

Good morning and thank you for the opportunity to address you today.

I listened to quite a few speakers yesterday. It is hard to overstate the magnitude of the changes we face:

- There is a seismic shift in the deal between colleges and government agencies
- A fundamental change in how skills strategies are to be developed
- A transformation of the role of colleges in local communities.

As the Chief Executive of the LSC, especially a new one, I am meant to use this speech to set the tone and give the direction. Overall, I believe these changes are for the better and represent real opportunities for the sector.

But there is no getting away from the fact that I am the new Chief Executive of a soon to be defunct quango, and in that capacity giving both his first and last speech to this conference.

Nevertheless, my short time at the LSC has provided me with a unique perspective. I am still, in large part, an outsider. I can see how the sector works without the clutter of detail and history getting in the way. I would like to offer you the benefit of my observations from this privileged position with a view to being constructive. The reason I want to do this is that despite the brevity of my time in post, I have to say I have become rather attached to you lot – I am less sure the feeling is mutual but that's life.

I came to the LSC at rather short notice. And rather helpfully given this conference, my introduction to the AoC was very fast - I met with Martin Doel within 45 minutes of starting the job - and in hindsight, that event was an important signal of change.

I have to admit, this job has been one the greatest challenges of my life. It would be a difficult enough job on a good day – the largest quango in England with 3500 staff, directing £12bn through hundreds of providers to millions of learners via a multitude of funding streams.

But just to make things even more interesting, the LSC was 12 months away from dissolution, where our people were being transferred to 160 different organisations; we were in the midst of a capital crisis; and Train to Gain

threatened to bust the budget. You also might guess that morale was also an issue from the top to the bottom of the organisation, and relations with our sponsor departments were, in civil service speak “not ideal”.

But I am very glad I was given the opportunity. The satisfaction has been tremendous. I have been able to play a role in supporting hundreds of innovative and committed colleges to change the lives of millions of people. And I have had the privilege of speaking with dozens of learners who lives have been changed – and as a man who lives close to his emotions; this has changed my life too.

So what’s my view on the sector/LSC relationship? The word that springs to mind is dichotomies:

- A successful sector, belied by its reputation - much like the LSC
- A very strong relationship, often co-operative and powerful and bringing tremendous benefits to learners, but perhaps too much in the nature of parent to child rather than adult to adult

- Both colleges and the LSC facing enormous change, but not perhaps fully aware or fully prepared for what was coming

Let me elaborate a bit:

## **Success**

On success:

We should say it: colleges are incredibly successful. Politicians and quangos come and go – colleges just keep delivering. We should say it more often. We must never forget it. Colleges have achieved every target that has ever been set them, indeed; many targets for 2010 were achieved 3 years early.

And at the same time, the quality of learning in colleges has improved dramatically: college success rates have jumped by 20% since 2001, exceeding the target set for 2010/11, and completion rates for Apprenticeships have risen sharply to 64%.

This is a tremendous achievement. What's more, colleges now regard businesses as customers: 150,000 businesses have worked with Train to Gain and as a result more than 1.4 million people have started training.

But the reputation of the sector does not yet reflect this level of success. Despite all the work being done by colleges delivering more of what business and communities need, the crucial role of the sector is still not fully appreciated.

It became so clear to me. As I began to visit colleges and hear success stories and see their impact on communities, I simply could not understand why the image of further education, while much improved, still did not fully reflect your success. And what was the basis of that success?

## **Relationship**

To fresh eyes, I assumed that it must have been built upon a powerful alliance of government and practitioner. A trusting, mature relationship drawing upon mutual experience and commonly shared visions and objectives.

What I found was a relationship that while often powerful, co-operative and supportive, was sometimes undermined by a lack of mutual respect.

And - despite the success that colleges and the LSC enjoyed in meeting the learning needs of the nation, sometimes, from my point of view, it seemed the LSC was

acting to coerce colleges rather than seek co-operation, while on the other hand, sometimes colleges failed to recognise the LSC's good intentions and the constraints it operated under.

### **Context: Capital damage**

Of course, since I have been here, there have been things that have affected the relationship. There were tremendous problems that have dominated much of my time since: the aftermath of EMA, the capital crisis and Train to Gain. They have deeply affected the relationship between the LSC and the sector.

In particular, the capital crisis, which precipitated my arrival, has caused enormous angst. I fully acknowledge that in this room there are Principals, Chairs of Governors and many others, who feel deeply wounded by the capital crisis, people who feel that through no fault of their own, their college, their learners have suffered. I am truly sorry for this grievance and I deeply regret the harm that has been done to colleges. And I will state for the record that the decisions on capital that colleges took, almost without exception, were taken in good faith and it would be wrong for Governors, Principals or senior managers to feel that they were at fault.

## **Train to Gain damage**

Another “relationship issue” that emerged just as I arrived was Train to Gain. I recognise that the incredible increase in demand for Train to Gain has left many colleges in the lurch with demand that simply cannot be met. This too, I acknowledge, has led many of you who were encouraged to plan for increasing budgets, to feel that, again through no fault of your own, your college and your reputation have been damaged.

There are undoubtedly lessons that we must learn from these problems but we do have to move on.

## **Silver linings**

And while both capital and Train to Gain are viewed as ugly clouds, we must not lose sight of the fact that both have put huge amounts of investment into learning, if not as much as we’d all hoped for.

I would also argue for two silver linings in those ugly clouds: the first is that no politician in the land and very few employers now fail to recognise the crucial contribution of colleges, and second, the absolute necessity of working closely with the sector in times of crisis has resulted in recognition on our part, and hence I

think very firmly on the part of the Departments, that the relationship must be adult to adult. I believe those words have already been put into practice via the increased levels of autonomy that the SIS contains, much of which is about a new future.

### **New realities...New solutions**

And that future means some anxiety about the transition to the new arrangements. A key task for me has been - and will be - making the transition as smooth as possible. We need to get through this time without any more crises, but this is housekeeping. More important is next year and beyond.

It's going to be tough.

But you know already. It doesn't take a leak to the Observer to tell us that. The good news is that there will be more money going in next year, but given the state of public finances, in future, there will be pressure on revenue budgets.

Bluntly, the financial climate will require the sector to reduce costs. But this will have to be achieved while also improving service and maintaining learner numbers. And

that from a sector that is already the most cost effective provision in the country.

But improvement is not only right, it's inescapable as the pressure from customer and employer choice that will be built into the new system becomes a powerful lever to raise performance.

In my view, before very long, the cost effectiveness bar will rise so that only colleges with strong leadership and management will thrive. The incentive for those that do will be more autonomy – for those that do not, we will act decisively to encourage better performance and if necessary, to insist on new governance and management.

I am now thinking of the theme for this conference and I believe we have come to the nub of what that theme was intended to mean. The new realities I have just described mean that colleges will have to work together, and also with private providers I suspect, to find new solutions to ensure that further education as a whole will prosper.

To do this, I believe you will need to explore new governance structures, new business models, new learning methods, and forge new relationships to ensure that you can continue to serve the needs of learners and employers. And we all need to pay close attention to what

the government has been saying about those needs in recent days.

## **Future and prioritisation**

The Skills Strategy sets an agenda of prioritisation in learning to support growth in the economy. As a natural consequence of there being less money in the future, funding will be more targeted towards specific priorities. The targeting will be via price signals rather than ring fenced budgets, allowing colleges to manage and encourage demand. This gives you more autonomy - but also more responsibility.

## **Colleges as strategic players**

You will be encouraged to innovate and to be flexible within a framework that will incentivise but not direct. What is actually delivered will be determined by the commercial interests of colleges informed by price signals, intersecting with the choice of learners and employers informed by course labelling and skills accounts budgets. So colleges will respond directly to the demands of local business and local communities, not demand mediated through the planning of a central agency.

## Conclusion

So where do we go now? As this new world emerges, we must build upon the foundations of the improved relationship that I believe we have started. We have to continue the conversation about how we meet the challenges that the emerging environment have set us.

So to sum up - I see three big challenges facing us:

1. In the next 4 months and 13 days, achieving a **smooth landing** for the LSC and a smooth take off for the YPLA and the SFA, wing tip to wing tip, without leaving learners on the runway.
2. **Achieving more with less.** Working to meet demanding economic priorities with targeted money by finding new business models and new ways of collaborating to deliver excellence.
3. **Leaving not a single person in any doubt about the strategic importance of colleges to the future of this country.**

These are the significant challenges and the significant opportunities that the future brings - and even after only 7

months, I can assure you, I have not a shred of doubt that you will, as always, deliver.

Thank you