessed 22/10/15]

Table 2.4: Impact of mergers on college size (turnover)

Turnover £m	No. of FEIs July 2009	No. of FEIs after mergers Jan 2014
0 - 5	4	1
5 - 10	5	2
10 - 15	2	1
15 - 20	5	0
20 - 25	5	2
25 - 30	2	1
30 - 35	1	0
35 - 40	0	0
40 - 50	0	4
50 - 60	1	2
60+	0	2
Total	25	15

Source: Colegau Cymru presentation on FE to National Assembly, 10/06/14

2.14 The largest FE institution in Wales on the basis of income is Grŵp Llandrillo-Menai which operates under a federated model, unique to the sector in Wales, and spans north-west Wales. Coleg Cambria delivers FE provision across the north east area of Wales and Coleg Gwent is the only provider in the far south east region of Wales, serving a diverse range of communities across five local authority boundaries namely Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen. At the lower end of the scale, FEIs with a mainly narrower focus on adult learning or sixth form provision generate (unsurprisingly) lower levels of income.

Table 2.5: Total income per FE institution, 2014

FE Institution	Income (£000)
YMCA Wales Community College	1,100
Coleg Ceredigion	5,633
St David's Catholic College	6,857
WEA Cymru	7,594
Merthyr College	15,097
Bridgend College	28,584
Pembrokeshire College	28,685
Coleg Sir Gâr	33,158
Gower College Swansea	36,863
Coleg y Cymoedd	41,923
Cardiff and Vale College	47,082
NPTC Group	48,980
Coleg Gwent	56,082
Coleg Cambria	60,827
Grŵp Llandrillo Menai	75,930

Source: End of year financial statements, 2013-14

- 2.15** FEIs in Wales have a heavy reliance on core funding from the Department for Education and Skills at Welsh Government, and since 2013 total funding for the sector has been in decline²⁶.
- 2.16** There is a significant variance of around 21 per cent in the dependency of FE institutions on core Welsh Government funding, however with no obvious trend or pattern (as set out in Table 2.7). Smaller FEIs seem to be less reliant on core funding, with Bridgend's other (i.e. non-core funding) income resulting from tuition fees and Coleg Sir Gâr's other income a mix of tuition fees, farming activities and substantial European funding. Colleges with a long standing focus on commercial activities, such as NPTC Group and Grŵp Llandrillo-Menai also demonstrate a lower dependency overall on Welsh Government funding, with most other colleges exhibiting a similar rate of dependency with

²⁶ ColegauCymru presentation on FE to the National Assembly, 10/06/14

between 83–86 per cent of their total income coming from Welsh Government, with Pembrokeshire College having the highest dependency level, mainly as a result of a combination of core funding and its lead role on a large, Welsh Government funded collaborative WBL contract:

**Table 2.6: Reliance on funding body grants
(including recurrent funding and WBL)**

FE College	Funding body grants ('000) 2013-14	Funding body grants as % of income 2013-14
Bridgend College	18,390	64%
Coleg Sir Gâr	21,851	66%
WEA Cymru	5,015	66%
NPTC Group	34,006	69%
St David's Catholic College	5,319	77%
Grŵp Llandrillo-Menai	59,464	78%
Merthyr College	12,370	82%
Gower College Swansea	30,437	83%
Cardiff and Vale College	39,268	83%
Coleg Gwent	47,235	84%
YMCA Wales	923	84%
Coleg Ceredigion	4,786	84%
Coleg Cambria	51,543	85%
Coleg y Cymoedd	36,044	86%
Pembrokeshire College	24,676	86%

Source: End of year financial statements 2013-14

2.17 The picture becomes a little clearer when we look at FE institutions' dependency on the core FE grant in isolation from other forms of funding and excluding the work-based learning income, which is awarded as a result of competitive tendering arrangements and is in one sense therefore, commercial income (Table 2.8 below). Once WBL contracts are taken out of the equation, Pembrokeshire College is the least reliant on Welsh Government funding as a result of its international activity, European grant funded projects and commercial courses²⁷.

²⁷ Pembrokeshire College *Strategic Plan, 2010-14*, p.13

It is followed by NPTC Group who earned almost £50m of other income in 2015²⁸. At the higher end of the table, two of the largest FE institutions, working in some of the most deprived communities of Wales show a reliance of over 80 per cent on core DfES funding.

Table 2.7: Reliance on Welsh Government core funding grant (excluding work based learning)

FE College	WG grant (excl.WBL) as % of income
Pembrokeshire College	46%
NPTC Group	52%
Coleg Sir Gâr	55%
Bridgend College	64%
Grŵp Llandrillo-Menai	66%
Coleg Cambria	68%
Cardiff and Vale College	68%
Merthyr College	73%
Gower College Swansea	73%
Coleg Ceredigion	79%
St David's Catholic College	79%
Coleg y Cymoedd	82%
Coleg Gwent	83%
YMCA Wales	n/a
WEA Cymru	n/a

Source: 2014-15 mid-year returns

2.18 When considering income which derives from 'HE tuition fees and education contracts', unsurprisingly those FE institutions with a link to a HE provider all appear in the top half of results, although somewhat surprisingly, only Coleg Sir Gâr appears in the highest quartile. However, Bridgend's 'strategic alliances' with two local universities – the University of South Wales and Cardiff Metropolitan University – result in it delivering the largest number of HE courses

²⁸ NPTC Group *Strategic Plan, 2011-15*, p.13

of any FE colleges in Wales²⁹ whilst NPTC Group appear to run a number of successful education and training contracts.

2.19 Some of the FEIs with the lowest income from HE provision are located near some of Wales universities, suggesting perhaps that part-time provision or demand for the delivery of HE provision on campus is higher and easier to achieve when there is some geographical distance from the college and the nearest HE institution.

Table 2.8: Income from higher education tuition fees and education contracts

FE College	Income (£000)	Income (as % of total income)
Bridgend College	6,980	24%
NPTC Group	8,939	18%
Coleg Sir Gâr	4,834	16%
St David's Catholic College	1,191	13%
YMCA Wales	127	12%
Merthyr College	1,392	9%
Coleg Ceredigion	498	9%
Coleg Gwent	4,440	8%
Grŵp Llandrillo-Menai	5,936	8%
Pembrokeshire College	2,255	8%
Cardiff and Vale College	3,490	7%
Coleg y Cymoedd	2,891	7%
WEA Cymru	538	7%
Coleg Cambria	3,936	6%
Gower College Swansea	2,005	5%

Source: End of year financial statements 2013-14

2.20 Other sources of income include a wide range of income streams ranging from European funding, catering, commercial contracts and international provision, and once again a wide variance is seen, with one FEI achieving almost one-fifth of its annual income through 'other sources' at one end of the spectrum, whilst nine

²⁹ Bridgend College *Strategic plan*, 2014-19, p.3

FEIs generate less than 10 per cent of their annual income from 'other' sources. geographical distance from the college and the nearest HE institution.

Table 2.9: Income from other sources (including European funding, catering and commercial activity)

FE College	Income (£000)	Income (as % of total income)
Coleg Sir Gâr	6,416	19%
Grŵp Llandrillo-Menai	10,197	13%
NPTC Group	6,017	12%
Bridgend College	3,211	11%
Cardiff and Vale College	4,267	11%
Gower College Swansea	4,208	11%
Coleg Gwent	4,375	8%
Coleg Cambria	4,009	7%
Pembrokeshire College	1,712	6%
Coleg y Cymoedd	2,493	6%
Coleg Ceredigion	321	6%
St David's Catholic College	345	5%
Merthyr College	545	4%
WEA Cymru	283	4%
YMCA Wales	43	4%

Source: End of year financial statements 2013-14

Employment by FE institutions in Wales

2.21 The annual financial statements prepared by FE institutions in Wales also provide some data in terms of their costs. The main costs, by some distance, for all FEIs are unsurprisingly, staff related, but again wide differences were seen ranging from Pembrokeshire College with 49 per cent of their total income spent on staff costs to 72 per cent of all costs spent on staffing at Coleg Ceredigion. Those with the lowest staff costs are likely to be the institutions with a higher proportion of their staff on non-traditional employment contracts – Pembrokeshire College for instance has a large cohort of WBL staff, while NPTC has several subsidiary

companies delivering training. The proportionately lower staff costs incurred by Merthyr College may be because of efficiencies generated by back-office functions being fulfilled by the University of South Wales on its behalf. Several of the larger colleges – Cardiff and Vale College, Grŵp Llandrillo-Menai and Coleg Cambria also have staff costs amounting to some 63% of total income, suggesting that some economies of scale can be achieved through mergers.

Table 2.10: Staff costs per FE institution as percentage of total income

FE College	Staff costs (£000)	Staff costs as % of total income 2013-14³⁰
Pembrokeshire College	13,989	49%
Merthyr College	8,512	56%
Coleg Sir Gâr	20,312	61%
Cardiff and Vale College	28,778	61%
NPTC Group	30,033	61%
Grŵp Llandrillo-Menai	47,840	63%
Bridgend College	18,624	65%
Coleg Gwent	36,495	65%
WEA Cymru	5,036	66%
YMCA Wales	721	66%
Coleg Cambria	40,354	66%
Coleg y Cymoedd	28,423	68%
St David's Catholic College	4,737	69%
Gower College Swansea	26,182	71%
Coleg Ceredigion	4,076	72%

Source: 2013-14 financial statements and mid-year returns

³⁰ Data provided in end of year financial statements for 2013-14, excluding restructuring costs

3. POLICY CONTEXT FOR THE FE SECTOR IN WALES

Introduction

3.1 In order to fully understand the context in which the FE sector is operating, as well as the leadership and governance challenges being faced, the following policy and strategy documents are briefly summarised:

- *Independent Review of Governance Arrangements for Further Education Institutions*, Welsh Government, 2011
- *The Youth Engagement and Progression Framework*, Welsh Government, 2013
- *Post-16 Planning and Funding Review*, Welsh Government, 2013
- *Further and Higher Education (Governance and Information) (Wales) Act*, 2014
- *Qualified for Life*, Welsh Government, 2014
- *Policy Statement on Skills*, Welsh Government / The Skills Implementation Plan, Welsh Government, 2014
- *Aligning the apprenticeship model to the needs of the Welsh economy – Consultation*, Welsh Government, 2015
- *Ministerial Letter – Priorities for the sector – 2016/17*

Independent review of governance arrangements for further education institutions, 2011

- 3.2** An expert review panel was set up in July 2010 by the Welsh Government to explore different models of governance for FE institutions. The review was chaired by Mr Rob Humphreys and the report was published in March 2011. The 'Humphreys Review' as it is known, considered various models of governance in related areas, such as social enterprises and co-operative organisations and looked for elements that could be adopted by the FE sector while also responding to the current and future needs of learners, employers and communities. It made a total of 41 recommendations.
- 3.3** The review outlined four key pillars of governance for FEIs:
- clarity of purpose,
 - capacity and effectiveness,
 - ownership, and
 - scrutiny and accountability.
- 3.4** In terms of effectiveness, the review aimed to ensure that governance arrangements enhanced the ability of the FE sector, and of individual institutions within it, to respond swiftly to the needs of learners and also to rapid changes in the labour market and in economic growth sectors. The review also emphasised the need for the sector as a whole to be able to respond quickly to Government policy at a national level, rather than on a local basis alone, and recommended that FEIs 'maximise income from third party sources to reduce their reliance on public funding including via partnership and collaboration with other providers and bodies'³¹.
- 3.5** The proposals centred on a social enterprise model consisting of two main strands. Firstly a new 'leaner' board, comprising non-executive and executive directors, who would be appointed on the basis of their skills and expertise rather than any sectoral background, and a new 'membership body' with a community engagement role, to engage with learners, customers, employers, staff and other key stakeholders.

³¹ Welsh Government (2011), *Independent Review on the Governance Arrangements of Further Education in Wales*, p.17

3.6 ColegauCymru broadly welcomed the report but raised some concerns about the increased bureaucracy that the recommendations might entail and the additional costs involved in the establishment and running of membership bodies³².

The youth engagement and progression framework, Welsh government, 2013

3.7 The framework aimed to reduce the number of young people not in education, employment or training (NEET) by identifying those young people at most risk of disengagement and by providing better co-ordination of support between the relevant organisations. The national measure of young people classed as NEETs in Wales shows a figure of 10-13 per cent for those aged between 16-18, and a marked increase in those aged between 19-24 years old. Local authorities were tasked with the key leadership role in implementing the framework's action points, working closely with other stakeholders including FE colleges and work based learning providers, particularly in terms of helping more young people to progress successfully into further and higher education and ultimately, into skilled employment.

Post-16 planning and funding review, Welsh government, 2013

3.8 The Welsh Government published its report on the post-16 planning and funding review in May 2014. This outlined how a new, more simplified framework would operate, allocating funding to specific programme areas rather than qualifications with a view to increasing the focus on the quality of the learning offer and the outcomes of the learner (the demand side) rather than the volume of learning activity (the supply side).

3.9 The vision was for a system which would reduce bureaucracy by planning and funding at programme rather than qualification level and put more emphasis on the purpose of the learning offer and

³² ColegauCymru (2011), Response to the Consultation on the *Independent Report on the Governance Arrangements of Further Education in Wales*, p.22-23

the outcome for the individual learner, providing funding stability so that more time was available to focus on learners³³.

3.10 The key principles of the new post-16 planning and funding framework were as follows:

- Simple: to enable post-16 providers to make assumptions on future funding for planning purposes
- Purposeful: allocated funding reflects the costs of learning to support effective delivery which focuses on outcomes
- Inclusive: funding rates developed to promote inclusion and widen participation
- Sustainable: able to adapt to a changing policy environment
- Maximises use of public funding: encourages the efficient use of resources³⁴.

3.11 The new arrangements were introduced to the sector fully in 2014/15 following a pilot phase at two colleges in 2013/14 (Coleg Gwent and Coleg Cambria). During its first year, the new framework was only used to fund sixth form provision and provision at FEIs. Over time, it will be widened to include adult community learning delivered via local authorities and further education provision delivered by higher education institutions (HEIs). Work-based learning, Welsh for Adults provision and HE provision have different funding arrangements in place, which will remain.

3.12 The new framework also maintains an uplift for deprivation, sparsity and Welsh medium provision and standardises the approach to planning and funding between local authorities and FE institutions³⁵.

3.13 Following discussions between the Department for Education and Skills (DfES) and individual FEIs in December, the funding allocations are published in January with the final delivery plans published by March³⁶.

³³ Welsh Government (2013), *Post 16 Planning and Funding Review: Final Report*, p.6

³⁴ Welsh Government (2013), *Post 16 Planning and Funding Review: Final Report*, p.6

³⁵ *Ibid.*, p.5

Further and Higher Education (Governance and Information) (Wales) Act, 2014

3.14 The Further and Higher Education (Governance and Information) (Wales) Act 2014 (FHE Act) gave FE institutions enhanced autonomy and decision making abilities by removing and modifying existing legislative controls. This has created a new working relationship between Welsh Government and colleges in how further education is delivered within Wales's communities. Its aim is to reduce unnecessary bureaucracy and provide the FE sector with capacity to retain surpluses for future capital projects and flexibility in terms of delivery models that are more suitable to the local communities they serve³⁷.

3.15 One key aspect of the FHE Act was to enable FE institutions to re-instate their classification as not-for-profit institutions serving households (NPISH). A key reason for this was that the NPISH status provides colleges with more control over their own affairs, and greater decision-making powers in how to respond to the needs of their local communities³⁸ although governing bodies remain accountable to the Welsh Government for the 'effective and efficient use of resources, solvency of institution and safeguarding of their assets'³⁹.

3.16 In addition to the re-classification of FEIs for accounting purposes to NPISH, the Act also enabled the following changes:

- removal of the statutory requirement for FEIs to obtain consent from Welsh Ministers before entering into any borrowing agreements
- allowing FEIs to modify or replace their instrument and articles of government
- the removal of Welsh Ministers' power to appoint up to two members of a governing body
- allowing FEIs more freedom to change their governing body's

³⁶ These timings may be slightly different for 2015/16 because of the timing of the Comprehensive Spending Review

³⁷ ColegauCymru, *Further Education: key issues*, March 2014

³⁸ National Assembly for Wales (2013), *Further and Higher Education (Governance and Information) (Wales) Bill Summary*, p.4

³⁹ ColegauCymru, *Further Education: key issues*, March 2014

composition and ways of working (including the ability to conduct themselves through subsidiary agreements such as a limited company or a charitable incorporated organisation) without the prior consent of a Welsh Minister allowing FEIs to dissolve themselves and to transfer their property, rights and liabilities to another body.

Qualified for Life – an education improvement plan for 3-19 year olds in Wales, Welsh Government, 2014

3.17 This policy document was published by Welsh Government in 2014 to set out the strategic objectives of an education improvement plan for 3 to 19 year olds in Wales to 2020. Its vision is to ensure that education enables individuals to have opportunities to shape their future, builds a more cohesive society and helps create a strong economy in Wales. The plan has four main strategic objectives:

- **Strategic Objective 1** – An excellent professional workforce with strong pedagogy based on an understanding of what works
- **Strategic Objective 2** – A curriculum which is engaging and attractive to children and young people and which develops within them an independent ability to apply knowledge and skills
- **Strategic Objective 3** – The qualifications young people achieve are nationally and internationally respected and act as a credible passport to their future learning and employment
- **Strategic Objective 4** – Leaders of education at every level working together in a self-improving system, providing mutual support and challenge to raise standards in all schools⁴⁰.

⁴⁰ Welsh Government (2014), *Qualified for Life*, p.6

- 3.18** In order to improve education, the strategy highlights the need to put the learner at the heart of all decisions, with a drive towards 'personalised learning; so that children and young people can benefit from learning that meets their needs and which widens their horizons'⁴¹. The strategy also has a strong focus on how a successful education system can contribute to the development of the national economy. In particular, it highlights the role of education in contributing to 'more high-value businesses with more highly skilled jobs, greater community cohesion and a more equitable and successful society'⁴².
- 3.19** Looking specifically at Strategic Objective 4, the document identifies the importance of strong leadership at both senior and middle management within schools and colleges in influencing learners' outcomes, through their identification of priorities for an institution's development and improvement; their recruitment decisions; their identification of the professional development needs of their staff and how they manage their performance and their role in mitigating against the impact of disadvantage⁴³.
- 3.20** The strategy mentions in particular the work being undertaken in partnership with ColegauCymru to develop a leadership programme for senior college leaders and to develop a new code for governors in further education which would reflect best practice. It also mentions some additional features including a new self-improving system with a strong focus on collaborative work between schools and colleges to foster improvements and provide support when facing challenges. Colleges are highlighted as playing a key part in the self-improving system with 'greater cooperation between schools and colleges...in the interests of learner choice and better progression'⁴⁴.

⁴¹ *Ibid.*, p.7

⁴² *Ibid.*, p.8

⁴³ *Ibid.*, p.21

Policy statement on skills and the skills implementation plan, 2014

3.21 There has been a recent shift in Welsh Government policy in terms of providing support for workforce training aimed at ensuring a more cost-sharing approach to funding between government and employers. A policy statement on skills was published in early 2014 to inform future action in relation to post-19 skills and employment policy for the next 10 years. The intention was to support the over-arching aim of developing a more highly skilled Welsh economy.

3.22 The policy statement focused on all post-19 skills interventions, defined as 'those activities that provide skills needed for employment as well as those skills that are needed to enhance someone's employment and support businesses'⁴⁵. The statement therefore covers the post-19 element of further education, alongside higher education, work-based learning, and elements of adult community learning.

3.23 The statement covers four specific priority areas for Welsh Government, namely:

- Skills for jobs and growth – focusing on how to stimulate demand for a more highly skilled society, creating jobs and economic growth
- Skills that respond to local needs – describing a skills system that can reflect the needs of local communities
- Skills that employers value – recognising the importance of engaging employers in the skills system and highlighting the requirement for co-investment alongside government in future
- Skills for employment – exploring the role of the skills system to assist individuals into employment and with their career progression, both central to the tackling poverty agenda⁴⁶.

⁴⁴ *Ibid.*, p.22

⁴⁵ Welsh Government (2014), *Policy statement on Skills*, p.4

⁴⁶ Welsh Government (2014), *Policy statement on Skills*, p.7

- 3.24** There is an expectation that by 2020 Wales will have undergone a restructuring of its skills base, with an increase of people in employment with higher-level skills, alongside a decline of those in employment with low or no skills⁴⁷. In order to make the most of opportunities and grow the demand for skills, the Welsh Government recognises the need to strengthen linkages between the training provision available in Wales and the needs identified by major infrastructure projects, inward investors and the high-value export opportunities (including the supply chains that support them) within City Regions and Enterprise Zones⁴⁸.
- 3.25** For the future, the Welsh Government intends to use evidence from the Review of *Higher Education Funding and Student Finance Arrangements in Wales*⁴⁹ in addition to destination information as part of the *Planning and Funding Framework for post-16 learning* 'to determine both the rate of intervention and the level of underwriting by government for learning at Level 4 and above, for both academic and vocational pathways, including apprenticeships'⁵⁰. It also seeks to build on the existing Sector Priorities Fund approach to become more responsive to employer skills provision needs, and will focus on creating the conditions for networks of employers, with similar skills requirements to work more closely together in addressing their skills gaps.
- 3.26** The statement recognises that there are local differences in terms of skills-shortage vacancies, and that delivery must be flexible enough to respond to these localised needs and deliver tailored solutions to employers. However, the future approach focuses much more heavily on utilising developments in e-learning and the use of ICT in delivering distance learning by MOOCs⁵¹, for example and will also seek to implement a more streamlined approach to skills delivery that will avoid issues of duplication and competition.
- 3.27** The Skills Statement also acknowledges that a stronger culture of co-investment between government, employers and individuals

⁴⁷ UK Commission for Employment and Skills (2012), *Working Futures 2010-2020: Summary report for Wales*, figure 4: Profile of employment by level of highest qualification held

⁴⁸ Welsh Government (2014), *Policy statement on Skills*, p.8

⁴⁹ A review chaired by Professor Sir Ian Diamond, set up in 2014 and due to report in late 2016.

⁵⁰ *Ibid.*, p.10

⁵¹ Massive Online Open Courses (MOOCs)

must be achieved, with the work-based learning programme in particular sharing the costs relating to the apprenticeship framework equally between employers and government⁵². Following consultation, the 'Framework for Co-investment in Skills' announced at the end of 2014 with the aim of being fully implemented by 2017, seeks to rebalance the investment in skills and maximise Welsh Government resources in this area.

3.28 Whilst the Welsh Government intends to continue to fully fund apprenticeships at Level 3 and below for under 25 year olds, it also proposes to implement new funding principles integrated within a co-investment policy which would require a contribution of up to 50 per cent from employers as they invest in accredited training for their employees⁵³. While the purpose is to enable providers to lever in greater funding from the private sector, it is as yet, far from certain that this will be the result.

Aligning the apprenticeship model to the needs of the Welsh economy consultation, 2015

3.29 In early 2015, the Welsh Government went out to consultation to seek views on the development of a new apprenticeship model for Wales aimed at responding to the demands of employers and the needs of the future economy.

3.30 The Welsh Government's *Programme for Government* places jobs at the heart of its strategy, and developing a strong apprenticeship programme is seen as having the capacity to play a very important part in job creation and retention in Wales, particularly as apprenticeships can provide young people and the existing workforce with a mix of skills, knowledge, training and a clear route to employment and a career⁵⁴.

3.31 The consultation document identifies the need to expand the delivery of higher-level skills whilst acknowledging the need to

⁵² Welsh Government (2014), Policy Statement on Skills, p.16

⁵³ Welsh Government (2014), *Policy statement on Skills*, p.18

⁵⁴ Welsh Government (2015), *Aligning the Apprenticeship Model to the needs of the Welsh economy consultation*, p.10

achieve this within a financially constrained environment. Another key aim of the consultation is to look at how to achieve the same high esteem for qualifications from the vocational route as those from other post-16 progression routes.

- 3.32** The consultation document also identifies the need to raise qualification levels and skills for the economy of the future. The current apprenticeship model in Wales has much of its focus at level 2 (around 50 per cent of delivery), and much of the provision historically has been delivered to people aged over 25. The consultation sets out the need for a shift in focus to target 16-19 year olds, level 4 and above apprenticeships (which are considered as alternatives to university degree level) and STEM⁵⁵ areas specifically.
- 3.33** Apprenticeship reform has already been undertaken in England, with new apprenticeship standards (replacing the former frameworks) being developed by groups of employers, referred to as 'trailblazers' who operate in the same sector⁵⁶. The key principle underpinning the reform in England is that apprenticeships are developed by employers. Under current arrangements, apprenticeship frameworks in Wales are approved at a UK level, therefore the English reform is also creating uncertainties about the current set-up in the devolved nations, and there is an identified need to adapt the system in Wales to enable it to become more compatible with other UK systems so that apprenticeships can remain portable.
- 3.34** The consultation document outlines a key role for Regional Skills Partnerships to advise on future regional prioritisation of skills funding in line with employer needs (as set out in the Skills implementation plan) and stresses the Welsh Government's keenness to align learning provision with strategic priorities and growth opportunities such as those identified by Enterprise Zones and City Regions⁵⁷.
- 3.35** Following the consultation on apprenticeship reform, an implementation plan is due to be published imminently by the Welsh Government.

⁵⁵ Science, Technology, Engineering and Mathematics

⁵⁶ Welsh Government (2015), *Aligning the Apprenticeship Model to the needs of the Welsh economy* consultation, p.19

⁵⁷ *ibid.*, p.21

Ministerial letter – Priorities for the further education sector 2016-17

3.36 The annual letter to all Principals and Chief Executives in further education from the Minister for Education and Skills highlights some specific priorities for the 2016/17 academic year, which are set out 'in the context of the Skills agenda of jobs and growth, financial sustainability, equality and equity and international skills benchmarking'⁵⁸. However, the letter also recognises that the sector will be required to act strategically and collectively in order to maximise the available resources during a difficult economic climate and acknowledges the strong likelihood of continued reduction in public funding over the next few years.

3.37 The first priority of the letter is 'Jobs and Growth' and the Minister calls on FE leaders to provide 'leadership and direction by adopting a more strategic commissioning role and a more integrated portfolio of employment and skills programmes in order to avoid duplication and competition, whilst continuing to respond to local, regional and national needs. There is also a clear role for the three Regional Skills Partnerships to identify joint working or regional planning opportunities with a focus on delivering provision which is responsive to the needs of the employer and which is linked to emerging regional labour market opportunities. The Minister calls on the sector to commit to a 'more joined-up local employment and skills delivery to maximise the resources available'⁵⁹.

⁵⁸ Welsh Government, Ministerial Letter – *Priorities for the Further Education Sector 2016/17*, p.1

⁵⁹ *Ibid.*, p.2

- 3.38** The letter highlights the importance of employer engagement and enterprise, and the sector specialisms developed by several FE institutions. However, it also refers to a perceived lack of a coherent strategy for employer engagement, with insufficient attention paid to labour market intelligence in curriculum planning.
- 3.39** The second priority of the ministerial letter revolves around financial sustainability and alludes to the new *Policy Statement on Skills and the supporting Skills Implementation Plan* which have been designed to prioritise funding for learners aged 16-24 and to continue support for Higher Apprenticeships. It stresses that government cannot continue to be the sole source of funding for skills training, and that they will expect employers to increase their level of investment via a new framework for co-investment in skills which is being developed by Welsh Government officials.
- 3.40** The framework aims, the letter notes, to 'rebalance the responsibility for skills investment', placing a greater emphasis on the employer and the individual, where he or she is able, to invest in learning. Engaging with employers will be crucial going forward, and the FE sector has an important role to play, not only in the delivery of the learning, but also in working closely with employers to ensure that the workforce develop the necessary skills and are able to utilise their skills productively. In particular, the Minister states that he would wish to see 'the sector play a proactive leading role in the development of a plan for improving the system and increasing the contribution of co-investment in post-16 education'⁶⁰.

Concluding remarks

- 3.41** Overall, the environment facing FE colleges in Wales is highly challenging, but nevertheless with some opportunities – not least those offered by the FHE Act – to diversify and develop new income streams, as well as potential efficiency savings from reduced complexity.
- 3.42** It is widely accepted that economic austerity is having a profound effect on the public sector in Wales and indeed across the UK, but the financial pressures on the FE sector in Wales are greater

⁶⁰ Ibid., p.3-4

than at any other time in its history. In 2014-15, FE colleges in Wales saw their funding fall by an average of 1.6 per cent (a £5m reduction). Deeper cuts are expected over the next few years with a proposed 3.2 per cent overall funding decrease for colleges in 2016-17 amounting to a total of £29.9m across the sector⁶¹.

- 3.43** The ring-fencing of spending plans for pre-16 education and health and the priority support provided for full-time HE courses by the Welsh Government arguably leaves FE as the 'neglected middle child'⁶², squeezed financially and left to the vagaries of market forces.
- 3.44** Given the heavy reliance of the FE sector on income from the Welsh Government (see Chapter 2 above) it is particularly difficult for colleges to offset this decline in income with an increase in commercial revenues alone. As a result, efficiency savings and staff redundancies are being considered in order to achieve the necessary budget cuts. Further reductions in funding are expected to continue until at least 2019 and these cuts are likely to impact on both staff retention and reductions to courses being delivered.

⁶¹ However, it should be noted that in the 2015/16 Draft Welsh Government Budget, the FE sector budget did not receive any reductions in funding

⁶² Andrew Foster, *Realising the potential - A review of the future role of further education colleges*, 2007

4. FINDINGS: IMPACT OF REDUCTIONS TO FE FUNDING

'How do we do the unthinkable, how do we do something we've never done before? How can FE leaders do things they've never done before? Are we up for it?'

Introduction

4.1 We now turn to our findings, drawing on the fieldwork with Chairs, Principals and other senior members across FEs as well as stakeholders and the results of our desk research. In this chapter, we examine the FE sector's response to public funding cuts and the impact of the reductions to funding to date, particularly the reductions in core funding from Welsh Government, as well as considering the perceived impact of further cuts in funding over the coming years.

Response to public funding cuts

4.2 All the FE institutions interviewed (with the exception perhaps of WEA YMCA CC, who had been largely protected from funding reductions to date due to the merger) had already seen reductions in their core funding from Welsh Government and were looking at various ways to respond to this challenge. However, the need to decrease reliance on Welsh Government funding has been recognised as a key priority within the FE sector for some time, with most strategic plans (a number of them having been prepared as far back as 2011) recognising the need to diversify income sources. Deeper cuts and policy changes in recent years

have impacted ever more on the availability of grant funding from Government sources and as a result, diversifying its revenue base has become a very pertinent issue for the sector today.

4.3 In their strategic plans, FE institutions almost unfailingly mention their desire to be 'financially stable and resilient...during challenging times'⁶³, with intentions to increase turnover, increase the diversification of funding and decrease reliance on Welsh Government funding. For example:

- Bridgend College wish to bring their reliance on Welsh Government funding down from 64 per cent to a maximum of 58 Per cent⁶⁴.
- A key aim of Coleg Sir Gâr's strategic plan is to secure diversified income streams so that they can generate financial surpluses to invest in the future⁶⁵.
- Coleg Cambria aims to ensure that a minimum of 30 per cent of their total annual income is obtained from non-recurrent FE grant sources and recognises the importance of broadening its core income to avoid the operational disruptions that can occur when there is an over dependency on specific funding from few sources⁶⁶.
- Gower College want to increase activity across several revenue sources whilst also recognising that an increasing number of colleges (and other providers) will also be competing for a reducing level of commercial activity⁶⁷.
- Coleg y Cymoedd states a need to grow and increase its income base and rely less on Welsh Government funding⁶⁸, and to generate an operating surplus to invest in the business and provide a 'buffer' against challenging times. However,

⁶³ Bridgend College *Strategic Plan*, p.6

⁶⁴ Ibid., p.6

⁶⁵ Coleg Sir Gâr *Strategic Plan*, p.6

⁶⁶ Coleg Cambria *Strategic Plan*, p.5

⁶⁷ Coleg Cambria *Strategic Plan*, p.5

⁶⁸ Coleg y Cymoedd *Financial Statement 2013-14*, p.6

it highlights the difficulty in doing so in an increasingly competitive environment⁶⁹.

- Coleg Gwent recognises the need to grow the volume of their commercial activity, yet points to the difficulties of doing so with reductions across the public sector and a 'sluggish' private sector⁷⁰.
- The NPTC Group points to financial diversification as having been a priority over a number of years, and as a result, the college had grown significantly in terms of its turnover with over 20 per cent of its income now generated from commercial sources⁷¹.

4.4 Case study respondents generally concurred with this identified need to diversify income streams, although the solutions differed depending on the nature, location and size of the FEI in question, Moreover, respondents emphasised that whilst the issue itself was easily identifiable, the solutions were more complex to achieve:

'It's obvious – we simply need to become less reliant on the public sector. The key question is 'how?' – How do you resource it, and how fast does it need to happen?'

4.5 Several FEI respondents suggested that they had asked Welsh Government this very question and had received an explicit response that significant change was needed in the next three to four years (by 2020). Some FEIs seem to be significantly further advanced in implementing their plans for growing other sources of income whilst others are more vague about their strategy to plug the funding gap over the coming years.

⁶⁹ Coleg y Cymoedd *Financial Statement* 2013-14, p.9

⁷⁰ Coleg Gwent *Strategic Plan*, p.1

⁷¹ NPTC Group *Strategic Plan*, p.13

Impact of funding reductions

- 4.6** There was general agreement across the board that the financial pressure on FEIs was worse now than it had been at any time in the last twenty years, and that the situation was going to deteriorate further over the next four or five years. In general, FEIs in Wales were very aware of the potential impact of cuts on their core business and their focus to date seemed to have been mainly on ensuring that the quality of provision did not suffer in any way as funding cuts were implemented.
- 4.7** The first key area to have borne the brunt of funding cuts was considered to have been part-time and adult learning provision and this, it was suggested, had been 'the biggest victim' to date. Indeed, one college explained that the cut-backs in this area had led to a cultural change in the very character of the college, with the impact on provision having been 'profound'. Many cited that their adult learning provision had now been scaled back to the very bare minimum of literacy and numeracy teaching, and that it was likely to face further cuts in the near future. As a result, several colleges had already seen their student profile transformed from a wide and diverse range (in terms of age, mode of study, background) to a much narrower profile, often dominated by full time 16-18 year old students.
- 4.8** The second key impact of the funding reductions was considered to have been a reduction in spend on staffing resources across the FEIs. All but one of the colleges who contributed to the research had already started to implement voluntary redundancy exercises although most of these argued that undertaking the process had not resulted in major changes to staffing levels thus far. FEIs which had already made savings to staff costs included:
- Cardiff and Vale College undertook a voluntary redundancy exercise in 2013-14 which was expected to generate around £2.7m of savings in 2014-15, with just over 100 staff taking voluntary redundancy.
 - Grŵp Llandrillo-Menai implemented a management restructuring programme which resulted in greater parity of responsibility and workload in conjunction with a voluntary

- redundancy scheme in 2014-15⁷² which also resulted in a reduction of 100 staff. As a result, the Group has reorganised a range of services including learner support services, curriculum planning, quality and performance and employer engagement⁷³
- NPTC Group state that their organisation's budget spend on staff costs remains constant and well below the sector norm⁷⁴

4.9 One respondent from a college which had not yet undergone any structured redundancy programme, but was considering this as an option for the coming year, cited some concern about the voluntary nature of the process as it often meant 'the wrong people go-the ones who are good and have all the experience.' This could potentially serve to increase the problems and leadership challenges facing the college if that were indeed the case.

4.10 Several FE institutions were of the opinion that it had been something of a 'trial' year and further and more extensive restructuring was certainly being discussed for implementation in the near future. Although respondents felt that more savings would have to be made in their institution, and that extensive restructuring was certainly being discussed for implementation in the near future, the feedback from colleges suggested that they had already 'cut the fat now' and any future cuts would impact substantially on 'quality, curriculum provision, the student experience, surplus and staff morale'.

4.11 A third significant impact of the cuts to date for the FE sector in Wales was around the issue of social inclusion and the potential inequalities that respondents believed were being created as a result of the heavy cuts to adult provision. Generally, colleges believed that they continue to offer a suite of provision that is attractive to those who can pay for it (either as a leisure pursuit or for career progression purposes). However, there was a strongly held view, particularly amongst FEIs serving communities with areas of high deprivation, that the cuts to date had hit socially excluded groups particularly hard:

⁷² Llandrillo Menai Group *Annual Report*, p.5

⁷³ Llandrillo Menai Estyn *Annual Review of Performance*, p.4

⁷⁴ NPTC Group *Strategic Plan*, p.8

'It's a shame, and it's going to hit the local community hard. We have a high level of adults here with a lack of basic numeracy and literacy. It stops them getting jobs, and it stops them in their role as parents – in how they bring up and support their own kids. There is an enormous job to do with adults, but it will not be funded. The education system has failed them here'.

- 4.12** Finally, colleges described how they had consciously subsidised adult learning provision that did not have direct grant funding in the past 'for the good of the community' but as the challenge of austerity increased, their ability to do so would diminish which would have 'a bigger leveraging effect on provision'. There was concern that the reduction in adult learning provision showed a lack of joined-up thinking from Welsh Government and that it was in direct contradiction with its own aim of trying to tackle poverty effectively. Colleges queried whether decision-makers at Welsh Government fully understood the extent to which this type of provision had historically been funded across the sector by surpluses, and how substantial the impact of the funding cuts could be for many, particularly deprived communities.
- 4.13** In particular, several respondents suggested that the cuts would impact heavily on adults in low-paid jobs who would wish to re-train or increase their skills in order to improve their situation. These respondents were concerned that the only provision on offer to these groups in future without paying for the provision would require signing up to full-time training contracts such as apprenticeships, which would not be suitable for all. Examples cited of those who would lose out under the new funding structures included 'the single parent with childcare needs' or 'the 25 year old stuck in a dead-end job at a fast food outlet'. These individuals, who could perhaps only retrain on a part-time basis, who could not afford to pay for the training themselves, and whose employer would not pay for them, would essentially 'fall by the wayside' and as a result, would create a net problem in the long-term as government tried to achieve its priorities around the social inclusion, equality and tackling poverty agendas.
- 4.14** In the main, colleges felt that they had managed to respond to funding cuts so far without a negative impact on the quality of the learning provision or the student experience to date. One case study institution had even managed to make small improvements to quality (according to its Estyn reports) over the past few years, although conceded that there was a limit to which it could

continue on such a trajectory. Some colleges also suggested that further rationalisation of courses would be the only way to ensure that quality could be maintained in the provision that remained in future.

5. FINDINGS: STRATEGIES TO ADDRESS THE FUNDING GAP

'We are under pressure as a sector now. What happens if the rate of commercial activity doesn't grow at the same speed as the decline in public funding? Then there will be no equilibrium point. There will be a big problem if there is a gap.'

Introduction

- 5.1** This chapter considers the various approaches currently being undertaken by our case study institutions as they try to bridge the decline in core funding by generating more diverse income streams. Various options being explored by FE institutions include increasing work-based learning provision, developing new markets at home and abroad, developing the HE offer and expanding sixth form provision. In essence, the strategies outlined below demonstrate how FEIs are aiming to address future funding gaps by achieving growth in certain provision and by making further efficiencies in other provision all the time ensuring that the quality of the services provided are not compromised.

Employer-facing provision

- 5.2** The general consensus was that several FEIs were in a strong position to develop commercial income further and could well be in a position to be seen as the default provider of skills development in their region. A large amount of training was procured by employers annually, but for the most part, this was currently delivered by private providers with, according to one respondent, only £1 in every £10 spent on work-based learning currently reaching FE institutions. It was suggested by another contributor that if FEIs could match the private sector in terms of quality, flexibility and price, whilst also offering accreditation then there was some confidence that this would bring substantial benefits to the sector. However, colleges needed to be much more visible (it was noted that this was one reason behind the community membership model advocated in the Humphreys report) and needed to reconfigure their services so that they could be more flexible in terms of delivery, rather than being 'imprisoned' by current employment terms and conditions and standard teaching hours. Indeed, one respondent suggested that in order to be truly competitive, WBL provision needed to be wholly outside standard contracts, even if using established staff.
- 5.3** Many case study institutions were looking at growth in their WBL provision as a potential strategy to offset cuts in funding. Pembrokeshire College was consistently cited as the college with the largest WBL contract in Wales, and it was noted that this College was subsequently the only FE institution at the moment whose WBL funding stream was greater than its FE core funding from Welsh Government. As the lead partner in a consortium of ten partners at present, it had strong connections with training providers locally and further afield, and many respondents felt that there were opportunities to grow provision of this nature further. Similarly, NPTC Group had established the Skills Wales Academy in 2009 and led a consortium of eight providers to deliver a single contract for the Welsh Government to deliver work-based learning programmes across Wales. This joined up approach has been crucial in enabling the consortium partners to access ongoing funding for a period of four years.
- 5.4** One particular case study institution's strategy placed a strong focus on 'cross-selling', by offering top-ups for apprenticeships.

The college had a team of staff in place who dealt with businesses on a day-to-day basis to offer training, and in addition to their current WBL contract, had already managed to sell an additional 20 per cent of training provision. This institution also predicted there would be many opportunities outside of Wales, particularly in England, where there were no perceived constraints on growth. In this respect, another respondent felt that much more online blended learning needed to be developed as this is increasingly expected by employers, and can be a useful way of training less-skilled groups who require more repetition and privacy to undertake their training. This type of approach was also deemed to be ideal for increasing market share in England and beyond.

- 5.5** One case study FEI highlighted the importance of their extensive network and close working relationship with a number of local employers ranging from sole traders to large, multinational firms. As a result, the FEI had 4,000 apprenticeships deployed in local businesses. At another FEI, their employer engagement activity was managed in two ways – by the WBL team and by a short course ‘hub’ for businesses. Incidentally, this case study college also had put in place several solutions in response to the decline in public finances, including a WBL consortium with two private sector training companies running a local management centre, and the delivery of several third party contracts for training including a subsidiary company which helped small businesses train apprentices so that skills can be retained in the area.
- 5.6** In several instances, there was a particular focus on developing training provision tailored to the needs of certain priority sectors, with the energy sector, the aeronautical and financial services sectors and the advanced engineering sector all cited as key potential markets for growth for certain FE institutions, depending on the typography of employers located in a particular region.
- 5.7** A few case study institutions who were interviewed were hopeful of possible opportunities via EU funding to fill the funding gap for WBL in particular, with one respondent anticipating income of around £4 -5m from European funding over the next few years whilst others were concerned that the same amount of ESF funding would not be available during 2014 -20 as had been accessed during 2007-13. One or two other respondents cited opportunities arising from lottery funding and the third/voluntary sector as potential opportunities for growth too.

5.8 As an example, one institution was in a slightly more distinctive position than other FE institutions due to its different remit, and as a result argued that a strong partnership model would be crucial for the college's survival in the future. It was actively pursuing opportunities to find cost-efficient ways of delivering learning in collaboration with other third sector agents such as housing associations, creating 'mini learning organisations' who could engage with disadvantaged audiences. This was seen as one example of how it could work differently to mainstream FEIs.

Diversifying commercial income

5.9 One approach being considered by some of the case study respondents was to expand commercial income by generating opportunities from non-Welsh markets, and overseas markets especially, expected to generate considerable income to one particular college in due course via training provision for clients in the Middle East and an increase in training provision that could be delivered across England. Driving this growth was a desire to generate sufficient surpluses from commercial activity to fully subsidise provision for local communities and this was an important objective driving the college's ethos.

5.10 Another college had entered the international market more recently, but had done so in partnership with a University and a Business Council which brought about the benefit of additional expertise and experience and spread the potential exposure to risk for the institution. Non-educational commercial income from cafés, shops, restaurants and gyms on-site was also part of a multi-pronged approach to increase income diversity and thus spread the risks. The total income from this college's commercial activities was expected to increase from £3.5m to £5m this year.

5.11 Some of the other colleges were a little more uncertain in terms of whether they should and how they could, emulate this process of developing wider commercial opportunities, and were wary that the initial investment did not tend to generate a profit until many years later. Whilst this growth model remained an option for some in the longer-term, it did not necessarily provide a complete (or even a partial) solution to the gap caused by funding cuts in the next two to three years. In particular, there was concern about the need to appoint new, different staff to drive the commercial

agenda forward and that these additional income streams could bring with them fresh challenges and costs too. Some respondents were also of the view that this approach was not necessarily a guarantee for future success, particularly in areas where there were no large employers.

5.12 Another approach already undertaken by some FE institutions and currently being considered by others was to purchase an existing training provider in order to increase commercial activity and this was working very effectively in some instances as a market entry strategy.

5.13 One successful example of this approach was an FE institution that had purchased a private sector training provider in England as a way of 'taking a key competitor out of the market'. This decision had been based on thorough market research and the company now had a turnover of £5m per annum, generating a £1m net profit for the college. In this case, it was felt that the college's back office infrastructure, in terms of HR, legal and other support services had been utilised effectively and had enabled their training company to be better positioned to target international markets. Since then, the college in question had purchased a number of additional private training providers to deliver specialist training to specific sectors across Wales and the UK and had also acquired a social enterprise to provide advice and support on learning and career development directly to their local community.

5.14 However, some respondents were concerned with this 'quick-fix' approach, and were wary of such a strategy. In particular, there were concerns that there were considerable risks if the acquisition did not fulfil requirements – *'What are you buying? The brand, the contacts, the IP, the contracts, the management skills, the assets?'*

5.15 Some respondents suggested that colleges were generally approaching the issue of developing commercial capacity the wrong way around and that leaders and governors should first focus on developing quality provision. This, it was argued, could then be delivered to fulfil the needs of employers: colleges should not attempt to go out to win commercial contracts or try to deliver them without ensuring in the first instance that a quality product was in place.

5.16 There was a difference of opinion in terms of whether this

particular approach of increasing commercial income was the right one for all FE institutions in Wales. Some respondents, particularly those who had already experienced some success in increasing their commercial income, felt that it was an approach that all colleges could undertake and that 'anyone can do it'. However, other FE institutions felt that it would prove substantially more difficult for smaller institutions, those with a more tertiary focus or those in more rural settings to emulate the success of the larger institutions and that it was 'not the answer for all'.

- 5.17** One case study institution was of the view that aiming to generate a lot of new commercial income would not be realistic in their area and would not generate enough revenue to 'plug the gap'. At that institution, the focus for the future was therefore on maximising efficiencies and managing a downsizing process rather than trying to protect the college at its current size. The respondent felt that it was better to be a smaller college which delivered higher quality provision that was 'all about results and reputation' and that this approach over time, would help drive up student numbers again for the institution. Managing this process would require a strategic rather than piecemeal approach, and would require some tough decisions, but ultimately would be the best way forward for the institution in question. Other respondents at other FEIs also concurred that this would be the best strategy for some colleges in Wales.

Increasing HE provision

- 5.18** From analysis of strategic plans and discussions with respondents to this research, it became apparent that most FEIs were looking to increase their HE provision in order to increase income for the future. One respondent felt that the growth in this area to date had largely come about as a result of financial austerity (with students choosing to study from home to save money) rather than any drive from the college to increase its market share. Respondents suggested that there were plenty of opportunities to actively pursue more growth in the sector, although the specific approaches to achieving this seemed to differ slightly from institution to institution.
- 5.19** Several institutions were effectively already acting as sub-contractors to local HE institutions – for example Pembrokeshire

College worked with both University of Wales Trinity Saint David and Swansea University; Coleg Cambria had a close working relationship with Glyndŵr University; and Merthyr College, as a result of their merger with the University of South Wales, continued to expand their provision. Many colleges were actively extending their range of HE provision, and were of the view that there were many opportunities for the HE sector to deliver teaching and regional provision via FE institutions, enabling a cost saving of around 33 per cent compared to the more traditional HE delivery model.

- 5.20** Several institutions also believed that the most sustainable model of provision would be one in partnership with HE institutions whereby a percentage of Level 4 and 5 provision would be delivered at FE colleges, with HE institutions concentrating more on providing at Level 5 and 6. Other colleges, particularly those with a direct link to a HE provider following merger, were already delivering all Level 4 and 5 provision, with a Level 6 'top up' provided at the HE institution. Some respondents were of the opinion that FE institutions could potentially deliver the full degree to Level 6, particularly through part-time provision, and were more capable and flexible to fit delivery around employers' needs. In this respect, it was noted that Welsh Government was currently supporting CPD to retrain lecturers to increase their competence to higher levels, so this capacity was already being developed within the sector in anticipation of this growth opportunity.
- 5.21** Many respondents also referred to the substantial opportunities to develop provision via the Higher Level Apprenticeships in future, and were of the opinion that 'this is our most credible answer' to the funding dilemma. At the moment, the exact structure and detail of higher-level apprenticeships was still under discussion in Wales, but by looking at the situation in England, many felt that there would be real future prospects for growth.
- 5.22** Some concern was raised about the long-term viability of this strategy of pursuing growth via HE provision, particularly as potential future changes to the funding regime for HE (following the recommendations of the Diamond Review expected in 2016) could change the situation and the ability of FE to continue as providers. There was a risk that depending on the particular outcomes of the review, HE could respond by bringing provision back 'in house'. Others were of the view that opportunities would 'slow down' in the near future. As a result, some institutions felt

that this was a potentially high risk strategy. In addition, some respondents felt that there was finite demand for Level 4 and 5 HE provision and that in practice, demand was not sufficient for all FEIs to deliver substantial HE provision.

Sixth form and tertiary provision

- 5.23** Several FEIs highlighted the need to continue discussions with Welsh Government and their respective local authorities about the future of sixth form provision, with opportunities available for FE institutions to deliver more of the provision that was needed, in a more cost-effective way. In several regions, this conversation was already well underway, and there was a belief that this would be firmly part of the agenda during the next few years, particularly as local authorities look to make further, substantial savings, or as the local government re-organisation debate potentially gathers pace again after the 2016 National Assembly elections.
- 5.24** Generally, there was consensus that a wholly tertiary model would be more effective and efficient in delivering quality provision for 16-19 year olds, but that it would have to be politically palatable on a national level. Some respondents certainly felt that discussions should continue with local authorities in order to increase activity with regard to increasing market share and developing alternative curriculum provision for 14-16 year olds which would ultimately create an increasingly streamlined route within FE for 14-19 year olds in the regions where it was needed. In particular, there were calls for more research to be undertaken to look at the provision by schools and FE, looking at the general drop-out rates and the longer term outcomes for students. Many were confident that if the sector approached the tertiary debate with arguments about 'wider choice' and 'higher quality of provision' it would prove difficult for schools to compete.
- 5.25** The sector itself, according to some respondents, also needed to work more closely together, with colleges developing more sector specialisation in order to differentiate their offering and to make savings by avoiding unnecessary duplication of provision, at a regional basis (and in the South East in particular). It was suggested that one way of achieving this would be to develop more sector specialisation e.g. one FEI building up expertise of

the energy sector, another on advanced manufacturing and so forth. One respondent believed there was merit in investigating the example of the tertiary system in Austria, where sectoral specialisation was embedded within it, and learners were often transported over reasonably long distances and stayed away from home during the week to take advantage of specialist learning.

- 5.26** Other respondents outlined a possible approach where Level 1 and 2 training provision could be delivered at local campuses, with Level 3 and 4 increasingly delivered at regional centres of excellence, with travel time of up to an hour as 'people will travel if they deem the provision to be high quality'.

6. FINDINGS: LEADERSHIP WITHIN THE FE SECTOR

'We shouldn't lose the opportunity here to ask the question: what is our role?'

Introduction

- 6.1** In this chapter, we explore the structures, roles and memberships of FE governing bodies and how they can be fit-for-purpose for the challenges that lie ahead. The skills required to be effective leaders within the sector are also discussed, with a particular focus on how the requirements might change in future, and how to respond to any identified gaps in key competencies and skills.

Structure and composition of FE governing bodies

- 6.2** The structure and composition of governing bodies at FE institutions seemed to vary considerably, from the more traditional approach, with a large membership – such as NPTC Group which had 22 members – to the more streamlined approach of Cardiff and Vale College, whose new governance structure consisted of just 15 members. In the case of FE institutions that were subsidiary companies of universities, the Board structure was somewhat different again. In these instances, the FEI was set up as a company limited by guarantee, and had a Board of Directors that was ultimately appointed by the university.

- 6.3** Several FE institutions were either in the process of reviewing, or intended to review their structures over the coming year, with several referring to the recommendations made within the Humphreys report as a possible model whereby a smaller core Board of Governors is supported by a series of community-facing membership bodies. Coleg Gwent was the first FE institution to have revised its Board structure using the new powers provided under the FHE Act. It had previously developed a social enterprise model for FE governance in Wales in accordance with the Humphreys report's suggestions which had been approved by Welsh Government and subsequently disseminated by ColegauCymru to all FE institutions in Wales. This approach was said to be working exceptionally well for them. They had already established four community partnerships⁷⁵, each one aligned with one of its campuses (and made up of between eight and 14 members) to ensure that local interests were adequately represented and fed back to the full Board of 16 governors. Grŵp Llandrillo-Menai worked under a federated model, with separate governing bodies for each campus and this was also deemed to work effectively.
- 6.4** Several respondents described themselves as being in 'a period of reflection' as they considered the opportunities to adapt their Board composition and memorandum of understanding as a result of the opportunities offered under the new FHE (Wales) Act. Others, such as Coleg Gwent and Cardiff and Vale College had also utilised the new power awarded to them under the FHE (Wales) Act to move to a smaller Board structure.
- 6.5** Other FEIs, however, had declined the Humphreys report model either because their current Board arrangements were already deemed to be effective or because they believed the structure would be too complex and expensive to support, particularly the community partnership element. It was suggested by some respondents that within the current financial climate, only the larger colleges would be able to afford such a structure
- 6.6** Across the board, FEIs were of the opinion that their Boards, whatever the current structure, were working effectively. Those

⁷⁵ The fifth (and final) community partnership was currently in the process of being established for the fifth campus site.

with a large membership base did not feel that this posed any barriers in terms of effective governance. The general opinion was that Board members were taking their roles very seriously and were under a lot of pressure at the moment as they grappled with the Welsh Government's new policy direction and attempted to respond to financial cuts by taking an innovative approach to provision:

'There isn't anyone I would want to lose from the Board... why change something that works?'

- 6.7** At one case study institution, the Chair of the Board of Governors felt that it was imperative in the current financial climate that all Board members took on their fair share of the workload and should be proactively engaged and involved in their role at the FE institution rather than there being an expectation that all the responsibilities and duties were carried by one or two individuals.
- 6.8** FE institutions were pursuing a number of different approaches in order to ensure Board members carried out their duties effectively. At one FEI for instance, the Chair undertook an annual confidential assessment of each individual Board member, a process that had been put in place on the recommendation of their auditors. This process included an interview with the Chair, ensuring attendance targets were at least 80 per cent and discussing the individual's contribution over the year. This process was believed to work well and it allowed issues to be identified and discussed at an early stage in order that they could be resolved quickly and effectively.
- 6.9** Several FE institutions, particularly those with larger Boards, often had several sub-committees, sometimes seven or eight, reporting to the main Board. One FE institution suggested that there was some over-lap between the focus of some of the existing sub-committees and that rationalisation would be welcomed to ensure that Board members used their time more effectively and efficiently. In other instances, only the two statutory sub-committees – audit and search – remained. In these instances where there were fewer sub-committees, the Boards would often commission task and finish groups when appropriate, which were not bound by any formal committee structures. In one case, it was felt that this had significantly reduced the duplication of discussion that had been happening under the previously, more complicated committee structures. One FEI, linked to a HE institution highlighted how they had no sub-committees at all, and did not believe that they were losing out as a result. It was

generally acknowledged that smaller Boards and fewer sub-committees constituted good practice, should be something to aspire to, and needed to be achieved in the near future.

- 6.10** It was also suggested that a high number of sub-committees could disincentivise 'big hitters' from a business background from joining a Board of Governors and that it could potentially put off crucial 'strategic thinkers' who were often people short on time and with little appetite for complex administrative structures. Indeed, several existing Board members and Chairs suggested that they would not have been able to undertake their role had they been working full time:

'The governance structures often impede us. We want people who are in work, not just those who are retired'.

Membership of FE governing bodies

- 6.11** Many FE institutions seemed to be considering the issue of governing body membership, and looking at what was needed to respond to future demands and challenges. In some instances, case study FEIs reported situations where individuals had been Board members for over forty years and thought that this was a clear sign that 'it's time for a change, and there are some good people waiting in the wings.' A number of respondents believed that it was important that term limits were applied to both Chairs and Boards, to ensure that they continued to be able to ask questions, scrutinise and challenge decisions effectively. One case study institution felt that during the next few years, there would need to be a staged process of replenishing the Board, and broadening the skillset of members in order to refresh the membership and adapt to external change. Another case study institution had recently issued a letter to Board members notifying them that their term was coming to an end, and encouraging them to reflect on their role and their potential continuation. However, a detailed and robust analysis of the range of skillsets at Board level on a regular basis was not generally considered to be standard practice across the FE sector.

- 6.12** At another case study institution, although there was a diverse age profile and gender balance on their Board, there was a tendency for some members to remain on the Board for a very long period of time. In this instance, the institution had devised a system to rotate governors, and ensured that they could only stand for re-election a limited number of times (except in special circumstances). As a result of this new policy, they had been able to change the profile of the Board over the last few years and felt that they had managed to achieve the balance in 'retaining good skills but also introducing new blood'. In order to gain a better gender balance, another case study institution had seen the Chair attend several networking events locally, aimed particularly at women e.g. such as those organised by Chwarae Teg, in order to promote the Board opportunities available to a female audience.
- 6.13** There was a difference of opinion to a certain degree in terms of the calibre of governors on college Boards. There was a certain opinion at some of the case study FEIs that, in the past, the recruitment process had not been selective and robust enough, especially when it came to re-appointment – 'it shouldn't be an automatic process'. Some respondents argued that where Board level vacancies had been advertised widely and openly, this had resulted in enquiries from a better calibre of applicants applying for a place on the Board of Governors.
- 6.14** Interestingly, one respondent felt that the college's good reputation and larger size meant that it was now a more attractive organisation for people to join at Board level. The college had managed to generate a greater interest in Board vacancies, and had managed to attract a number of 'big hitters' which would help reduce their previous reliance on three or four existing high calibre board members. There was general agreement that more business skills were needed within the sector and that colleges needed to be more pre-emptive, head hunting and proactively approaching people to join their Boards.
- 6.15** There was some concern that it would only be the 'mega colleges' who would be able to attract this high calibre of governors, and even they would struggle to appoint individuals 'at the very top of their game' simply because the FE sector lacked the same kudos as University Board membership for example. It was also suggested that it would be particularly difficult for smaller or more rural FEIs to attract the same type of business-background individuals.

- 6.16** It was suggested that the remuneration of Board members, or the Chair in particular, could be explored as a way of attracting people with the right skillsets for the future, following the lead of organisations such as Agored Cymru and Manchester Metropolitan University. However, there was also a healthy dose of scepticism as to whether such an approach would work and some suggested that the focus should instead be on developing a strong reputation as institutions in order to appeal to and attract a higher calibre of Board member.
- 6.17** There was a widely held view that in the majority of cases, people became governors for altruistic reasons (i.e. because they wanted to give something back to their community) rather than for any financial reward, although there should be consideration of other ways that could make the commitment more palatable and attractive to a wider range of individuals as 'creating successful Boards is not easy'.
- 6.18** Incumbent Board members described how they had decided to become governors because of their passion for further education and providing opportunities for young people – 'I didn't come into it for commercialism' – and whilst there was agreement that Boards needed to increase the number of business people, there was a feeling that such individuals could tend to look at things much more dispassionately – in terms of numbers rather than the individuals being affected. One respondent who was a strong advocate of recruiting successful business people on to Boards also recognised that they were, by definition, very busy people with many demands on their time. It was also suggested that they could often be individuals with a low boredom threshold, who had little appetite for routine – and therefore might not be particularly interested in process or the auditing aspects of Board membership – 'they are risk-takers by nature!'
- 6.19** It was almost universally agreed that the right balance would need to be achieved between attracting local business people (who possibly could not contribute as much time, but who had a very specific and important contribution, in terms of their commercial knowledge, to make nonetheless) and retaining those who were able to provide strong education and training experience and expertise. It was also deemed important that all governing body members took their role in representing and serving their local community very seriously, ensuring good and strong corporate governance.

Role of FE governing bodies

- 6.20** It was suggested that the two most important priorities for a FE governing body were to secure the financial stability of the institution and to ensure that the right curriculum was in place and delivered to the right standard. Many case study respondents also highlighted the important role of governors in serving their community: 'that is our mantra'.
- 6.21** At least four case study FEIs highlighted the importance of 'an appropriate distinction between governance and management' with Principals stating the importance of the Board remaining 'very separate' from the management team in order to act effectively as a 'critical friend'. Although one Chair disagreed and felt that the Board should be there to encourage 'constructive debate' as opposed to acting as a critical friend, there was general consensus as to the Board's important role of providing 'considerable scrutiny and robust challenge' to the work of the Principal and the senior management team. It was deemed particularly important that Chairs were willing to challenge Principals, and subsequently that Board members felt confident to challenge both Chairs and Principals. It was suggested that members from the private sector were particularly valuable in this regard, provided they also had a real sense of altruism and of caring for the college.
- 6.22** There were, however, also some conflicting views when we asked case study institutions about the Board and the executive/senior management teams within FE institutions and their distinct roles. At one FEI, the Chair believed that it was important that governors knew their limitations:
- 'Governors and Chairs don't run the colleges. We are here to support strategic development, we are here to support the managers, but we must let the managers manage'.*
- 6.23** At least five Chairs felt that they had a very good relationship with their Principal/CEO yet remained sufficiently removed so that they continued to be able to disagree and criticise where necessary. One Principal believed that Board members should not just act as a sounding board for ideas but should, with enough strategic input and information from the senior management team, be a source of ideas themselves. This was echoed at another institution where

it was felt that the expertise of certain Board members could be utilised more effectively to come up with solutions to the funding crisis. At another case study institution however, although the relationship between the governors and senior management was described as strong, open and positive, they did not see the role of governors as being to bring their own ideas to the table: 'it's not in the DNA, they're not an ideas think-tank'.

6.24 Another respondent felt that whilst a strong Board was important and could contribute to the success of a college, it wasn't always the case that a strong Board resulted in a strong performance for the institution: 'Ultimately, it is down to the Principal – and that's not me blowing my own trumpet, but the buck stops there.' The respondent felt that while governors had a very important role in overseeing the Principal in that role, their role could ultimately be described as 'routine scrutiny' and providing a strong stakeholder voice. However, another respondent felt that it was a potentially dangerous situation to be in if a Board became 'too complacent, disengaged or too complicit' in allowing senior executives to act without 'strong, constructive criticism, guidance and support'.

6.25 At another college, the responsibility for the running of the college was thought to lie firmly with the Board – 'the buck stops with us' – and although governors relied on the Principal and college staff to run the institution day-to-day, the final decisions around the strategic direction and financial solvency of the college were ultimately taken by the Board of Governors. It was highlighted that it was indeed the Board that appointed the Principal and other senior post-holders and that they should subsequently steer the college in the direction set by the Board:

'We should never be seen as nodding dogs. It is their (SMT) duty to ensure we have all the information we need in order to make our decisions'.

6.26 Although the view of the appropriate roles of the Board and the management team respectively differed between case-study institutions (perhaps highlighting the lack of any collective discussion of these issues across the sector), respondents were generally very happy with the way in which the relationship between the two worked within their own college. Governors generally felt that they were fully informed and that there was a 'no surprises' strategy and approach from their management teams.

6.27 One respondent believed that there were considerable differences within the Welsh FE sector in terms of the effectiveness of governance, and that this was not usually as a result of any specific structure, but was down to personalities. It was felt that FEIs worked well where there was either an excellent Principal, with real vision and drive, or where there was a dynamic Chair and Board who pushed the senior management team to make the college a success – 'or ideally, both!'

Leadership skills required by the FE sector

6.28 Overall, there was agreement that future leaders of the FE sector in Wales needed to demonstrate a more balanced split between the skills required to lead the College from a pedagogical perspective, and those required to lead from a commercial perspective. There was broad consensus that although all the skills required would not necessarily be found within one individual, there needed to be a good 'blend' of skills that nonetheless complemented each other.

6.29 Several FE institutions believed that their leadership teams collectively already possessed the necessary range of attributes and skills and this was reflected in the financial robustness and success of the institutions to date. In other FEIs, there was a feeling that individuals with a more commercial background would need to be brought in to management and governance roles over the coming years with a general acceptance within the sector that the skills needed to deal effectively with change were not necessarily widely available within the sector at the moment.

6.30 In particular, several FE colleges felt that the skillset of the Board of Governors needed to be widened and the comments on this issue were two-fold. Firstly, it was felt that the sector needed to broaden its appeal and widen its search for governors, with a need for higher levels of skills and expertise in financial, legal and commercial affairs in particular. One college had recently appointed new governors including an employment partner from a large, reputable law firm and a marketing director with both public and private sector experience. Similarly, another case study college felt that they had made some very high quality appointments of late which provided new skills for the Board including two managing directors from local manufacturing companies and a

qualified accountant working for a large public sector organisation. Respondents felt that these new skillsets enabled the Boards to work more effectively, particularly in the way they could challenge decisions: 'the quality of the debate has improved, the Board has become more robust in its discussion and in the way it challenges'. Indeed, one respondent felt that widening the skillset of the Board had created a cultural shift and 'moved us into the excellence category' as a result.

- 6.31** In terms of any perceived and obvious gaps in the skills available at Board level, a few respondents felt that there was a gap in terms of FE sector experience and one respondent felt they needed an individual on the Board with a background in HE. Many respondents felt that now was an opportune time to review the skillset of their Board and make the necessary changes: 'we'll probably want to bring in new blood'.
- 6.32** Secondly, some respondents were also mindful of the need to ensure governors were fully trained and briefed to understand their roles, and the need to ensure a 'change of mind set' from being an executive within a company or organisation to being a member of a Board. Specifically, at the focus group discussion, it was felt that whilst governors were not generally educationalists, they were responsible for setting the strategic direction of the FE institution and that it was important that they also had the necessary skills to validate, challenge and scrutinise the work of the Principal and the senior management team.
- 6.33** Turning to consider the skills required of senior management, there was also general agreement that the financial cut-backs meant that it was now a priority for FE colleges to adopt 'a different style of leadership' across the senior management team and whilst driving up or sustaining good quality of provision was undeniably a continued priority, there was a need to become more commercially minded:

'We've got to stop thinking that profit or a surplus is a bad thing'.

- 6.34** Whilst the vast majority of respondents believed that it was still crucial that the Principal at least had a background in the sector – 'you need to come out of the trenches to understand the issues' – others felt that the main skill needed to deal with future issues was an understanding of how to run a business and that 'good classroom skills' were not imperative to be an effective Principal.

6.35 Respondents agreed that the Principal's main role was to provide for and serve the learners, but that there was also a distinct role as 'CEO' to manage resources effectively and that the ability to undertake this second aspect of their role would become more pertinent in the near future. As a result, a few respondents believed that what was ultimately needed was someone who was entrepreneurial in their approach, regardless of their background and with experience of the FE sector:

'Most Principals focus on the here and now. Yes, they are leaders of learning, but as Chief Executives they have a responsibility to look 10 years ahead not 10 months.'

6.36 Interestingly, it was suggested that in some FE institutions in England, such as Manchester College, there was a separation between the role of Principal and CEO, with the Principal holding the overarching leadership role with a focus on pedagogical priorities and a separate individual who was the CEO for the college carrying out quite different duties around finance, legal and commercial aspects. It was suggested that this could also be achieved by appointing a Deputy Principal or another core member of the senior management team with a different skill-set.

6.37 When asked what type of skills were required from the leaders and senior management of the sector, the most often cited skills included the ability to communicate effectively and in particular, the need to be able to develop good relationships with everyone from employers to civil servants and local businesses. Other required skills mentioned included: generic finance, HR and operational management expertise, the ability to adapt to change, the ability to motivate staff, the need to have vision and be full of ideas, the ability to think and act strategically, and a 'very thick skin to cope with all the pressure'! In light of recent mergers, the increase in larger, multi-site, complex (and potentially hybrid) organisations and the 'phenomenal pace of change' on the horizon, one respondent was strongly of the opinion that a very different management style would be needed in the future to deal with this change. There was concern from some that the sector needed more visionary leaders in order to lead effectively in future:

'We need to change the mind-set of leaders in the sector and change from thinking about the what, and start thinking about the how.'

6.38 One case study respondent believed that a lot of strategic planning tended to be 'top-down' at FE institutions, and that there was a lack of both strategic leadership skills and innovative behaviour within middle management. Another respondent felt that FE colleges' traditional approach to management meant that there were insufficient opportunities for ideas to cross-fertilise effectively from one academic department to another. Where an FEI had restructured the business development and commercial team, they had seen an increase in creative and innovative action.

Developing future leaders

6.39 In terms of identifying and developing future leaders for the sector it was argued by some respondents that the potential pool from which FEIs in Wales could recruit 'home grown' leaders was quite small and providing adequate and suitable leadership development training with a focus on developing commercial acumen and expertise was a high priority. Although a few respondents mentioned the leadership and management training programme delivered by ColegauCymru, their views differed slightly. While two institutions felt that it was a very well delivered and effective programme, another felt that it had 'run its course' and that new provision was now needed which was more sharply focussed on the future needs, with change management skills a particular gap.

6.40 Whilst our research encountered some good practice, contributors expressed some concern about the effectiveness of succession planning processes in place across the sector. At one institution, the lower-level management team members were already attending the sector's leadership programme, and they also had an ongoing internal management development and coaching programme in place. The Board conducted a regular analysis of 'rising stars' and would arrange training for these individuals accordingly.

6.41 At another college, however, it was felt that there was a lack of structured succession planning with no process in place to identify talent, and that more experienced staff were not being utilised effectively as mentors. As a result, knowledge was often being lost, particularly when senior management team members moved on or retired:

'Tacit knowledge walks out the door and it causes problems – no knowledge management system can capture that'.

6.42 This was reflected in the views of another case study FEI, where a respondent admitted that although they had a strong management team in place, the nature and make-up of the senior team probably reflected the previous requirements of the college, and that they would need to increase their commercial experience and aptitude within the team in the near future. It was conceded that this meant that difficult decisions lay ahead and that the 'can't, won't, don't change' individuals might have to be replaced if the college was serious about changing the culture.

6.43 The main gap in leadership skills at the moment was generally perceived to be commercial expertise, and in particular the ability to adopt and generate a more positive attitude to risk and to change the internal culture of the college to one where staff would be encouraged to generate ideas and 'think differently'. Interestingly, one case study institution highlighted how it had always thought of itself as a risk-taking institution compared to others in the sector, but it was only when the college found itself in a dire financial situation that the real change in mind-set and approach kicked in with a vengeance.

6.44 In terms of ensuring that the necessary leadership skills existed within the FE sector's leadership teams, several respondents felt that the sector should look outside of Wales and wider afield when recruiting to key posts. However, one respondent highlighted that the growing divergence between Welsh and English FE policy would make it increasingly difficult to recruit from across the border. Another respondent referred to a 'leadership problem' in the sector, with limited newcomers from outside of FE at Principal and Deputy level across Wales, and too many leaders having simply 'worked their way up the ranks' from Faculty Head to Assistant Head, Deputy Head and finally Principal, resulting in a lack of the breadth and depth of experience needed to face future financial challenges.

7. FINDINGS: GENERATING A CULTURE OF ENTERPRISE AND INNOVATION

'If the leaders can't inspire, what hope do we have?'

Introduction

- 7.1** In this chapter we consider how leaders of FE institutions can foster a more entrepreneurial culture within their organisations and ensure staff become more innovative and aware of the financial constraints that the sector is currently facing. We explore various methods currently being utilised by the FE case study institutions to effectively manage change, including various communication techniques, recruitment approaches and innovative teaching methods

Changing the culture of the FE sector

- 7.2** Several colleges were aiming to actively engage their workforce in coming up with innovative solutions for the future and recognised that this required a change in the culture, the working environment and the approaches to delivery of provision.

- 7.3** One case study institution had a particular focus on generating an entrepreneurial mindset amongst its staff and had several ways in which it promoted a culture of innovative behaviour within the organisation. Firstly the Principal communicated the priorities of the college at the start of each academic year with a 'state of the nation' presentation, highlighting the college's financial performance and explaining any changes and challenges going forward. Staff, students and stakeholders at this college were also involved in the development of the strategic plan and this was deemed vitally important in order to obtain buy-in to the vision of the institution.
- 7.4** The process of developing the strategic plan generated a set of values and behaviours for staff to aspire to, which were prominently and proudly displayed on posters, coasters and computer desktops around the campuses. Some of the most important behaviours, particularly with an eye to the future were around being 'a dynamic implementer' and simply being 'financially aware'. The appraisal system at the college was a behaviour-based model that measured staff progress annually against the set of identified behaviours, and this approach was deemed to be very effective in creating the right culture at the institution.
- 7.5** This FE institution had also recently set up a fund for staff to bid into if they wished to develop new concepts and innovative teaching methods. The application process was a very simple one, and although the fund had only been running for 18 months it had already generated a lot of interest with many of the successful bids anticipated to deliver some innovative and cost-saving solutions for the college.
- 7.6** Another FE institution was also looking to its management team and staff to respond to the challenges in an innovative way. In order to enable and empower staff to act innovatively the college had invested in extensive staff development which had not been cut with recent budget changes. These developments had included a staff focus group to encourage discussion on innovation and RED (Review, Evaluate, Develop) days for every team. It was intended that members of the extended management team would meet annually as a collective to discuss direction, planning and funding, and a smaller team of twenty management staff would meet monthly to discuss strategic planning. Innovative ideas were also encouraged from staff and students through mechanisms such as the learner voice questionnaire and the annual student conference.

- 7.7** A respondent from another college referred to plans to hold a Commercial Strategy workshop to develop new ideas and 'radical blue-sky thinking'. However, others were concerned at the lack of available time for front-line delivery staff to be innovative and look at alternative funding streams due to their increasing workload commitments, often due to staff reductions. One respondent suggested a different approach and was firmly of the belief that innovative ideas and creative thinking were mainly achieved by a small cohort of naturally innovative individuals and that the focus should be on enabling these people to use their innovativeness for the benefit of the FEI.
- 7.8** One respondent thought that new and innovative ways of working could be achieved by the FE sector and that colleges should question every aspect of their working model including reducing the provision of office space, advocating instead a move towards hot desks and an overhaul of IT provision – moving to Gmail rather than Outlook for example, to save on software costs, and looking ahead in terms of technology – investing in tablets and phones rather than desktop computers for all staff in order to be more reactive to the needs of the future.
- 7.9** Several respondents highlighted the potential impact on staff morale during a time of funding cuts and uncertainty. They stressed the importance of communicating honestly and openly on a regular basis with staff, providing information about the current financial situation of the college and the ideas and plans in place for the future. Case study institutions offered up several different examples of how they communicated with staff. Some respondents had annual or termly presentations for staff, outlining the present situation and the priorities for the coming year. Others used weekly or monthly newsletters, emails or even blogs to get the message across effectively. Several respondents also alluded to the importance of briefing the unions on developments too: 'honesty is the best policy – we have nothing to hide'.

Recruiting for new competencies

- 7.10** Another approach cited by several respondents as a way of creating a more enterprising culture within the FE sector was through the recruitment and appointment of staff with new and different competencies. Some colleges already seemed to be recruiting increasingly from outside the sector. Others were restructuring their senior management teams into leaner models (i.e. fewer senior positions) but were paying higher salaries, whilst also increasing the responsibilities of those remaining posts as a way of attracting and keeping the best people.
- 7.11** One respondent highlighted how they were also changing their approach to staff recruitment at the college and were increasingly moving away from looking at technical ability or sector experience, concentrating instead on certain mind-set, core competencies and skills:

'I want to know about their cognitive ability, their attitude. When we recruit it's all about listening to their intellect and their ideas – we recruit on the basis of how they'd go about it, not what they know.'

- 7.12** Being responsive and 'fleet of foot' in order to respond to employer requirements was deemed to be incredibly important, with a requirement on institutions to be flexible enough to accommodate employer requirements as necessary. It was suggested that the current base of predominantly academic staff had a more single-subject focus, whilst vocational staff, such as those used on European funded programmes to date were often more 'switched on' to workforce and industry needs, and were very capable at delivering training in different contexts.
- 7.13** At least six FE institutions felt that the common contract negotiated a few years ago by the sector was now thwarting the sector's attempts to address the funding cuts, and that it would not be sustainable for the future. Whilst Welsh Government was moving towards a more demand-led approach, with the co-investment policy, the current national contract did not sit well with the change in focus, according to some respondents. However, it was felt that there was a lack of appetite to address the common contract issues, and that FEIs were waiting for the first college 'to make a move on the matter!'

7.14 One popular option being considered by many respondents was the setting up of a subsidiary company to deliver WBL provision in the main. Many respondents believed that this could be a way of becoming more competitive as it would enable FE institutions to employ people to deliver such provision more competitively and would also overcome many of the perceived issues and restrictions associated with the common contract employment terms such as restricted working hours. This could mean new terms and conditions for those staff, and the recruitment of more trainers, facilitators and demonstrators rather than lecturers. There was general agreement that the current FE workforce set-up was not entirely suitable for the requirements of the future, and that FE institutions needed more flexibility within the workforce in order to respond better and more innovatively to the needs and demands of the employer. However, there was some concern about how a 'two-tier' employment system could create a 'cultural division' between core and commercial staff, and that it could be quite challenging to maintain staff morale in such a set-up.

Innovative teaching methods

7.15 Another aspect being considered at several FE institutions was the opportunity to develop new and innovative teaching methods which would be a more effective way of engaging with learners but could also be beneficial in terms of making efficiency savings in the way provision was delivered. As a result, at one case study FE institution for example, 40 members of staff were currently involved in teaching experiments, piloting new, innovative and more cost effective ways of teaching. The college had also recruited an e-learning manager to grow the amount of online teaching being delivered. Staff at the institution were actively encouraged to think of ideas and develop these for delivery.

7.16 Several FE institutions believed that there was some scope to adopt more varied teaching methods in order to reduce the amount of tutor teaching time, including greater use of e-learning and blended learning methods, again in order to save on costs. One respondent mentioned a review of their current 'taught time': they were looking to decrease their current requirement to deliver between 600-700 teaching hours as part of the 'taught time' agreement via its Learning Area Programme, to a level comparable with English FEIs, of around 540 hours. At another

institution, there was consideration of making more extensive use of e-learning. At the moment it was mainly used as an additional resource to student contact time, but tipping the balance more in favour of on-line courses could provide significant reductions in contact time generating savings of up to £100,000 a year for the institution. However, there was some concern that learners, particularly younger age groups, although digitally literate enough, might not yet be ready for such a change in the teaching approach. A further concern was that such an approach would not engage the learner effectively enough, particularly at lower levels of provision.

- 7.17** Another case study institution had developed a partnership with the Open University and could foresee scope for the college to become more involved in offering blended learning in future. However, some respondents were wary that it could be difficult to raise income from online provision given the extensive availability of free resources already available on the internet.

8. FINDINGS: STRATEGIES FOR ENHANCING THE INFLUENCE OF THE SECTOR

'We need to be stronger on simple, strong, clear messages'

Introduction

- 8.1** In this chapter we look at how the leaders of the FE sector have an important role in influencing key decision makers in Wales and what the key messages should be as they advocate for continued funding for the sector. The chapter explores what the key messages should be for the future and how best to ensure that the sector's voice is heard effectively.

The influencing role of the FE sector

- 8.2** Many respondents were concerned that the sector was being squeezed between two very effective lobbyists within the education sector in Wales (namely HE and schools) and that the FE sector was simply not as politically strong. It was alleged that the sector did not have the same 'kudos' as the HE sector nor the same close relationship that schools have with children and their parents – 'we're the in-between sector. We need to be stronger at letting them know about what we do well'. Several respondents also pointed out that both school and higher education provision

had formed part of the Welsh Government's Programme for Government at the start of the last government cycle, and as a result much of their provision had been protected. FE on the other hand had not managed to influence political parties at the critical time when manifestos were being drafted. As manifesto commitments eventually become the government's policy objectives, the sector was considered to have been placed in a precarious situation and was more vulnerable to funding cuts than its education counterparts.

- 8.3** One of the particular problems facing the FE sector according to respondents, was that it provided many different strands of education and it was therefore quite complex and difficult to explain its role and purpose succinctly – 'There are tertiary colleges, sixth-form colleges, adult education colleges, mixed economy colleges – and people don't understand what we do!' As a result, there was a tendency for sector-wide messages conveyed to decision makers to be 'overly cautious and weak', lacking the various perspectives of the sector.
- 8.4** Many respondents alluded to the fact that most politicians and decision makers do not have any direct, personal experience of the FE sector, having undergone a more academic educational route. As a result, it was suggested that the sector had a bigger mountain to climb in ensuring that key individuals really understood the sector and how it contributed to and addressed some of the most pressing social problems facing Wales today. It was suggested that lobbying Assembly Members (AMs), Members of Parliament (MPs) and local councillors individually was an effective method, and that it was important to invite AMs in particular to campuses a lot more, and to attend more regular meetings with the Deputy Minister in charge of FE policy so that the 'hard, honest message' about the impact of the cuts was delivered in a powerful manner.
- 8.5** A few respondents believed that the sector was reasonably effective at speaking with one voice, with ColegauCymru playing a key role in bringing the sector together. Some respondents highlighted how, in the past, ColegauCymru had helped to shape policy around governance and curriculum issues. In particular the sector had negotiated a common contract with staff across the FE sector and had been successful in driving the legislation to maintain FE colleges as autonomous NPISH institutions in 2012 as was achieved in England (and unlike Scotland and Northern Ireland, where FEIs had become part of the government). This autonomous

status had awarded FEIs greater freedom to govern themselves. However, it was conceded that the sector had been less successful at influencing funding policy, although some respondents believed that the cuts to the FE sector would have been even greater had it not been for ColegauCymru lobbying the Welsh Government⁷⁶.

- 8.6** Interestingly, two respondents believed that the reduction in the number of Welsh FEIs had helped form a more collegiate approach of late, and that there was now a more concerted effort, amongst Principals specifically, to collaborate. In some instances, such as the merger of WEA and YMCA Cymru, there was now a much clearer, single voice in place for advocating the case for adult learning.
- 8.7** The vast majority of respondents however were more critical of the situation to date and thought that the FE sector was particularly weak in terms of influencing decision makers. Some went on to argue that the sector's effort to communicate and raise awareness of the potential impact of funding cuts to various media sources and the general public more widely had been 'hopeless' and that 'according to Welsh Government we're rubbish at it!' There were several suggestions that ColegauCymru simply did not have the necessary capacity and expertise to deal with this policy and public affairs and media relations role and that it had to operate in a complex and highly competitive environment. Indeed, many recognised that this was never the original intention or purpose for the organisation and that 'it has become the entity it never planned to be'.
- 8.8** Respondents deemed the sector's lobbying role to have been largely ineffective and not forceful enough. Some suggested that there was a real need to give Welsh Government 'a hard time' when conveying the views of the sector and to be more 'aggressive' in the approach taken. However, it was also recognised that even the most effective lobbying was not going to forestall the need to make major changes to the sector's business model in order to adequately respond to the challenges ahead.

⁷⁶ It should be noted however, that in the Draft Welsh Government Budget funding for FE in Wales was protected from any cuts for 2016/17 and that colleges engaged in Work-based learning could benefit from an increase in funding in 2016/17.

- 8.9** Several respondents felt very positive about the appointment of a new CEO for ColegauCymru and believed that this signalled a new era with greater scope for influencing politicians. Other suggestions included the need to make greater use of lobbying agencies, relocating the offices of ColegauCymru to Cardiff Bay and collectively agreeing on a clear vision for the umbrella organisation for the future.

Influencing at a national level

- 8.10** Strategically, it was argued by one respondent that the sector needs to position itself at the heart of delivering the skills agenda and should focus on the two key pillars of its provision in the future – namely tackling poverty and supporting economic development. It was felt that the FE sector needed to ensure that key stakeholders, and Welsh Government in particular, recognised the sector's key role in providing 'a second chance' for those who had been failed by the traditional education system route, particularly if the Welsh Government wanted to take its own tackling poverty agenda seriously and regenerate Wales' most deprived communities. Similarly, it was argued that there was a very clear message to be made about the key role the sector had to play in developing the Welsh economy, particularly in supporting lifelong training and ongoing upskilling and re-training for the workplace.

'We need to carve ourselves a niche, and develop a reputation for providing quality solutions. There is a gap there.'

- 8.11** Another clear message that respondents felt needed to be conveyed to funders was that post-16 provision could be delivered much more efficiently and effectively by FE institutions rather than by schools in many Welsh regions, even if the Welsh Government didn't necessarily concur with this view at the moment. It was suggested that the data and the results of recent years could be utilised to prove that the FE sector was able to deliver post-16 education more efficiently, and provide better quality:

'We're not acting with professionalism and integrity for 16+ provision in Wales... the structure is a mess, there is waste, and many courses are not appropriate for the student.'

8.12 There had also been issues with timing key messages in the past. Several respondents felt that, as a sector, they tended to lobby Ministers at too late a stage in the process. For example, once a draft budget was published, it was ultimately very difficult to make any major changes. In future, a more concerted effort was needed, at the formative stage, with colleges and Colegau Cymru working together much more to influence Ministers, AMs and other key decision makers as to the role and importance of further education:

'We lost out, we were squeezed in the middle the last time. It's the best we can aim for – a manifesto pledge.'

8.13 Looking to the future, some respondents were aware that the skills and education portfolios had recently been split at a civil service level (with Skills forming part of the new Economy, Skills and Natural Resources department whilst Education was part of a separate, Education and Public Services group). This could make it all the more difficult for the sector to have their voice heard effectively in future. Another suggestion included utilising other key organisations and individuals to lobby on behalf of the sector – and the Older People's Commissioner was cited particularly as a potential ally in making the case for adult learning provision.

8.14 Finally, one respondent felt that there needed to be more 'thought leadership in emerging areas' from the sector, with research into, for example, the benefits of tertiary vs sixth form provision, vocational study for 14-16 years olds, and making comparisons between England and Wales so that the data and the findings were more readily available to influence policy decisions.

Influencing local stakeholders/employers

8.15 Although the national conversation about FE provision was deemed extremely important, many case study respondents also described their approach to influencing at a more local level, and the importance of developing those strong links with key local stakeholders and employers. Some of the colleges who considered themselves to be most successful at influencing the local business community had a large team of people who would be in regular contact with businesses either through direct visits or by attending key business networking events in the region.

- 8.16** Most respondents felt that it was more important than ever for Principals and members of the senior management and commercial teams to liaise with employers, attend business networks and maintain strong links with key players in the private sector and this was very pertinent in those colleges who were already undertaking commercial activity of some significance. At least four colleges felt that it was critical that the right type of 'ambassadors' were utilised to network effectively and attend business events, award ceremonies and business clubs, so that they were relatable to businesses and able to 'talk their language'.
- 8.17** Principals were considered to have a particular role in this respect, and needed to be in constant contact with local business leaders, Chief Executives of local authorities and local politicians via meetings or by having a seat on influential steering groups or panels. As FE colleges had merged, it could prove quite challenging for the larger institutions to continue to do this effectively simply because there were so many stakeholders to deal with at a regional level – across several local authorities, constituency and regional AMs and often several MPs. Some Principals were making effective use of social media, and Twitter in particular, as one tool in the armoury to keep stakeholders (and politicians in particular) up to date with developments at the college. Similarly, at another FEI, the Principal sent out a monthly newsletter to key stakeholders.

9. FINDINGS: VIEWS ON THE FUTURE

'We need to take the blinkers off – look beyond the institution and beyond the sector and see what is happening out there in the world – how people are living, working, learning, and respond to that.'

Introduction

- 9.1** In this final chapter of findings from the research, we report interviewees' views on the future: how the FE sector would look by 2020, and indeed, what changes they would like to see occur. As a result, we consider the possibilities of further mergers, increased collaboration and the widening of income streams.

Survival of the fittest?

- 9.2** There was a general feeling amongst respondents that the sector was starting to come up with some innovative and realistic solutions in response to the decline in public funding, but that the pace of change was nowhere near where it should be. Some respondents felt that the sector would continue to be too slow to react:

'They're waiting to see what happens. There's no sense of urgency within the leaders of FE.'

- 9.3** Most respondents believed that institutionally, the FE sector in Wales would 'look pretty much the same' in 2020, but that some colleges might well be smaller and more specialised and would 'still be talking about austerity' whilst the most successful in the sector would have managed to position themselves as the default providers of commercial training to employers in their areas, using profits to cross-subsidise their social mission.
- 9.4** One respondent felt that there was an opportunity for the FE sector to be much more innovative, and that the future set-up of colleges would involve a combination of the traditional model and new, spin-off activity. This spin-off activity could be delivered by staff employed by arms-length or subsidiary companies where a mix of new staff would be recruited as demonstrators/trainers rather than lecturers. Over time there could also possibly be some cross-over from core, traditional staff:

'Your best people are your best people – we need to be working better, not harder.'

More mergers?

- 9.5** Respondents from three case study institutions believed there could well be additional mergers over the next few years, particularly in south-east Wales where further rationalisation was deemed possible. A few respondents also expected to see more mergers between FE and HE institutions as a result of the Diamond Review's recommendations for future delivery of HE provision. In general, it was felt that the current set up in north Wales would remain as it was, particularly as the economies of the 'two sides' of north Wales were so different, and that the colleges there, after recent mergers, were working effectively as stand-alone institutions. In the south-west there were also suggestions of closer collaboration, particularly in order to pursue the Regional Learning Partnership's agendas in the future. One respondent also felt that there could be a need to revisit some of the existing mergers which did not make much sense in terms of their geographical footprint, particularly in light of any decisions that Welsh Government might make in the future following the Williams Review⁷⁷. Only one respondent was happy to put a figure on it:

⁷⁷ The Commission on Public Service Governance and Delivery which reported in January 2014 and which recommended significant structural change to local government structures.

'There will be four regional colleges in Wales by 2020, that's my prediction!'

- 9.6** Even though the scenario of further mergers was deemed likely by some respondents, concerns were raised in terms of ensuring the balance was right in respect of the size of colleges in future, and that whilst having too many colleges could result in diseconomies of scale, too few could result in a college losing its identity and close contact with the very community it was trying to serve. However, other respondents felt that the creation of larger FE providers could make them very well placed and equipped to embrace the opportunities arising within their regional economies or within city regions (both within and outside of Wales).

More collaboration?

- 9.7** There was a clear demand from respondents to see more collaboration within the sector, particularly on a regional basis to collectively take on the opportunities available and explore ways of working effectively together. A shared services approach to delivery was suggested by one respondent, who thought it merited further consideration, particularly if back office functions and investment in e-learning could be shared at a regional or even a national level. However, others wanted to go further and consider a fully federated structure such as the Grŵp Llandrillo-Menai model:

'There is no need to mess around with shared services and collaboration, egos get in the way. Do a proper federation.'

- 9.8** Another option that was raised by at least four case study institutions, particularly if more collaboration in terms of service provision was achieved, was the need for significant rationalisation of estate. It was suggested that additional income could be generated if some estate was sold off and the remainder was operated and utilised more effectively – 'we're capital junkies in the FE sector'. However, some colleges explained that there could often be political sensitivities when it came to considering campus closures, particularly if a campus was servicing a deprived community. In one regional college it was suggested that only one campus was 'financially viable' and that it was subsidising all other campuses in more deprived areas. As a result, even if the rationale for this option was financially sound, the political

pressures locally and nationally might make the notion of large-scale rationalisation and campus closures a difficult one to achieve in some areas.

- 9.9** Many respondents were of the opinion that Welsh Government did not provide a sufficiently clear direction on the structure of the FE sector in Wales, particularly in terms of identifying opportunities for improved collaboration and that a lot of time was currently being wasted on exploring different ideas without any action being subsequently taken. Several FE institutions believed that Welsh Government had a critical opportunity to encourage economies of scale in the sector but was 'missing a trick' at the moment.
- 9.10** The WBL contract would become increasingly important for FE institutions in future, with several respondents of the opinion that it would soon be bigger than the FE contract at many institutions, following Pembrokeshire College's lead. One case study respondent cited the recent WBL funding round as an example of where there could have been an opportunity for FEIs to work much more strategically, on an all-Wales basis which could have improved the offer, decreased duplication and made the sector more competitive – 'it's about being slick, looking for opportunities'.

More diversified commercial income?

- 9.11** There was general agreement that the years ahead would see the FE sector become less dependent on Welsh Government funding, with a number of the larger, urban-based colleges managing to increase commercial activity to a higher level than was currently being achieved, and that this would be a key strategy in dealing with the reduction in public funding. However, there was also apprehension from some respondents that even looking to 2020, the FE sector would continue to need significant central support in order to survive.
- 9.12** However, other case study respondents were more optimistic and believed that the sector was resourceful and had a strong track record of responding to change in the past and would somehow 'weather the storm' in future. These FE institutions believed that there was capacity within the sector to ensure financial sustainability and they had clear strategies in place to subsidise their mainstream provision via commercial income which would

come to represent a meaningful proportion of turnover. Strategies included targeting a much wider audience than Welsh employers as a source of income, focusing on attracting international markets and securing overseas investment, along with generating more income from non-education and training related activity at campuses (e.g. gym membership, catering provision). In these cases, the only viable option for sustainability for the future was to secure growth, and this could be achieved in one of two ways:

'You can grow in size – provide more of what you are already doing (and there are then economies of scale), or you can invest and develop an investment portfolio.'

- 9.13** A new focus on generating commercial contracts would mean that college structures, and staff roles would also need to adapt in future, and that an increase in training/demonstrator roles (often on separate terms and conditions, employed within an arms-length sub-company) would appear along with a reduction in the number of lecturers. These new employees would focus on delivering and responding to employers' requirements, with courses delivered in the evenings, in blocks, on weekends and on-site, depending on the needs of employers. There would be several different approaches to delivery according to one respondent, but it would be a very straightforward commercial decision:

'Make or buy – FE colleges can either adapt their current working practices and delivery model or buy a private training provider to deliver this training on their behalf.'

- 9.14** A few respondents were also wary of new competition in future from several different directions. Contributors expressed concern about competition from over the border in England, particularly as companies in Wales would increasingly be free to choose their training provision from any provider, based anywhere especially if they were required to contribute to the full funding of work-based learning.

More HE provision?

- 9.15** A number of colleges also anticipated greater involvement in the delivery of HE franchised provision, with the model already adopted by Merthyr College and Coleg Sir Gâr as wholly owned by HEIs worth considering in this respect as it provides colleges with greater financial security (due to annual surpluses usually generated by the HE institutions).
- 9.16** Several respondents were looking forward to receiving the findings of the Diamond Review of Higher Education. Respondents were generally hopeful that more Level 4 and 5 HE provision would be delivered within the FE sector in future but were wary of the risks arising from the uncertainty around future funding models, and the fact that fee plans were dictated by Universities and that provision could therefore be taken back 'in house' at any time.

More tertiary and sixth form provision?

- 9.17** Some respondents felt that there would be more tertiary colleges in future, as sixth form provision in secondary schools became increasingly expensive to run. There was agreement however that this would need to be done on a case by case basis and that the tertiary approach would not be the answer for all areas.

10. CONCLUSIONS AND RECOMMENDATIONS

- 10.1** The FE sector is very adept at continuously changing and redefining itself in order to meet the economic and educational needs of the communities it serves. It is in the sector's nature and is part of its ethos. It is indeed one of its key strengths to adapt to new requirements expected of it from politicians and policymakers alike, who, often, do not always fully understand the intricacies and complexities of its provision. The plurality of the sector is in itself both a strength, in that it responds to specific needs, and a weakness, in that it makes it all the more difficult to describe and explain its purpose. However, in essence, the sector's purpose in Wales, as in the UK as a whole, is simple; it is to widen participation in education and in the economy, for the benefit of the individual and the wider community alike.
- 10.2** The expectations placed on the sector and the broad range of political priorities – tackling poverty, social inclusion, increasing educational attainment and contributing to a vibrant and viable economy – to deliver against are extremely challenging, particularly in an era of ever diminishing resources. This **'difficult to define, difficult to understand'**⁷⁸ sector needs to be particularly adaptable, resilient and fleet of foot if it is to survive into the next decade and will need to be more assertive, with greater clarity of purpose as it makes the case for how important it is in building sustainable communities and contributing to economic growth.

⁷⁸ Further Education Trust for Leadership, 2015, *Remembered Thinking... on further education and leading*, p.13

- 10.3** Our research has revealed that the FE sector in Wales clearly recognises that there are significant funding cuts yet to be realised. There is also an appreciation that whilst some FE institutions are adequately responding to the scale and possible impacts of the cuts on future provision, others still lack clear, detailed plans to mitigate the effects of further cuts. In some cases, it seems that there is either an unwillingness to embrace the scale of change required to survive and thrive in this new environment or, as seems more likely, uncertainty and hesitation regarding how to go about responding to the changes effectively. Strategic plans and annual plans for FE institutions across the sector consistently mention the funding crisis ahead, but it is only in a handful of cases that a clear vision is provided for how they intend to respond. In general, the main focus to date seems to have been on making efficiency savings, working on an annual basis to balance the books, with long term planning and strategic leadership much less evident.
- 10.4** In addition, those FE institutions which do seem to have a strong strategic plan in place which seems to be working well to mitigate against the cuts to date, are now several years into their new approach and in many cases are only now starting to reap the benefits. This means that for several other FE institutions, leaders and governors will need to move much more swiftly to develop a robust strategy or new business model for the years ahead and work diligently and innovatively to change the culture of their institutions and communicate changes to their staff if they want to successfully adapt to the new funding environment in Wales.
- 10.5** The sector has been through a period of growth until relatively recently, and this, in conjunction with the round of latest mergers, has resulted in much larger FE institutions in Wales which often require very different management and leadership skills and expertise to run the colleges effectively in an unprecedented and unfamiliar financial climate.
- 10.6** In particular, a degree of complacency has been detected during the research in terms of the Board membership of some FE institutions. Most interviewees generally expressed satisfaction with the way their Boards functioned. This is despite examples of governing body members serving very lengthy terms of service. Despite the fact that a number of institutions cited the need to review and audit the skillset

of their Board members so that they can respond more effectively to the inevitable changes ahead, they had yet to undertake the process. An increasing focus on diversifying income streams beyond the traditional approaches will also require more commercial acumen and experience within the wider leadership and governance teams of a number of FE institutions than is currently the case, although it remains important that the Principal role itself is occupied by an individual with a strong educational background.

- 10.7** A number of concerns regarding the role of governing Boards in providing adequate strategic guidance and ensuring good corporate guidance have also been raised and different FEIs (and in some cases different interviewees within the same FEIs) appear to have radically different views of the appropriate roles of governors and managers. Boards and senior executives alike have responsibilities as a collective entity but they have very distinct and differentiated roles. At times, responses suggested a worrying confusion about good corporate governance and leadership in some FEIs and a need for all governors and leaders to be clear about the distinction between the roles of non-executive and executive players in the sector. Put simply, there needs to be a renewed focus on both 'doing the right things and doing them right'.
- 10.8** The current financial climate is calling for the FE sector in Wales to adapt and change at an unprecedented rate, and the need to develop future leaders with the necessary skills and expertise to deal with managing this change was highlighted throughout our discussions with a need to 'broaden the gene pool' and widen the search for the right people to enable this change to happen successfully. Managing change effectively always requires 'strategic implants' – some good people brought in who believe in and know how to work differently – but the current leadership programme managed by Colegau Cymru is focused exclusively on existing senior staff within Welsh FEIs.
- 10.9** There was a general feeling that the present-day financial situation has required the sector to question its role and purpose and to consider whether it continues to be fit for purpose in terms of both its leadership skills and governance structures for the future. Respondents felt that the governance and delivery structures in place within their institutions reflected the needs of the sector some twenty years previously. Since the recent

mergers many FE institutions are now three times their former size and have a stronger commercial focus. As a result, it is imperative that the leadership and governance of the FEIs benefit from good practice and lessons learned across the sector and share this information as they all acclimatise and adapt to the challenges ahead.

- 10.10** The clear message which was reiterated several times over the course of the research was that the FE sector in Wales is a diverse one and there is 'no one size fits all' approach that could provide the solution to all. Responding to the funding cuts requires flexibility and creativity in order to react to the future needs and demands of local communities and employers and whilst FE institutions are perceived as currently being very good at sharing good practice on issues related to the quality of provision, there are real opportunities to collaborate and share plans for future development at an early stage to avoid unnecessary competition and duplication and to maximise cost savings. In particular, a consortium approach which allows the very best talent across institutions to prepare training and materials on a regional or even pan-Wales level could be both cost-effective and more efficient for all concerned. This approach could also increase options for widening the market even further afield in a sustainable way. There also seems to be considerable scope for greater discussion and dialogue between FEIs on governance arrangements and in particular the appropriate roles of Boards and managers respectively.
- 10.11** The Welsh Government also has a role to play in providing its own leadership and vision for the sector and greater clarity in terms of how it wants the sector to develop in future. Whilst Welsh Government want to see an FE sector which is less reliant on the public sector, it needs to ensure that any new provision does not impinge on their core business in any way. It must also realise that FEIs are not as well placed as their HEI counterparts to generate income without damaging their core mission in the process. It needs to be constantly reiterated that the key role of FEIs is to develop skills and upskill the workforce in order to achieve economic growth. The FE sector on the other hand needs to be more robust as it challenges the decisions of government policy and more visible in order to develop the understanding and trust of communities, learners and decision-makers alike. This will become all the more challenging as the funding cuts are implemented. The sector needs to shout much

louder in its collective voice to highlight and hopefully minimise, the impact of future funding cuts as much as possible.

10.12 In order to see a brighter and sustainable future for the FE sector in Wales there will need to be a process of managing change at a very fast pace in the coming years and although different leaders at the various FEIs will have differing opinions and strategies to deal with the change, it is nonetheless unavoidable. Where there are similar identified skills and knowledge gaps within priority sectors there are opportunities to see more collaborative working at a regional basis.

Against this background, we make the following recommendations:

At FE institution level

Recommendation 1

FE institutions in Wales should consider reviewing their governing body membership ensuring a balanced governing body which provides community representation, educational expertise and commercial/ income generating experience.

Recommendation 2

All FE institutions in Wales should look to undertake a skills audit of their governing bodies, with a focus on widening the skillset of the Board to adequately respond to future needs and challenges. In situations where gaps in expertise are identified within governing bodies, consideration should be given to creating a recruitment process which enables the highest possible calibre of individuals to be informed of the opportunities available, what it might entail and to be encouraged to put their names forward.

Recommendation 3

In addition to the above, governing bodies should also consider 'lean' structures, particularly in terms of sub-committee requirements with the aim of creating a structure that works most effectively for the organisation without duplicating efforts and that utilises the time of governing body members most effectively.

Recommendation 4

Consideration should be given to the current experience of the senior management team with a focus on ensuring that all future requirements are catered for within the team. Specifically, colleges should be open to the option of widening the recruitment process by looking to appoint from outside the sector to fill any identified gap in expertise within the senior management team (including from HE, the private sector or from outside Wales as necessary).

Recommendation 5

FE colleges in Wales should contemplate opportunities to generate additional income from non-educational commercial activity both on and off campus, recognising that the expertise to develop this type of income stream might also need to be sourced from outside the institution.

Recommendation 6

All FE institutions which have indicated a desire to increase and diversify income streams should develop a clear, detailed and costed strategic commercial plan outlining how this is to be achieved, acknowledging that there is no 'one size fits all' approach.

At a sector-wide level

Recommendation 7

In light of the changing face of further education in Wales, the sector should agree a new vision and mission for the future with a clear narrative on the purpose and role of FE, relating to its role in tackling social inclusion, deprivation and poverty through the development of skills.

Recommendation 8

The sector needs to develop a consistent and robust 'voice' and a set of key messages for Welsh Government, supported by a sound research and evidence base regarding the negative impact of funding cuts on communities.

Recommendation 9

The research uncovered differing views within FEIs in Wales in terms of the appropriate role of governors. We therefore suggest a need for a sector wide event or conference which brings together senior managers and governors (and with input from both FETL and ColegauCymru) in order to build consensus on the respective roles of governing bodies and senior managers.

Recommendation 10

Leadership development programmes which develop future leaders from within the sector should increasingly be focused on developing skills, competencies and expertise for future leaders to deliver change management, innovative and adaptable solutions and commercial approaches to the funding challenges ahead.

Recommendation 11

As the education structures in Wales and England move further apart due to different political priorities at a national level, creating greater divergences in terms of funding and provision, it is important that this does not inhibit potential leaders and governors from outside of Wales or outside of the sector from applying for key roles. The sector should therefore consider creating 'fast-track' training provision suitable for introducing new governing board members and senior management positions alike to the structures, processes and funding streams of the FE sector in Wales.

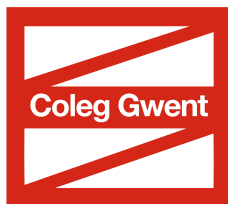
Recommendation 12

Collectively, the sector should seek to explore different delivery models that could be developed by FE institutions so that they can compete with the private sector and respond to the requirements and demands of employers more effectively by widening the workforce utilised to deliver provision. This should include an exploration of the subsidiary company or subsidiary brand option for delivery of training provision outside of the current region.

Recommendation 13

The findings suggest that some of the larger colleges are benefiting from the economies of scale that they can achieve. Whilst further mergers are unlikely to be high on the agenda over the coming years, FE colleges should explore regional opportunities for collaboration including shared services, developing centres of excellence for tertiary provision and other commercial training contracts.

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