

Employment and Skills Summit: 21 October

Streamlined Skills Delivery System, speech by Geoff Russell

Thank you for inviting me here today and I must congratulate Westminster Briefing for having the foresight to organise this summit the day after the Comprehensive Spending Review.

And that's where I want to start. We are still digesting what Chancellor Osborne said yesterday, as doubtless you are - but there are significant reductions in the skills budget. While the detailed figures will not be public until next month, the overall picture is that £1.1bn or 25% of public funding will come out of adult further education in the next 4 years - on top of the £240m cut that it suffered this year. On the young people's side, the non-schools education budget will go down by 12% in real terms so that's probably a pretty good indicator of what will happen to FE for young people – at best.

So the conclusion is pretty clear. Further education providers will have to become even more efficient. We cannot accept a response that is simply “do less for less”; the only option is to “do better for less”. We must look at the funding situation not as a struggle to survive - but as a challenge to improve. The quality and quantity of adult learning that we provide must increase. To look at it in any other way is beneath the dignity of an education sector that is already the most cost effective in the country.

Equally, it would be nonsense for funding bodies not to accept that the challenge to become better and less expensive applies to them as well. As of yesterday, we reduced our headcount by 15% and we will continue to shrink – but also radically to simplify and improve the way we fund and regulate the sector. To allow you to do better for less, we need to get out of the way and give you the freedom to run your businesses in new and innovative ways.

In summary, the CSR means we all must capitalise on the proven ability of the sector to run sound education enterprises so that we can make FE fit for the purposes of a tougher and more demanding world – but also a world where the opportunities have never been greater.

You might now be asking yourselves - how will this be possible? A crucial step that I believe is necessary - but also astute - is to collaborate. This is not just to increase cost effectiveness, but also to extend FE business acumen to other providers across the education landscape such as academies, schools and universities. These collaborations will lead to better education of all kinds - delivered at less cost.

And now to turn to the subject at hand, what does all this mean for the employment and skills agenda?

We consulted extensively on strategy and funding and the result is a fairly consistent steer that the new adult skills funding system should follow 4 principles.

These are:

1. Install a simple and flexible system that embeds accountabilities and incentives so that without interference, the system will itself deliver the outcomes learners, businesses and communities need.
2. Trust that this system will work.
3. Disseminate intelligence and IAG to help providers and customers make good decisions, but also gather intelligence so we can publish what is being delivered, and monitor the system as a whole.
4. Be prepared to intervene in the hopefully rare instances when bits of the system look like they might need help.

While all of this will not be finalised until next month, it's likely that funding for adult FE will become more of a "payment by results" system. So how might this work?

Well, pretty simply really. We would provide a menu of outcomes - including employment outcomes - that would attract public subsidy. When developing business plans, providers would consult with their community about the nature and volumes of outcomes needed.

We would fund those business plans by providing a block of cash based on fairly simple learner categories. Providers would then be able to use that cash as they see fit to deliver their plans. The catch is that part of the funding payment would depend on actually delivering the planned outcomes.

This approach would require providers actively to engage with their communities, including employers, JCP, local authorities and Local Enterprise Partnerships. The intent is to focus declining public funding on the employment, apprenticeship and education progression outcomes that are actually needed, rather than simply qualifications – but also to switch provider accountability from Whitehall to local communities.

So in summary:

Our role will be as a light touch funder, provider of information and regulator of a system we expect will run itself with little maintenance. But we will keep a watchful eye through a combination of central data monitoring and on-the-ground relationships and intelligence gathering; and where there's an imminent risk of failure; we will intervene quickly and decisively.

Your role is to take advantage of an unprecedented opportunity to expand and offer - in bright, bold colours - alternative and cost effective routes to and through further and higher education.

So, the day after the CSR - which frankly could have been worse, I remain an optimist - a firm believer in the ability of further education to paint a picture of the future that in due course will become a masterpiece.

Thank you

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