

Public Accounts Committee

Oral evidence: Managing colleges' financial sustainability, HC 692.

Thursday 26 November 2020

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Members present: Meg Hillier (Chair); Gareth Bacon; Shaun Bailey; Olivia Blake; Sir Geoffrey Clifton-Brown; Mr Richard Holden.

Gareth Davies, Comptroller and Auditor General, Laura Brackwell, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, were also in attendance.

Questions 1 - 114

Witnesses

I: Susan Acland-Hood, Acting Permanent Secretary, Department for Education; Eileen Milner, Chief Executive, Education and Skills Funding Agency; Matthew Atkinson, Director, Provider Market Oversight, Education and Skills Funding Agency.

Report by the Comptroller and Auditor General Financial sustainability of colleges in England (HC 728)

Examination of witnesses

Witnesses: Susan Acland-Hood, Eileen Milner and Matthew Atkinson.



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Q1 Chair: Welcome to the Public Accounts Committee on Thursday 26 November 2020. We are here today to look at the serious issue of the financial struggles that many further education and sixth-form colleges are facing. Our thanks go to the National Audit Office for its very helpful Report into this. It is an issue that the Committee has looked at before and been concerned about.

The last time we were looking at this, we were talking about the area reviews, which meant that a number of colleges amalgamated, but the financial pressures, as the NAO's Report highlights, still remain. We are at a point during the Covid pandemic when FE colleges particularly could be a very helpful route to retraining for so many people who have lost their jobs. We want to touch on some of those issues today, as well as the overall general financial health of the sector.

Our witnesses today are remote. I would like to welcome Susan Acland-Hood, the acting Permanent Secretary at the Department for Education. Is it the first time you have been with us as DfE? We have been talking to you about courts and tribunals quite a lot, so welcome to you with this hat on. Then we have Eileen Milner, the chief executive of the Education and Skills Funding Agency, which is the route that most of the funding to FE goes through. Matthew Atkinson is the director for provider market oversight at the Education and Skills Funding Agency.

We have a few questions, before we get into the main area of the Report, around Covid. Susan Acland-Hood, you have overall responsibility for education from nurseries and schools all the way through to universities. I am going to ask Richard Holden to come in on some of those issues at the top.

Q2 Mr Holden: A lot of schools and colleges across the country have been facing issues around Covid. Particularly of concern for a lot of us is this laptop programme that is meant to be rolled out to provide laptops for all children who need them. Could you give us an update on the numbers for that, please?

Susan Acland-Hood: First, I want to say how incredibly grateful we are and we want to recognise the work that is being done in schools and colleges up and down the country to address the challenges that the pandemic brings. We have seen truly heroic work by teachers and FE lecturers up and down the country to keep settings open, and to recognise that the best place for young people at the moment is to be in education and getting educated.

On remote devices, I can give you an update. We have been running this programme to make sure that we are providing remote educational access, and we delivered over 220,000 laptops and tablets during the summer term. We are making another 340,000 laptops and tablets available this term, and well over 100,000 of those have been delivered to schools. The number that I have in my brief is a little out of date. I will write to the Committee with a bit more detail on this, if that is helpful.



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We are also looking very seriously at the provision for older children. At the moment, we have the ability for those in FE at 16-to-19 to use their wider disadvantage funding for this, but we know that FE and sixth-form providers have been asking us to extend the main laptop scheme to cover 16-to-19, which we have under very active consideration.

Q3 **Mr Holden:** How many are you short by at the moment in terms of getting them out to schools?

Susan Acland-Hood: We are not short at the moment in terms of getting them out to schools. The way it works is that, when a school suffers disruption, it can come to the scheme and ask for a part of its allocation. In the first half of term, as soon as there was any disruption in the school that took it over the threshold, we allowed it to order its entire allocation, so enough for as if the entire school was out.

That gave us a risk. We never got to the point where we ran out, but it gave us a risk that we were going to end up giving some schools more than they needed and not having enough for other schools. Immediately before half term, we said we wanted to adjust it so that the default amount that schools were allowed to order was 20% of their total need. That matched what was typically happening in schools. We were not having whole schools out; we were having proportions of schools out.

We were then able to fulfil orders for schools that represented 20% and to respond to schools telling us, "Our particular circumstances mean that we have more children out and we have more need." That management of it has enabled us to fulfil the orders that we have coming in. We do not have schools that meet those criteria making orders that we cannot fulfil, because we took that action to make sure we were managing it. We do not have any issue about being able to supply them.

Q4 **Mr Holden:** Are there no schools that now have any issues with getting access to laptops?

Susan Acland-Hood: I would be astonished if that was true. It is a very large system, in which there are always challenges. What I am saying is that we have been able to fulfil the orders based on that starting point of, "We will give you 20% of what would represent a school's need."

Q5 **Mr Holden:** I understand. Other issues have been raised with me by my local secondary school, Consett Academy, around the extra costs of dealing with Covid for the school. They have raised a few things: first, supply teachers, where they look like they will probably be 50% up on their budget compared to their projections; secondly, the extra costs of physical things in schools such as hand sanitiser and physical blocks for pupils to ensure social distancing; thirdly, their cleaning costs. They reckon that this is going to add roughly £100 per pupil this year. What measures are you putting in place to fill that hole? I know that there has been some extra funding but that is quite a lot of extra funding for a school of 1,700 pupils. Are you meeting those needs for schools?



Susan Acland-Hood: We have been talking to the Treasury about funding to make sure that we never get into a position where funding is a reason why schools have to close during the pandemic, and we hope to be able to say a little more about that soon.

Q6 **Mr Holden:** An issue that some of the schools I have been speaking to have is that they are dipping into their reserves. They are well managed schools that are being told to dip into their reserves now to pay for Covid. That is money that they were setting aside for important projects for those pupils. Can you tell us today that they will be reimbursed for any extra costs as a result of Covid happening?

Susan Acland-Hood: I cannot tell you that. It is not completely unreasonable. We are living through a global pandemic in which everybody is finding that they are having to do things that they would not do in normal times in order to meet the challenges. We are seeing businesses up and down the country having to respond to this, and where they have reserves or ways of paying, having to put some of that towards the unprecedented challenge that we are all facing. I am afraid I cannot tell you that no school will be asked to go into its reserve in order to meet some of the cost of the pandemic.

Q7 **Mr Holden:** Do you understand, though, that some of the schools that are well managed and well run, with good, sensible financial strategies, feel that they are being punished because they are having to dip into their reserves, whereas others are being bailed out?

Susan Acland-Hood: I completely understand that feeling. I feel enormous sympathy for heads who have managed schools well and who, having built up significant reserves and often having good plans in place for what they want to do with that, have to spend some of that money on dealing with the pandemic. It is very hard for us to argue to the Treasury the contrary case, which is that schools that have very significant reserves should be given additional money in a context where every part of the economy and the public service is suffering from stretch.

Mr Holden: They are just going to have to lump it on that one.

Q8 **Sir Geoffrey Clifton-Brown:** Good morning, Ms Acland-Hood. Could you tell us why those further education colleges that are academies got extra Covid payments whereas those that are not got no extra Covid payments? My further education college, for instance, has had to pay an enormous amount in additional school transport to keep people socially isolated coming in and out of the college.

Eileen Milner: In terms of transport, across the DfE, we have not differentiated between schools and colleges. Every local transport authority benefited from £70 million that we put in to allow for the development of local transport plans. The transport is best planned as a local activity, as you will appreciate. I know that there has been some excellent practice that colleges have benefited from, but I also hear that, in some areas, they felt that schools were given predominance. You would probably agree with



me that, if we tried to run transport from Whitehall, it might not have been the best way to go about things. I wanted to give you a sense that we have put money out with an expectation that colleges, just as schools, would benefit from it.

Q9 Sir Geoffrey Clifton-Brown: It is not just transport, is it? It is a whole range of other extra costs that colleges have had to prepare for Covid. Again, the question is this: why is it that those colleges that are academies have got extra payments but those that are not academies have not received these payments?

Chair: Ms Milner, can you shed light on that?

Eileen Milner: There are two things. First, colleges have received very similar payments to those that academies have received. If we think about support for tutoring and catch-up, colleges have received £96 million, which is a parallel to what academies will have received. We have to recognise, as Susan was alluding to, that there is no infinite amount of money to support everything that we would like to do. We are in constant contact with colleges that are telling us about additional costs. We feed those costs and challenges into the Treasury and we hope very much that we will be able to make announcements on these, just as we are in schools, but it sits against a background of the very tight economic situation.

Q10 Sir Geoffrey Clifton-Brown: Forgive me, but we are not getting to the bottom of this. If there are extra payments for Covid, why should not all colleges, irrespective of whether they are academies, get exactly the same payments? We all know that money is tight. Whatever the money is, they should all get the same, surely.

Eileen Milner: The point I was trying to make, and sadly failing, so I apologise, is that there are many areas of funding where colleges have been treated the same as academies. We have to understand that there are more schools—

Q11 Sir Geoffrey Clifton-Brown: Ms Milner, can I make it easy for you?

Eileen Milner: Could you give me a particular example of what you are thinking about that we are not funding? That would be helpful.

Sir Geoffrey Clifton-Brown: I am very happy to drop you a line in respect of my own, because they asked me to raise this point.

Eileen Milner: That would be hugely helpful.

Sir Geoffrey Clifton-Brown: I will drop you a line and we will put it in the Committee's papers.

Eileen Milner: I do want to respond to you completely honestly. I have told you about the areas where funding has been very similar. I have also been honest in saying that difficult choices have been made.



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Q12 **Chair:** Perhaps you could then answer why the Department excluded 16-to-19 providers from the original version of the catch-up plan. As Sir Geoffrey said, there has been an inequity. It feels like 16-to-19 education was an afterthought.

Eileen Milner: Let me assure you that 16-to-19 funding was not an afterthought. It is not an afterthought for anybody who works in the DfE.

Q13 **Chair:** You say that, but it was excluded from the original version of the catch-up plan.

Eileen Milner: I completely accept that, and a great deal of work went into making sure that the £96 million was then committed. I can imagine that it was extraordinarily disappointing for colleges and possibly hit morale to see that happen, but I can also tell you with hand on heart that a very great deal of work went on to make sure that that catch-up funding was made available and is doing good things.

Q14 **Chair:** Can you tell us then why it was somehow not thought of at the beginning? We are genuinely puzzled as to why a whole cohort, sixth-form colleges, lost out at that early stage. You say you have rectified it since but why was it not part of the planning from day one?

Eileen Milner: Let me assure you that 16-to-19 is always part of our planning for catch-up and always has been. You will appreciate that we have to go through a process of careful negotiation with HMT before we can make announcements on funding.

Chair: HMT is the Treasury.

Eileen Milner: Yes, my apologies. If it took a little longer for HMT to work with us on 16-to-19, I regret that, but we got there in the end.

Q15 **Chair:** Let us move back to the points that Mr Holden was raising. I wanted to probe a bit more into these extra costs for Covid, because every school across the country has these costs. Ms Acland-Hood, have you finished assessing the claims for those exceptional Covid costs for the summer term? Taking what Mr Holden has raised now, can we just go back to what has already happened? Have you assessed those claims for the summer term yet?

Susan Acland-Hood: I am very sorry, Chair. I do not know where we are in the process of assessing the claims, unless Eileen has that at her fingertips. We are in the process and we have done a large number of them. Whether we have entirely finished, I am not sure.

Eileen Milner: We would have to write to you to let you know when we complete them.



Q16 **Chair:** If you are writing, I would also be interested to know how many claims were rejected and what the main reasons for rejection were. Do you have examples of ones that were rejected in your mind, Ms Milner, which you could share with us?

Eileen Milner: All of the ones that have been run past me have demonstrated good need. Schools have put a great deal of work into evidencing what they need, and we have been as quick and responsive as we can be in getting money out.

Q17 **Chair:** The other point is how they evidence what they need. Some of it is very easily identified as Covid-related. Mr Holden highlighted hand gel, for example. There may be other elements around reconfiguring a school building that might be more difficult to claim for. Have you given schools and colleges clear guidance about how they need to codify and track what they are spending? If they do not do that, does that mean that they do not get the money back?

Eileen Milner: From the evidence of what we see so far, schools are taking careful note and can demonstrate to us with good levels of clarity where those additional costs are occurring. I am confident in the directions that we have out there but we must not be complacent. In all likelihood, we have more months and more challenges ahead of us. We always look at and review our guidance on that basis.

Q18 **Chair:** Have you issued any recent guidance to schools, to pick up on Mr Holden's point about this year's spending, about how they need to codify what they are spending and what would be something that you will consider refunding? Is there anything that you have produced? I probably should have checked this before the meeting but, as you are here, you can perhaps answer this directly for me.

Eileen Milner: My understanding is that we are still working with the guidance that we issued in the summer.

Q19 **Chair:** On that basis, you will refund on the basis of what they spent according to that guidance.

Eileen Milner: Yes, indeed.

Q20 **Mr Holden:** We have covered the funding bits and the laptops element, but there is a lot of concern at the moment around what is going to happen with exams. I have spoken to a lot of my schools that are concerned about what is going to happen in the summer term and when the entire structure can go ahead as it would normally. Where are we at the moment?

Susan Acland-Hood: Ministers made an announcement that made it clear that exams will go ahead in the summer. We have made changes to the timing of the exams to increase teaching time. Ofqual has also announced a set of changes for some subjects to the content of exams, really focusing on trying to make sure that we are reducing the burden but also on particular parts of exam practice that might have public health implications and a big impact on teaching time. We have said that, before the end of



this month, we will say more about the next steps. We have been working very closely with Ofqual and with partners across the system on that. That is about making sure that we have clear contingencies in place for what happens if it is difficult for a particular pupil, in their circumstances, to take exams in the summer.

Over the past few weeks, we have been running the autumn series of exams that we committed to last year. We have been doing that at a time when we have been experiencing the second wave of Covid. It is rather encouraging that we have been able to run that autumn series of exams without any significant difficulty or incident, so we have demonstrated that we can capably run an exam series, admittedly a small one, during these kinds of circumstances.

Q21 **Mr Holden:** How small, exactly, was that compared to normal? What percentage of pupils took exams in the autumn this year compared to a summer exam period?

Susan Acland-Hood: It is a very small proportion. I completely accept that.

Q22 **Mr Holden:** Are we talking single-figure percentages of what would have happened previously?

Susan Acland-Hood: Yes, but it nevertheless requires us to stand up places for pupils to take those exams, to make the arrangements and to make sure that people can attend. We also need to know what we are doing if there are threats of disruption, so it is not entirely irrelevant to the question.

The absolute focus is to do everything we can, working with schools and teachers, to make sure that children get the best possible teaching over the course of this year and learn as much as possible. Ministers' very clear view is that holding exams, with careful contingencies and good management, is a really important component of making sure that we are giving children the best possible education.

Q23 **Mr Holden:** We understand that and we also understand that it is a real opportunity for children to show themselves off at their best, but a lot of schools are facing this issue. This extra guidance sounds particularly useful and they need it as soon as possible because they are planning for next year. That extra guidance is going to be coming before Christmas; that is what you are you saying.

Susan Acland-Hood: It will be coming before Christmas, yes.

Q24 **Mr Holden:** That is great. Has any consideration been made of trying to concertina exams? For example, since some subjects might have multiple exams, trying to get pupils in on one day, in one place, doing shortened exams or that sort of thing might help minimise the disruption.



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Susan Acland-Hood: There are a number of considerations here. We have been talking to Ofqual in quite a lot of detail about this. They have been talking to exam boards, schools and heads. There are some challenges.

Originally, we looked at shortening the period over which exams were held as part of moving the dates back. We then adjusted with Ofqual and the exam boards to what was announced in the final announcement, which was that we moved an English and a maths paper ahead of half term, because you do not want to concertina into too short a period; otherwise, children who are ill or in self-isolation miss more of the total. There is a balance between concertinaing, which potentially gives a bit more teaching time, and making sure that you have enough spread so that pupils can access enough of the papers to get a secure grade. We have been trying to make that balance.

In terms of the number of papers, which was the other part of your question, there is again a balance that we are being advised on between making a change that might enable pupils to take fewer papers and making a change at a relatively late stage in children's teaching that might confuse and discombobulate people who have a plan and know what they are aiming for. We are trying to balance those things quite carefully.

Q25 **Mr Holden:** Will schools know about those recommendations and those things that you are trying to balance before Christmas? That is the key thing.

Susan Acland-Hood: On the timing of exams, they know about them already. On the adjustments that we are going to make, they will have them before Christmas.

Q26 **Mr Holden:** That is very good to hear. We will come back to the issues around students self-isolating, because there has been a lot of concern about that, but I wanted to ask you particularly about catch-up funding. There is a real concern about that at the moment. As of 7 August, only £40 million of the £1 billion had been allocated for catch-up funding. What is the number today?

Susan Acland-Hood: We generally pay schools in arrears rather than in advance, so there are schools able to spend before they get the money for catch-up. You will know that there is a distinction between the catch-up funding that we have allocated directly to schools through those routes, which they can spend very freely, knowing that it is coming, and the funding that we have used to fund the national tutoring programme.

You will have seen the recent announcement that the national tutoring programme has launched and is starting to actively link schools with tutors. That is proceeding and, while I do not want to tempt fate, we are very grateful to everyone for the work that they have done on the national tutoring programme and the progress that has been made so far.

Eileen Milner: We are in the process of distributing the £96 million that I described for FE and post-16 institutions. As Susan was outlining, it is for



those institutions to decide how it is best deployed. Some will put an emphasis on individuals, and others on groups. Some will be doing it with their own workforce, and others will draw people in to support on catchup. It is right that local decisions are made on that. They know their student groups the best and what will be most impactful, and our job is to support them to do that.

Q27 **Mr Holden:** Do you know how much of that funding has now gone out and what has been spent locally?

Eileen Milner: I cannot tell you yet what has been spent but I can certainly write to you on that, if that is helpful.

Q28 **Mr Holden:** It would be useful to know where it is going and what it is being spent on. Pupils now have literally only a few months after Christmas in order for this catch-up to hit before their exams. It is particularly important that we know where it is going at the moment.

Ms Acland-Hood, on pupils in schools, bubbles and self-isolation, an issue that has been raised consistently with me is the app kicking out huge numbers of pupils from schools, so much so that one of the large secondary schools in my constituency was down to middle hundreds of pupils when it should be around 1,500. Have you raised these issues with the Department of Health, and what is being done about it?

Susan Acland-Hood: To return briefly to the catch-up premium, £150 million of catch-up premium is going directly to schools. They can spend that now. Because we fund in arrears, how much is out is not really relevant to whether people can be doing the activity that is funded by the money. We saw schools starting to spend that money on productive activity in the summer holidays, in some cases. There really should be no bar to schools getting on with the things that they want to do, which will be funded by that £650 million. It is important to say that. We will write to you with the numbers, but it is quite important not to equate it having left the Department with it being able—

Mr Holden: We understand the point you are making.

Susan Acland-Hood: On the app, yes, it is a point that we have raised with the Department of Health. We are working incredibly closely with Test and Trace, the Department of Health and PHE on arrangements in schools. We have very good arrangements now with our own DfE hotline and with directors of public health. Any school that is worried about the app giving results that it is concerned about should ring that hotline, because we can quite often help to manage that, based on what schools can tell us about their arrangements in the school. We are able to support, alongside directors of public health, good decision making.

We do not talk about bubbles but everybody else does, so I will give in. The average size of groups of students being sent home where you have one case has come down quite significantly since the beginning of September, and we want to keep working with schools, always in a safe



way, to make sure that we are sending children home when we need to do so for their safety and that we are not doing so when it is not necessary, given the potential impact on their education.

Q29 Mr Holden: We all understand that. On the bubble size, I know that one issue has been that schools had pupils in total year group bubbles at one point, so they were sending home entire year groups, sometimes of hundreds of children. What is the advice to schools now on what those sizes should be?

Susan Acland-Hood: As I say, we are not operating bubbles for exactly this reason. We are advising schools, when there is a case, to look carefully and to take advice from the DfE helpline and, if necessary, from PHE and the DPH about the people who have been in close contact with that pupil. Very rarely would the advice be to send a whole year group home. It would be much more about who that pupil has been in close contact with and who they are in a classroom with, looking at how the grouping is arranged. The guidance that they do not send home a whole year or think about it as a bubble that operates as one, but look at the individual circumstances of that child and who they have been in contact with, is what has enabled us to get that group size of people being sent home down.

I have to say it again: huge thanks to everybody in schools. It is not easy to do this. It takes a lot of thinking and a lot of work. Teachers have been doing so much, so brilliantly.

Q30 Mr Holden: We all want to praise teachers who have been working throughout the crisis, especially with some of the most vulnerable in some particularly difficult settings. Just to come back on this, there seems to have been, at different points, contradictory advice from the Department of Health and the Department for Education as to when people should be sent home and the people around them who should be sent home. Has that been clarified for schools so that they are absolutely clear about what they should do? "Phone this helpline"—is that clear to them now?

Susan Acland-Hood: I very much hope so. The advice is to phone the DfE helpline in the first instance. We work together with PHE and local DPHs to make sure that we give the right advice and refer correctly, so that it is joined up advice rather than people getting slightly different things from different places. We have had feedback that that is working much better.

Q31 Mr Holden: Is it not part of the problem that people under 16 are not meant to use the app but that 16 to 18-year-olds are? How are you managing to marry up those two things, especially in schools that have sixth-form colleges attached to them?

Susan Acland-Hood: You are right to identify that as part of the challenge and it is one of the things that we are continuing to work really hard on with colleagues. As I say, if a school thinks that the app is telling too many people to go home, it should phone the DfE helpline and get good-quality advice about the regime that it has been running in the school. It may be, of course, that the app is picking up contact outside school. We know that



children and young people will want to spend time with each other on the way into and home from school, so it is about understanding the individual circumstances. A school may feel that those children have not had close contact in schools but it is possible that the app is picking up closer contact outside school.

Q32 **Mr Holden:** Under-16s should not be using the app anyway. On the point about 16 to 18-year-olds, is this just another case of, essentially, the FE sector not being thought about when these issues are being raised around public health? You have the app for sixth forms but not for everybody else, or vice versa.

Susan Acland-Hood: It is not a case of them not being thought about. One of the things that arise when we think about 16 to 18-year-olds is that they are a group of young people who are on the threshold of adulthood. Not because we have ill will or do not think intelligently about them, we sometimes have to treat them in a way that manages the fact that they are in that transition from childhood to adulthood. This is one of those examples. It makes it more complicated and it is one of the reasons why the FE sector is so important and so rich, but drawing a simple line at either 16 or 18 would not necessarily recognise that.

Q33 **Chair:** Ms Acland-Hood, are you talking to Ofsted about providing quality advice or guidance to schools on the quality of remote teaching? We all know that it has been very variable, so what is the situation there?

Susan Acland-Hood: We are very keen to make sure that we are learning from the best in the provision of remote education. You are completely right to say that it is variable. It is also important to call out the fact that there has been some really excellent practice. This is one of those areas in which FE has a lot to teach other parts of the system. The provision of remote education in FE has been particularly strong.

We have issued guidance to schools. We have also issued help. It is not always about telling people what to do; sometimes, it is about recognising that we have asked them to do something novel and giving more assistance. Some packs have gone out on leadership of remote education in schools and on provision. We also have the Oak National Academy resources, which help to support schools in making a really good-quality remote offering. We have all the Ofsted visits that have taken place this term, which have looked not just at what is happening in the schools that have been visited but also at the remote education that they are providing for those children who are isolating or otherwise. We will work with Ofsted to build on that, to make sure that we are giving advice on what good-quality remote education should look like.

Q34 **Chair:** That is a good civil service answer: that you are over it and looking at it. Can you reassure parents, pupils and schools out there that you are really watching this? We all know from our constituencies that there is quite



a lot of variation in the quality of online teaching, let alone access to it, some of which we have covered. How are you going to make sure that the ones that are not doing so well learn from the best?

Susan Acland-Hood: It is partly that provision of guidance. We are asking Ofsted to look at this. They have been looking at it this term in the visits they have made. We are talking to them very actively about what they do next term. There are no schools out there that want to provide poor-quality remote education, so a lot of it is about recognising that people want to do it but that it is new and hard for people, and about supporting them to do it well. If people really are not doing it, of course we need to monitor that really intensively and make sure that we take action. That is why Ministers took the direction to make sure that it was clear that remote education had to be provided. That is why we are doing really regular monitoring of what is being provided.

Chair: We recognise that. As Mr Holden says, the Committee would accept that teachers and staff in schools have worked incredibly hard to make sure that pupils are taught. As Mr Holden also highlighted, important exams are looming for many pupils. While we are working through how to improve online education, we must not see a variation that discriminates against some people just because their school, for whatever reason, has perhaps not had the ability to do such a good job. You are on the case and I am sure our sister committee, the Education Select Committee, will be asking you about this as well.

Q35 **Shaun Bailey:** I have had an issue raised to me by Sandwell College, which is my local FE college, about potential clawbacks of funding by the ESFA. Have there been any funding clawbacks, particularly during the Covid period, by the ESFA and, if so, how much?

Eileen Milner: So far, no, we have not clawed back. There is one area around adult education where we have set thresholds of 68% of last year's delivery and, if that was not hit, there would be the potential for some clawback but not an absolute guarantee that that would happen, because everybody in that category is offered the opportunity to submit a case as to why clawbacks should not occur. At the moment, that process is live. Nobody has lost money.

When we talked about not doing any clawback, we had quite a lot of correspondence from colleges that felt it was unfair and a disincentive not to talk about taking money back for underperformance, so we are walking a tight line between wanting to understand the very particular circumstances and the immense amount of hard work that is going on in our college sector, and, at the same time, being able to fulfil that reasonable test around the use of public money. We are doing it through conversation and opportunity, not by a bureaucratic approach to seizing money from people. I hope that that reassures you.

Q36 **Shaun Bailey:** Just to clarify, at the moment you are not clawing back. Is there a possibility that you could decide to? Sorry if I am misunderstanding



you there.

Eileen Milner: There is a possibility. There is one area. Principally, we are not talking about 16-to-19 funding, where, in many cases, people have more learners than they were expecting. Adult education has been more difficult during the pandemic. We would normally have a process where we would claw back for underperformance against a contract that people have with us. We have said that we will not claw back if they manage to hit 68% of what they would normally provide. If they do not hit the 68%, they can still put in a case that explains particular extenuating circumstances, and we will look at that very carefully.

That is the process that is going on at the moment: looking at those cases very carefully and talking to the very small number of colleges that have so far flagged that they want to put a case in. It is only then that we will consider taking money back. I hope that you have a sense of a proper process and a proper set of conversations that are occurring. I am in very close contact with the principal at Sandwell College. They do excellent, outstanding work to support students, particularly the most disadvantaged, and have done so throughout the pandemic. I want to celebrate what they are doing in the most difficult of times.

Q37 **Shaun Bailey:** As you know, Graham Pennington from Sandwell College is evangelically passionate about the FE sector and particularly the work that they have been doing there. One of the issues that Graham has raised with me is that he has had public health advice to tell him that physical work placements should not be taking place. When he has asked about the possibility of virtual work placements, the response that he has had from the ESFA is that that is not possible and, as a result, he is currently looking at potential losses of £400,000 in funding. If I have understood that correctly, why would the ESFA not accept virtual placements as opposed to physical placements when it is looking at funding, particularly in the situation that we are in and as we go forward? Is virtual placement not going to become a significant part of that offering for vocational studies going forward?

Eileen Milner: I absolutely agree with you on this. It is an important area. As more and more organisations have moved to working, in some instances, entirely virtually, it makes the issues of work placement more difficult. We are working this through in real time, right now, with Ministers to come up with some options, while holding true to the quality of what that placement should be for the individuals. You and I both know Graham well enough to know that at the heart of what he is trying to do is making sure that the quality of the experience for the student will always be of the very best. I know that employers who offer placements will want to do the same. My undertaking to you is that we are working right now, in real time, with Ministers on that particular issue.



Q38 **Chair:** I should highlight that we have had evidence through Yvonne Fovargue MP highlighting particularly what is happening at St John Rigby sixth-form college, where the same issue of placements has come up. The principal there, Peter McGhee, says that the funding model is actively working against the principles of inclusivity—the students who can afford to sort out and fund their own placements can do that, but those who were funded to do it through the system no longer are. Do you have any concerns about that inequality for people who probably need the placement most?

Eileen Milner: This year and last year, we have given a number of colleges additional funding, particularly around our T-level programmes, to put in place work placements. Very significant amounts of money have gone in around that to allow them to build infrastructure and capability to create work placements. This is a critically important area and one that is going to become ever more important for the FE sector. Doing it at a time of pandemic is, we fully recognise, difficult. You have my assurance that it is very much on my radar and on the radar of the Minister for Apprenticeships and Skills.

Chair: You have a champion here in Parliament in Mr Bailey, who is not going to let this one go, so we will look forward to keeping in touch with you on it.

Eileen Milner: I am delighted to hear that. Thank you.

Q39 **Chair:** Time is marching on, Ms Acland-Hood, but we cannot have you in front of us and not talk about yesterday's spending review. The Blue Book shows that it is a little more than flat cash but not a solidly good increased settlement for you. In fact, even the Covid resource DEL funding goes down considerably from next March to less than a third of what you have had for schools this year. Do you have any general comment about the settlement? Your line will probably be that it is great and that you have negotiated this with the Treasury, but it is very tight for schools and for the rest of the system that have had to spend a lot on Covid this year. As I said, that money is going down as well, so how are you going to fit the needs into the money that you have available? Schools are already cutting, so how are you going to support them?

Susan Acland-Hood: It is important to set this in the context of the extremely good long-term settlement that was given to schools last year. We are in a context where we move to a one-year settlement because of challenges—



Q40 Chair: Can I just be clear? I know you are an official and this is the line, but the extremely good settlement last year was off the back of a cut of over 6% per pupil over the last decade, so it does not bring it back to where it had been. There has been attrition, even with that settlement last year. It had not got back up to the same level and we are now seeing more or less flat, so let us just be clear about that. You may want to comment on that but we need to be clear about the numbers here. It was a big cash settlement in one year but only on the back of serious cuts in previous years.

Susan Acland-Hood: It was not just a one-year settlement; it was a commitment to fund schools properly for years going forward. It is one of the only places where you are seeing a forward commitment by Government over many years, in a context where they have cut everything else to focus on single-year figures. The total settlement for the Department is £76 billion, which is an increase in funding next year of £3.5 billion. That is a bit better than flat. We are really investing heavily in schools. Really importantly, in the context of this conversation that we are having about FE, you can really see the commitment of the Department and of the Government to investing in skills and to thinking about the skills that we will need to come out of this pandemic as a healthy economy.

Q41 Chair: We are going to touch on the skills. You are right on the bare numbers but look at that Covid level: £1.4 billion down to £400 million for 2021-22. We may have a vaccine coming but there are still likely to be costs for schools. We see schools already shedding teachers. We see the costs of national insurance and pensions. The schools budget, taking that alone, is going to be stretched even with this extra cash settlement. Extra cash on its own does not necessarily cover extra costs. You would have to acknowledge that.

Susan Acland-Hood: There are two things that it is important to say there. First, the Treasury has been quite careful about making additional Covid commitments stretching into next year while it still does not know what the circumstances are, but we know that we will need to continue to have those conversations. The Treasury has carefully kept some money in the reserve, recognising that there will be additional calls on that over the course of the year. We will continue to work with them as we see how the picture unfolds. I said to you earlier on that we are working with them actively at the moment on how we recognise and make sure that cost is never a reason for a school to close during this pandemic, and that is something that we are doing with them right now.

The comparison of Covid figures is somewhat a comparison of a period during which, where we have seen need, we have gone and worked with the Treasury very constructively—this is not a Treasury-bashing exercise—to make sure that we can recognise that, and a period where it has said, “We are not going to put money against things where we cannot see the circumstances yet but there is still an opportunity to have those



conversations going forward.” You are comparing apples with pears. You are comparing a period where we know what we have gone and got with a period where we do not yet know exactly what the circumstances are, but we know that we can continue to work with the Treasury and that it will continue to work with us to meet the needs of this crisis.

Chair: That is a very helpful clarification and thank you for that. I agree that we do not know what is going to happen. The worry is that the money has gone right down but you are saying that you have an open conversation with the Treasury so that schools will not lose out. I imagine that governing bodies and heads who are having to shed staff now may find that little comfort, but it is a small crumb of comfort. We like to be optimists. I am not sure we are not that exactly; we are cynics sometimes.

Q42 **Sir Geoffrey Clifton-Brown:** Ms Acland-Hood, prior to Covid we were making a little progress on the fairer funding formula for low-spending education authorities like mine to level them up a little closer to the higher spending authorities. Is that still going on or has Covid put a stop to that?

Susan Acland-Hood: It has not put a stop to it but, like with many other things, imposing significant change on people in the midst of the pandemic is something that we are thinking quite carefully about. You can expect to see us continue to make progress but perhaps not quite as quickly as we would otherwise have done.

Q43 **Sir Geoffrey Clifton-Brown:** Can I ask you about yesterday’s announcement? There was an £83 million increase for increases in the number of unfunded 16 to 18-year-old students. Cirencester College reckons that the 2018-19 data is being used, whereas there is data up to 20 February. For colleges like Cirencester that have bigger retention rates, this is putting them at a disadvantage and costing Cirencester £400,000. Where will this extra number for increased numbers of 16 to 18-year-olds go?

Susan Acland-Hood: We might need to talk to each other just to get to the bottom of this. We have £291 million in the settlement for 16-to-19 education, which addresses the demographic challenges and makes sure that we can hold the slightly better position we got into on 16-to-19 last year, when we put an extra £400 million into 16-to-19 education. There are two questions there.



Q44 Sir Geoffrey Clifton-Brown: There was an £83 million surge for 16 to 19-year-old college places yesterday. This was for around 20,000 unfunded 16 to 18-year-old students studying in colleges this year, following a surge in enrolments, which we know has been 3% in that age group this year. That is the first question. The second question is how that money is being applied. Apparently, it is being used on the ESFA retention calculator for 2018-19, but the data is available up to February 2020. Colleges that have a large retention, like Cirencester, are losing out in that respect by about £400,000 a year. There are two distinct questions there.

Susan Acland-Hood: I will bring in Eileen on the calculation of retention. Effectively, we have a mechanism for making sure that we recognise colleges that are growing in-year, in a system where in general we fund in a lagged way, and we are using that same system.

Q45 Sir Geoffrey Clifton-Brown: That is accepted, but the problem is that you are using the 2018-19 figures where February 2020 figures are available. Why are you not using the latest figures?

Susan Acland-Hood: I do not entirely recognise that point.

Eileen Milner: I agree with you, Susan. I do not entirely recognise the point. In the context of your college, they will be familiar with what will happen around February time, which is that we will be looking at the individual learner records to see how many students they have in this term. They will have the opportunity then, although we do not know yet whether it will be affordable in this academic year, to look at uplifts for additional students. The point you make about where the Treasury figure of £83 million comes from and its baseline is something that we would want to go away and look at in more detail, and come back to you.

Sir Geoffrey Clifton-Brown: It sounds again as though you might want to write to us on that, because there seem to be some different baselines as to how these will be applied. The sector really needs to have clarity, because it wants to know what funding it is going to get. If you could write to us, that would be really helpful.

Q46 Chair: We will tease out some of this as we go through the main session. There is one last question from me, Ms Acland-Hood, before we finally get into the important issue of FE and sixth-form colleges, as well as the very significant issues around wider education. We have been talking to you or the Department for a while about the special educational needs and disability funding review. When is it going to be published?

Susan Acland-Hood: We hope to publish it as early in the new year as we can.

Q47 Chair: Would that be January?

Susan Acland-Hood: No, not necessarily.



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Q48 **Chair:** Okay, that is a civil service answer. We have been pushing this for a while. Lots of people out there are very desperate to find out what is happening, as you know. Can you commit to write to us when you have a firmer date?

Susan Acland-Hood: Yes, I am very happy to do that. Again, we and the Department are equally committed to making sure we do this. We want to make sure we do it in good time but we also want to make sure we do it right. It has taken us longer than we wanted. The pandemic is partly to blame but I am also always in the place where I would rather make sure that we were doing the right thing than that we were doing it as quickly as possible.

Q49 **Chair:** Is there a point of no return for it? It will affect funding packages for the academic year starting next September, so the point of no return would surely be spring of next year, from my rough calculations.

Susan Acland-Hood: I agree.

Chair: We would hope by spring of next year, from what have you said. Thank you for that. We will hold you to it and please keep us informed. I am going to hand over now to Olivia Blake, who is going to talk a bit more in detail about the sustainability of further education and sixth-form colleges.



Q50 **Olivia Blake:** To start with, we are going pre-pandemic with some of the concerns highlighted in the Report. My first question is to Eileen Milner about how concerned we should be that you rated the financial health of 35% of colleges as “inadequate” or “requires improvement”, before the pandemic.

Eileen Milner: Let me not try to say that 35% is, in any way, excusable or a good news story, but it is a better news story than the 2015 report had signalled might well be the case. Since 2015, we have seen a relentless focus on trying to drive up issues around financial sustainability within the sector. The 2015 report signalled that up to 70 colleges could be rated “inadequate”. That did not happen. It does not mean that I am here to say to you that the FE sector is in rude financial health, because it is not. There are significant challenges, and in parts it is very fragile, but it is important to note that we are in a better place than we were.

For the ones you refer to that are in the “inadequate” category, there is very active management of those cases. For those that are in “requires improvement”, we ought to look to the “improvement” word. They are in a better position than they were and, pre-pandemic, we could see some opportunity for real advancement into “good”.

Yes, it is a concern. Each and every one of those is under active management and dialogue, but it is through the hard work of very many people, including those in the sector as well as colleagues of Susan, Matt and mine in the ESFA, the DfE and the Treasury, that it is not quite the precipice that we have fallen over that the 2015 report was signalling might well happen.

Q51 **Olivia Blake:** My next question is to Susan Acland-Hood. How did DfE expect colleges to cope with the significant cuts in funding over recent years?

Susan Acland-Hood: The shifts in funding over recent years were associated, at least in part, with shifts in priorities about what we were asking colleges to do. We knew that we would see reductions in volumes, particularly associated with some types of courses through the adult education budget, where we had been seeing quite a lot going into large-volume but not necessarily high-skill delivery of provision. There is a long-term piece of work to try to make sure that we are both investing well and trying to raise the skill levels that we are investing in. We did both expect and see some shifts in volume and type of provision.

We also knew that we would be asking a lot of colleges in terms of their financial management as they went through that period. It is important to emphasise what Eileen has said. The predictions of what would happen in 2015 were really dire, and we have seen the college sector outperform those predictions considerably. A lot of the credit for that has to go to college leaders up and down the country, but we have also invested in support for them and their financial management, making sure that they are putting on good-quality provision, working with the Education and



Training Foundation, but also working, for example, to give financial management training to college principals and others who can benefit from it, to help make sure that, in tougher circumstances, they have a better ability to manage the money that they have.

Q52 **Olivia Blake:** We will come to intervention and oversight of financial challenges later in the session. Eileen, why is funding for 18-year-old students different to that for 16 and 17-year-olds, when they are studying the same courses?

Eileen Milner: A decision was made some years ago, as you are probably aware, that for almost all students—not all, because those who have an education, health and care plan are exempted from this—who were judged to have had two years of post-16 study already, the likelihood would be that their third year might well not be as intensive and, therefore, not have as much cost associated with it. That was the policy decision that was made some years ago around that.

Q53 **Olivia Blake:** Do you feel that that is still an adequate policy?

Eileen Milner: As I say, there is the provision for those who have an education, health and care plan. I am sure you will be aware of T-levels as an excellent qualification. T-level students who go through the transition programme are also able to have a fully-funded third year, so we are making progress on recognising where there is value to additional funding being attached to that third year.

Q54 **Olivia Blake:** Moving on to the impact of Covid, what can you tell us about the current financial health? Has it worsened or is it similar, given the impact of Covid 19? I assume that it has worsened.

Eileen Milner: In July, we asked colleges to give us a relatively early indication of the impacts of Covid on the sector, and we are rerunning the same exercise at the end of this month. We will get data in next week. We are trying to understand, in terms of the current position and the forecast position for the months ahead, how colleges believe their cash in particular is standing up for them. That is a formal data-gathering point.

We also have very regular dialogue with colleges—in some cases, they probably feel it is too regular—to ask how things are going, to get in front of issues, to understand key pressure points, and to put in some additional flexibility. For example, we have not yet deployed an enormous amount of it but we have a provision for emergency funding that we are able to make. Hitherto, where people were in receipt of emergency funding, linked to the point where we will go ultimately around intervention, people would automatically have been put into formal intervention. Now we are saying that that is not necessarily the case, but that this will be looked at on a truly individual basis to understand whether the need for emergency funding is related solely to Covid or whether there were some underlying funding issues.



Matthew Atkinson: Financial health is measured at a point in time. It relates to previous years' EBITDA, surpluses and liquidity. Therefore, it is a lag indicator. What we are trying to do with colleges—we did this successfully in July and, as Eileen said, we are doing a lot of data collection now—is to get ahead of these things. At the moment, one of the key indicators we are looking at is the number of cash days that colleges have on hand at the end of each period. That is a really important indicator for us because it shows us where we should be spending our time and pushing our resource into.

We also asked colleges in July to give us an indicative financial health grade. We did not moderate those grades as we would ordinarily do because we were more interested in the forecast cash. Colleges are forecasting a worsening of the position. The largest movement is from outstanding to good rather than further down the chain, if you see what I mean. In terms of the number of colleges that have issues on cash days, about 64 of them do. That means that we will devote most of our time towards those because they would seem to me to have the most imminent issues, and those are the dialogues and conversations that we are having.

Q55 **Olivia Blake:** Okay, so 64 is quite a significant chunk. You mentioned the emergency funding. How much do you expect to use of that funding this year?

Matthew Atkinson: We will spend about £70 million this year. You will appreciate that you are trying to forecast something that is very difficult to forecast. Colleges are very good at mitigating when things go wrong and they are highly adaptable businesses. We are expecting to spend something like that, which is more than we thought. As Eileen said, some of these issues are definitely Covid-related. If you are a college more exposed than others to apprenticeships or to commercial income—say, over the summer holidays, you have not been able to generate commercial income—you are more exposed to Covid. Some of the cases that we see were already problems that have been accelerated because of Covid.

Q56 **Olivia Blake:** That gives us a pretty clear picture. I will move on to Eileen Milner. This was touched on by some of my colleagues earlier, but to what extent have colleges have been able to continue with meaningful provision during this pandemic?

Eileen Milner: They have done incredibly well. I know that you have wonderful colleges in your constituency. What I hear from colleges—I have also had the great pleasure and privilege of hearing from students during the pandemic period—is that, as Susan referenced a little earlier in the hearing, colleges have been very adept at moving, when we were in full lockdown, to online learning and doing it incredibly well. It is unfair to draw out particular examples, but, if I think about the work that colleges such as Chichester and Weston have done, they have been outstanding in serving students studying all sorts of programmes, utilising technology really well, using their teaching staff to deliver both a quality of educational



product and a quantity that has made students feel that they continue to be engaged with the experience of learning.

Since September, when colleges returned, we have seen a very stable student population being in education, with the majority of their education being provided in person. Colleges are no more immune to Covid than schools have been, so it has not been without its challenges, and we need to recognise again the heroic efforts that they have put into making sure that these things have happened and to looking after students. As much as the academic content has been hugely important, we should not lose sight of the care for the welfare and wellbeing of students, where many creative interventions have been made that have allowed those students to feel that they are in an educational setting where they are both supported and valued.

Q57 Olivia Blake: How concerned are you about SEND students in terms of access and drop-off of that cohort? Are you concerned about the support services that you have just described being hit by financial pressures? Will we see significant cuts to crucial student support services?

Eileen Milner: Across the educational spectrum, we have put an enormous amount of work into keeping SEND students in educational settings. Indeed, as you will be familiar with, when we were in full lockdown and colleges and schools were closed, they remained open as physical settings with physical provision for young people. Colleges have done amazing things in keeping that provision open, as well as monitoring, staying close to and supporting those students. They have done a lot of work on transport and getting people there. They have done a lot of work on out-of-education-setting support, which has been outstanding.

They tell me about things that they have done—there will come a time when Covid is not the only thing we are talking about—particularly around remote support for young people with SEND, which they will not want to let go of. Some really good practice has been emerging during this period and, while a lot of it has been put in through emergency, once the emergency has passed there will be practice that we will want to retain.

Olivia Blake: The next one was about financial pressures leading to cuts to crucial student support services.

Susan Acland-Hood: It is clearly something that we need to remain hugely alive to. So far, colleges have been incredibly good at making sure that they are prioritising support. We have put some things in place focused on student wellbeing and mental health support, which has been taken up and used well. To be honest, most colleges will not go to removing support for their students. It is very close to colleges' hearts and important to us too, and we have been seeking to support them with it.

Q58 Olivia Blake: Is it more likely that they will go for teaching over these support services in terms of cuts?



Susan Acland-Hood: As earlier periods of pressure have done, it will cause every college to look very hard at its overall strategy. People will make different choices, based on the circumstances that they are in. We need to come back to the fact that the spending review has just put huge additional investment into skills, recognising that we are all going to need to take this very seriously over the next period. You are seeing an extra £375 million going into the national skills fund. We made a £400 million investment last year in 16-to-19. We have £291 million going into demographic and other 16-to-19 pressures this year.

We need to be a bit careful. There will be some pressure from Covid but there is also some very significant investment going into the sector. I would expect colleges to respond to that by looking at the whole picture and thinking really creatively, as they have been doing so far during the pandemic, about what they can do to respond.

It is a very variable sector. Some colleges are in a very strong and robust position, and can respond both to the opportunities presented by the additional funding and to the challenges presented by Covid in a quite different way from other institutions, so we need to think about this in a differentiated way.

Eileen Milner: There are opportunities for colleges that come out of the circumstances we are living through and the investments we are making. I and colleagues are talking to colleges very actively at the moment. One of the announcements has been about the level 3 entitlement, which I am sure you are aware of. We are really proactively engaging with them to talk about the opportunities there. T-levels were already on the books but we are looking to invest still further there, and there are more announcements about additional capital investment in T-levels that was feeding through.

As well as the absolutely proper concern for where colleges are right here, right now, and how they are feeling, while acknowledging all the good work they are doing, the core reason why they are so important to us is that they will provide part of the core national infrastructure for delivering skills and technical education for this country.

It is worth thinking about some of the problems that colleges can really help us to solve. If we think back pre-Covid, there were 8.9 million people in employment in England whose highest qualification was a GCSE. Of those, over 4.5 million either had a qualification that was sub-GCSE or had no formal qualifications at all. We are going to be asking a lot of colleges and they already deliver a huge amount but there is enormous opportunity for them, which I know, from talking to so many principals, they are very positive about.

Q59 **Olivia Blake:** I am sure we all share the ambition for improving adult education. Going back to a couple of points, I understand that the DfE's



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own research shows that enrichment activities have been severely cut. Ms Acland-Hood, you did seem to push it back to colleges on that. Does more need to be done to support colleges in terms of finances to make sure that those enrichment activities continue?

Susan Acland-Hood: We need to continue to support colleges in all respects, but colleges are, rightly, independent and autonomous institutions, and there is a reason for that. It is important that we do not try to import too much decision making into the Department as to how people respond to what are quite different local economies, circumstances, set-ups and needs. I did not think you were asking me about enrichment earlier but about support for vulnerable students. There is some overlap there. On wider enrichment activity, we have been trying to work with colleges to make sure that we share good practice and to look at how people can retain it. You are right that our data shows that that has diminished a bit, as people have gone through the challenging times. That will be the result of difficult choices that people have made, thinking carefully about the context of their institution.

Eileen Milner: Perhaps it is worth indulging me to share a couple of bits of feedback. Ofsted looks at this and it is part of its live inquiry into the quality of education. We work very closely with Ofsted around its work on colleges. In its last annual report, it did draw out that colleges were making really good endeavours to give that rich wider offer to their students. It is also worth noting that we ask students about their experience of being supported, and the figures between 2013-14 and 2018-19 of those who said they felt well or very well supported by their college have remained the same, essentially: 77% in 2013 and 76% in 2018. That does not mean that it is not difficult but it does give you a sense that we are watching this, looking at the experience of the learner and trying to hear their voice in this.

Q60 Mr Holden: I am really interested in this wider approach and the holistic approach that you are talking about and which Ms Blake has been raising, particularly around T-levels. One of the things that we have really been pushing with T-levels is that extra external support that people get. How is that going at the moment? Are colleges signing up at the levels that you would like to see them sign up?

Eileen Milner: It is highly creditable. You will remember from your own time in the Department pushing hard to get T-levels launched. Against the background of the pandemic, almost all our colleges launched and are evidencing that it is going well. We had a fantastic session a couple of weeks ago with real T-level students. It was probably the biggest affirmation that any of us who have been involved with T-levels, almost from the start, will have felt. We heard from them about the course exceeding their expectations, about the fact that their teachers were inspiring them, and about early interactions with workplaces that they



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could see themselves wanting to be in, which were proving positive. It is very early evidence of why these qualifications are so important.

Next year, we move to the next wave. We move from three to seven core offers. The year beyond that, and the year beyond that, we will move to the full suite of T-levels. I see this very much as a force for good and as a snowball that is building over time, where we want to use the voice of real students and employers who are involved in and so positive about them, to make sure that as many as people as possible across the country have the opportunity.

Q61 Mr Holden: I agree with you that they are a good thing. Obviously, the timing has been put back for them coming in. The issue really is with placements with business. Has that issue been resolved yet or is that still a big barrier to more colleges taking them up and taking more of them up?

Eileen Milner: We started on time. The first wave went out in September absolutely on time. In terms of work placements, I use every public platform that I have to be evangelical about the difference that exposure to the workplace can make to a young person, as well as the benefit that the workplace gets from making that time and opportunity available.

Mr Holden: We all agree on how good that is.

Eileen Milner: It is a wonderful thing to do. As I outlined, we have invested in supporting colleges to build relationships with employers, and they are going really well. Those colleges that are pathfinders this year and going into wave 2 next year say that they are doing well. As the snowball builds, we are going to need more and more employers to work with us, to show commitment and to make those opportunities available.

Q62 Mr Holden: Do you have concerns about the number of employers coming in? This is a flagship scheme. It has huge amounts of extra funding and people want to see it succeed. I agree with you about pupils liking it, but do we have the number of employers that we need or are there still issues with that pipeline?

Eileen Milner: We are working really hard with every sector and every employer that we can possibly engage with. Once we have got over the fact that people do not always know what a T-level is—I, the teams of people and the Secretary of State are all rolling our sleeves up to be evangelical, and I invite every one of you to do the same—employers become converts pretty quickly.

Mr Holden: Let us hope that more of them are converted.

Chair: We will come back to this a bit later because of the funding issues around it.



Q63 Olivia Blake: The positive responses that we have been having this morning strike a very different tone to the ones that our colleges have been raising with us. I just wanted to understand why you are so much more positive than perhaps the colleges and students we have been approached by and spoken to. Ofsted has made recommendations around funding too, so not everything is rosy in terms of what Ofsted is saying about the sector. Do you have any comments on those two points about the difference between the feeling on the ground and the picture that is being painted here today?

Eileen Milner: I began by saying that I do not portray the FE sector as being in rude financial health, and I certainly recognise, during the period of the pandemic, how exceptionally hard college leaders and staff have worked. That is not, in any way, to underestimate just what a challenge it has been. We are in lockstep with them, working alongside colleges and trying to support them day in, day out. We really applaud everything that they do, seeing how driven they are to do the very best by their communities and their students.

One way of describing how it feels came from a college principal the other day. We are very alive to this. She said that every day feels like a snow day. What was meant by that is that snow days are hugely disruptive. If every single day, seven days a week, feels like a snow day, it is wearing and it is taxing, and people are exhausted. I have people in my own organisation and in DfE who are similarly exhausted but they keep going. They put one foot in front of the other every single day, because they are driven by their passion to do by right by the students. That is what we all have to acknowledge.

The things that we are talking about are about the role and the place for FE in the educational landscape. We must be positive about that because not being positive about it would seem to really be not to take advantage of the potential that the FE sector has to make a still more significant contribution to the future of the country. I believe passionately that it does have a bright future. It has more money going into it. It has a level of greater prominence than it has had for a very long time. The emphasis on skills and technical education that came out of the Augar report is now beginning to be lived and committed to at the highest political levels.

It would be remiss of us not to be positive about the future of FE, the opportunities that reside in it and some of the things that are coming in close to real time. The level 3 entitlement comes on stream as an additional thing that colleges can offer, for which they will get income from next April. Yes, let us acknowledge all the pain that people are experiencing—the tiredness and the lived reality—but let us also say that there resides within colleges an enormous potential and opportunity to do still more.

Q64 Olivia Blake: I guess we also have to acknowledge that sustainability is not just about funding; it is also about goodwill. Going back to funding, if you



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would not mind, Ms Milner, is part of these issues to do with the complicated nature of the funding system surrounding colleges? Is there a way to make that system easier for colleges to access and apply for?

Eileen Milner: It is undoubtedly true that the funding system is complicated. There are a number of reasons for that. The first goes back to what Susan set out, which is that the FE sector is, by definition, a complex sector. Not all colleges are the same; they address sometimes very different student groups and they offer very different programmes of study. That complexity will inevitably feed its way through in terms of the funding lines that support it.

It has also become more complex because, over a long period of years, where it is true to say that what it has seen by way of investment has tended to be smaller pots of money that have been ring-fenced to do particular things, they have only exacerbated the situation regarding funding rules and complexity. We are very alive to it and we are doing some things. We are really willing to and want to engage with the sector in the coming months and years on how much more we can do.

We are already trying to work towards adopting an FE-wide approach to residential funding. That is very important to things like our land-based colleges, but not exclusively to them. We are doing a huge amount of work on reviewing the qualifications landscape in this country, because it does feed some of the complexity as well. We have literally thousands of qualifications at level 3, and the funding rules about what is and is not funded would be the work of several PhDs, so people have my every sympathy in trying to work this through. That is in flight and in train, and I am aware that many of your colleges will have contributed to that already.

We are trying to align incentives and funding rates between different programmes, so that we can work through issues that are as frustrating at my end as they are at a college end. You can have people doing almost identical programmes, sitting in exactly the same classroom and being taught by the same person, getting different rates of funding. That is as frustrating to me as it is to a college principal or an FD, I promise you.

We are going to be looking at all that. We are going to be looking at things that have been raised by Sir Geoffrey around lagged funding and the use of reconciliation, which Mr Bailey raised, so that we can look at the pros and cons of those. We can look back to the systems that they replaced and ahead as to what new systems might look like, because sometimes, when you want to get rid of what you currently have, you can reinvent something that does not work quite as well. We want to be very thoughtful on that.

Another thing that I will look into and which I know is a bugbear for colleges is the payment profile of colleges. They typically run a funding year from August to July and it is front-loaded, essentially, for what colleges said when this was put in place about a decade ago was the most expensive



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part of the year. There is a desire to go to something that we see in the academy sector, for example, which is a flat profiling, with the same amount of money for the 12 months of the year.

We recognise this issue. We know that seeking to resolve it would have a significant one-off cost but we are really up for exploring that. You will appreciate that we cannot be concrete about whether it is possible to achieve that or, indeed, when it might be, but I hope I have given you a sense that the White Paper will say some of the things that I have said already in terms of a commitment to trying to make funding as straightforward as possible, but acknowledging that it is going out into probably what is the most complex sector that exists in the educational landscape.

Chair: It is complex partly for a reason at the Whitehall end as well.

Olivia Blake: That was a very comprehensive answer and we look forward to the White Paper.

Q65 **Chair:** Can we just check when the White Paper is expected?

Eileen Milner: I am going to have to give you the classic civil service response: soon, we hope.

Q66 **Chair:** Ms Milner, you have just talked about how important the FE sector is, particularly now. You have given paeans to the virtue of the sector, which I am sure are welcomed by those principals having to make tough decisions on the ground, but the White Paper is pretty critical. When you say "as soon as possible", is it this financial year, this calendar or the next six months?

Eileen Milner: We would certainly hope within this financial year.

Chair: That is a narrower window. That is helpful, thank you.

Q67 **Olivia Blake:** I have three more things to cover. The first is around skills and the national skills shortage, and what the Department for Education can do to stop colleges dropping STEM subjects.

Eileen Milner: In terms of STEM subjects, colleges, as you are aware, offer A-levels, which are funded at a flat rate. This year, we have enhanced the provision of programmed cost weightings into areas where we believe the provision of the learning is undoubtedly more expensive and needs to be recognised. We have had an uplift for engineering courses, for example, so they will attract 1.4 of the core funding rate. Building and construction, and catering, get 1.3. We have tried to recognise the additional costs of delivering programmes that are important to the economy and to employers, and to put that additional wrapper of support around them.



Q68 Olivia Blake: Are you working with local area partnerships, particularly under mayoral models, to understand the skills needed and to make sure that those STEM subjects are going to be available going forward?

Eileen Milner: We already work with the mayoral combined authorities very intensively. You have your own mayoral combined authority emerging in Sheffield along with West Yorkshire, and we look forward to working with them. In our experience, they take very seriously their responsibilities around working with employers and seeking to ensure that the skills for the economy that they have now and will need in the future are invested in through the moneys that are devolved to them.

Q69 Olivia Blake: I have a question on VAT. I do not know if Matthew Atkinson wants to answer this one. There seems to have been quite a shift in sixthform colleges turning into academies. The reason that has been given seems to be around the impact of VAT—paying VAT as a college but not paying it as a sixth-form college that is an academy. Some interesting statistics from the Sixth Form Colleges Association’s 2020 key facts and figures show that around 4% of annual funding is taken away from frontline education to pay VAT in colleges. Does the Department have any plans to fix this and work across Government to change this, so that we do not see more academisations of our colleges?

Matthew Atkinson: I am going to have to come back to you on that one, because, to be frank, I was not expecting a question about VAT today.

Susan Acland-Hood: Eileen and I can probably do this one.

Chair: I am glad to know that someone is over this quite important issue for colleges.

Susan Acland-Hood: There are lots of reasons why colleges pursue academy status. I am a bit cautious about assuming that it is always about VAT treatment. We are not in the business of trying to prevent people becoming academies, if that is what they want to do, for a wide range of reasons.

VAT is a very longstanding issue. This was an issue last time I was in the Department and we work very closely with the Treasury on it. They have some quite strong views about it, which we have to work with them on. We continue to pursue it and to work with them. VAT registration comes with a whole range of things as opposed to just the payment of the VAT, but it is on the radar and is something that we are looking at. We regularly raise and pursue it. Eileen might want to come in on this but, to be completely frank, alongside the list of other things we are trying to fight hard for, for the sector, this is one that we find hard to get to the top of the Treasury tree. Eileen, is that fair?

Eileen Milner: That is completely fair, Susan, although we do understand the frustration.



Chair: It sounds like we may need to press the Treasury on this issue.

Q70 **Olivia Blake:** I am surprised because, for each sixth-form college, this can amount to almost £500,000, with a complete number of around £21 million, so it is quite a significant chunk of money moving away from frontline education for those 50 colleges. We will take it up with Treasury, Chair, if that is okay, but it would be useful to know if there are any developments in this area.

Susan Acland-Hood: Yes, I am happy to let you know.

Q71 **Olivia Blake:** Finally, moving on to the maintenance backlog, this is unusual for all public services at the moment, but to what extent will the funding that has been announced cover the maintenance backlog in colleges? How long will it take for the backlog to be brought down?

Eileen Milner: We do look carefully at the condition data for the FE estate, and we have noticed that people are reporting serious concerns about it and that those have been modestly increasing. We have also noticed that colleges have been prioritising investment in their estate and the condition of it over the last few years, which is likewise encouraging.

What was announced in the last Budget was the release of £200 million of capital to go out into the sector, specifically to support, as part of Project Speed, the ability of colleges to begin work on addressing the condition status of their estate. That is an important signal and that will form part of £1.5 billion that is going out. The Chair has already raised with us her concern about the £200 million and whether it can be spent in-year, and we are negotiating carefully with the Treasury as to whether there could be some carry-forward of those moneys. This is a good news story for a sector that has not necessarily wanted for new buildings.

Chair: Sorry, Ms Milner, we have the commentary. We are hearing how wonderful it all is, when we have had a lot of evidence from our colleges, and others elsewhere, about the real challenges that they are facing. While I appreciate that you are enthusiastic, we need to cut to the chase and answer the questions. Ms Blake, do you have the answer you need about maintenance? It is a small crumb of good news that you may look at rollovers of capital funding.

Q72 **Olivia Blake:** The crucial thing is how much has already gone out to colleges and how the funding for capital projects has been allocated.

Eileen Milner: The money has been allocated and shared with colleges, and the median award to a college was just over £1 million. It is out there and being used. It has been welcomed. I am not trying to be like Pollyanna. It was singularly good news to get that money out and we do look forward to more moneys going out. I know that colleges feel that they are now able to plan, which is the critical part here about working on the condition of the estate. It has been a concern and one that we share with them. This is the beginning but I am really looking forward to seeing considerable progress being made.



Q73 Shaun Bailey: I want to come back to the things we have heard today about delivering the priorities around technical education and particularly the point about T-levels. We have had a picture painted almost of a land of milk and honey. I will quote from what one of my college principals has said to me: "Far fewer students are going to be able to study T-levels as it requires a huge number of work placement hours. We estimate it could lead to a loss of £5 million for the college, despite raising this with officials who do not appear to have considered these consequences; nor have they looked at the educational impact of having more NEET young people". Given that the Black Country is estimated to have 400,000 unemployed as a result of this pandemic, I am quite concerned that the realities are being missed. My understanding is that no impact assessment was done at the time this was brought through. We had a ministerial direction on this. I have my colleges telling me that they cannot meet the hours requirement for the technical side of it. I raised this in the House with the Secretary of State, because there is real concern.

What assessment is being done around this and what dialogue is there with colleges? I hear what has been said about pushing it out on a platform and making sure that business engagement is there, which is fine, but there is real concern on the ground, from principals of these colleges, that they are not going to be able to meet these requirements. As a result of reduced funding around things like BTECs and other courses, they are going to take a financial hit. What assessment has been done around this and what figures do you have on the impact that this could have on colleges on the ground?

Susan Acland-Hood: First, the direction that was asked for and given was around the pace of the programme. The concern was that attempting to deliver the first T-levels this September was very challenging. That was why my predecessor asked for the direction. It is worth pausing for a moment to thank staff in the Department and others who did deliver that very challenge timescale, even during a pandemic. The direction was not in relation to concerns about the substance of the programme and it is quite important to put that on the record. There is a real challenge here, which goes to the heart of what we are saying about the strategy for the sector.

Chair: Can we just be clear? The direction was because of the challenge of introducing it in the timeframe. I hear what you are saying. There was no disagreement about the policy as such; it was about the challenge of delivering it, which rather plays to what Mr Bailey was just asking.

Q74 Shaun Bailey: Surely, substance and delivery are intermingled. They are not separate, so surely they would feature together when thinking about the delivery of this programme.

Susan Acland-Hood: What I am saying is that my predecessor feared that we would not meet the timeframe that had been set. We did meet it. It



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was not a concern about whether this was the right approach to trying to make more demanding and better quality qualifications available to a large number of young people, which included a serious workplace element.

Secondly, we are, of course, investing higher levels of unit funding in T-levels. A T-level is a really good-quality qualification and it is funded in a way that recognises that it is a more demanding and better quality qualification.

Thirdly, this goes right to the heart of a really difficult but important set of strategic principles that underpin what Government are trying to do, together with the FE college sector, which is to make sure that we are responding to the skills challenge by recognising that we have a real challenge in higher-quality and higher-demand technical skills in this country. Your college principal is partly saying to you that it would be easier to deliver less demanding qualifications in larger numbers, and that is probably right, but it is not necessarily the same as it being the right thing to do. The need that we have in the country is not just for a larger number of qualifications whatever their quality, but for really good-quality and demanding higher technical level qualifications.

I really hope that you are not hearing us describe a land of milk and honey. Both Eileen and I have been quite careful to say that we recognise past challenges and future challenges in the sector, but we also see opportunities and it is important that—

Chair: Opportunities need funding. I am going to throw it back to Mr Bailey, who is getting exercised, as we all are.

Q75 Shaun Bailey: I have to make this point. I have had this conversation face to face with my college principal. It is not the case that they do not feel that they can deliver high-quality technical education or more demanding technical education. I stood on a manifesto that supported this introduction of technical education. I represent an area that is in absolutely dire need of something like this. I have the ward with the highest level of child deprivation in the West Midlands, so I totally support the principle of the policy, as does my college principal.

My concern is the feasibility of delivery, because the reality is that, when you are asking for these work placement requirements that colleges are struggling to obtain, they are then losing funding in other areas as well, so there is going to be an onset impact. The point that I was trying to make and the question that I was trying to ask you is what assessments you have done on this. The concern that my colleges have is that they want to do this. There is no debate about that. I am not saying that at all.

I am saying that there is a real concern that, while the policy support for it is absolutely there, we have not had a look at the feasibility as to how it is going to operate on the ground. I am afraid that I must say that, while I fully respect your opinion, it is not what I am hearing. I just need to know



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what you have done to ensure that the delivery on the ground is feasible and workable. From what I am hearing, that is not happening, so could you maybe push back a bit more on that point?

Susan Acland-Hood: I was going to go on to say that that shift to delivering those higher quality qualifications is challenging and was going to be challenging. I completely recognise that it is not an easy thing to do, particularly the work placement, which every bit of analysis that we have says is really important. It is important that people have high-quality workplace experience as part of good-quality technical qualifications.

We know that there is a hump to get over. We are changing something quite fundamental. We are trying to get more employers invested in offering these workplaces and, as Eileen has said, as they encounter this they become more positive and we get more offers of workplaces. There is something really important about not losing faith in that element of that programme while we are still in that set-up phase, because we are seeing employers come on board in significant numbers and we will continue to be able to increase those numbers over time.

Eileen Milner: We are in really regular contact with the colleges that are offering T-levels at the moment, trying to understand and learn from issues that are being presented, in real time. We are not sitting back and saying, "Just get on with it". We care as much about the success of T-levels as the college principals do, so we are trying to understand.

As Susan Acland-Hood has set out, we put money in at the front end to allow colleges to build a capability to work with employers, and that money has been well invested, in my experience of observing what it has been used for. The content of the T-level in terms of the work placement was heavily steered by employers and their view as to what level of competence and input level somebody would need to have to get a sound understanding of digital or of childcare, for example.

We are trying to square the circle on the inputs we have had from people who, at the end of the day, are signing off a qualification, and to work practically to support the colleges that are delivering it, while being minded and willing to always listen and to ensure that what we hear from colleges in real time, at these very early stages, is heard, taken on board and factored in, as we move towards wave 2 next September and wave 3 beyond it. I am sure the T-level will evolve over time but we must all commit to making it succeed. I know the principal you are referring to is absolutely doing so.



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Q76 Shaun Bailey: I hear that but I am just curious. You talked there about waves 2 and 3. We are in economic contraction now, so we are in a recession. How have you factored that into what is going on? I am sorry to keep pushing on this point but it is the point that I am getting hammered on.

Eileen Milner: No, it is an important point.

Q77 Shaun Bailey: How are you ensuring that that is still going to be counted in? What conversations are you having with providers? As I say, as the economy contracts, there are going to be fewer opportunities.

Eileen Milner: We are speaking to every single one of our providers that are in play already and those that are gearing up to start delivering next September, with some additional T-level qualifications coming through. We are talking to our Ministers all the while about what we are hearing and learning, thinking about any need for recalibrations, as you set out, in terms of what is happening in the economy. That is our responsibility: it is to listen, to learn and to advise, and that is what we are doing.

Q78 Shaun Bailey: I am going to change focus now to devolved education funding. I am keen to understand what engagement you have around how this is administered. Some of the feedback that I have had is that there is a humungous administrative cost to this, and an administrative cut that means that resources on the front line are not getting there because they are having to go through. I am just curious as to what oversight you have in regard to ensuring that, when it comes to devolved education funding through the combined authorities, it is being done in a way that means that people on the frontline are getting those resources.

Eileen Milner: We devolve the adult education budget, as you know, to the seven mayoral combined authorities plus the Greater London Authority. They get an allocation that is based upon the historical numbers that have resided within their areas. We then look for assurance from them as to how that money has been spent, because we have a duty to report through to you. We work really closely with them and, indeed, have offered support, for which we have taken no overhead and made no charge, to help them in getting assurance. When I speak to MCAs, I am as confident as I can be that a really high proportion of the money is going out to providers.



Q79 **Shaun Bailey:** In terms of that assurance, do you work with them on any specific metrics for success? Would you hope that a certain proportion of that would go directly to providers as opposed to covering administrative costs? One of the concerns that I have had is that considerable administrative work has to go into it, and rightly so, but there is a concern as to the cost of that and the impact on those on the frontline. I am just wondering if you have any agreed metrics with those devolved authorities.

Eileen Milner: They have to report to us on what they have bought with the money, but how they go about doing it is a devolved power to them. In terms of what they are buying, we do not say, "You must have this amount of X or that amount of Y," because that is the nature of the devolution deal that was set.

Q80 **Shaun Bailey:** I am acutely conscious of time, so I am just going to move completely now to the new long-term strategy. Why is it only now that the Department has considered developing a long-term strategy? Is this the end of the area review and localised approach to FE provision?

Susan Acland-Hood: There have been some really clear elements of long-term strategy in play for a while around trying to make sure that we can give more employer voice in thinking about how the skills are framed and that we are supporting colleges and others to deliver really high-quality education. Things like the response to the Sainsbury review, which we are well in progress with, go very closely with the direction of travel of the strategy that you are going to see set out. This is a continuum rather than a moment where, for the first time ever, we are doing something strategic on the FE sector.

There is, however, a huge amount of focus on this now, not just because of the impact of Covid but because of the wider understanding of what this means for us as a country from a productivity point of view, and because of the personal commitment of the Secretary of State, who feels very strongly about FE as a sector and about skills as a focus for the Department. He made that his key push in the spending review. In terms of why he has not set out his vision in public, we had the Prime Minister's speech earlier this term which set out some quite clear ambitions for adult skills, including the lifelong learning entitlement and the level 3 guarantee. For this Secretary of State, it was difficult to set that out in full until we had this spending review, so it was working towards making sure we had the right things in the spending review and then setting out the strategy that followed on from that.



Q81 Shaun Bailey: Turning to the area reviews briefly as well, one of the things that have been brought to my attention is that they tend not to cover other apprenticeship and training providers—for example, company training schemes were not included in that. Why was that? Has that perhaps hindered the fuller coverage that those reviews could have had?

Susan Acland-Hood: There are a couple of different things there. The area reviews were really focused on thinking about the structure and shape of the FE sector and how it was going to deliver, but they were not the only vehicle for thinking about skills and training in an area or in a region. We had other mechanisms, including the work we have been doing with the MCAs, but also setting out area skills plans and thinking about what is needed, which do cover every provider in a region. It is a distinction between activity that was focused on the FE sector and the other things we do to think strategically about skills in a particular area.

Eileen Milner: The area-based reviews were driven, in part at least, by some of the findings of the last NAO study in 2015. If we go back to where we started, thinking about that precipice of financial fragility and trying to look ahead to putting things on a more secure footing and the processes around that, it endeavoured, as I understand it, to be more inclusive and have many voices in the room. It is probably true to say that not every voice was in the room as solutions and ways forward were being framed.

Q82 Shaun Bailey: Do you anticipate any further mergers of colleges? Given that, quite often, these have happened where there have been failures within colleges, how are you trying to move away from the view that college mergers are somehow a sign of failure or an indicator that things are going wrong?

Eileen Milner: That is a really good question because we have had some really positive mergers that have been led locally and created some very strong college groupings.

Matthew Atkinson: There have been 70 mergers, some of which were the result of an area review recommendation and some of which were the result of a structure and prospects appraisal carried out by the FE commissioner, who makes an educational judgment on what is the right merger to occur. There have been 70 of them and they have, generally speaking, been a success. Not all of them required the support of public money from the restructuring facility or any sort of emergency funding, and we would not rule any further ones out. There are areas of the country where you could look at a series of quite small and potentially fragile providers that are not merged with each other and do not co-operate with each other. We would like to see more co-operation between colleges; if that is achieved by a merger, that would be fine, but they could also achieve it without merging.



Q83 Shaun Bailey: In terms of mergers, I would imagine that the focus is still on a localised approach to FE and ensuring that it reflects the local labour market. That being said, how far can you go until you get to a point where that becomes a lot more difficult, if not nigh on impossible, because you have merged to a point where the coverage of that provider is too far away? For example, a provider in Birmingham merges with a provider of mine in Sandwell, but the local labour markets are completely different between the Black Country and Birmingham. How do we ensure that, when we are doing these mergers, they are still reflective of those local labour markets?

Matthew Atkinson: You are exactly right to ask the question. The reflection of the local labour market is absolutely key, and labour markets differ. If colleges decide themselves to merge without access to public money, they can just decide to go ahead and do it. It is subject to ministerial approval. Most mergers that take place have a geographic rationale to them. There are some large college groups that have campuses all over the country, but it is a preference for us that they are geographically located.

To give you an idea, the smallest sixth-form college will turn over less than £5 million but the largest college group turns over more than £170 million, so there is room for further consolidation, if that consolidation gave you greater financial sustainability.

Susan Acland-Hood: We should also be careful about assuming that, because colleges have merged, they become completely homogenous in their different campuses and sites. We have a large number of college groups that operate different campuses, successfully reflecting the differences in the areas in which they sit. The critical thing is that we do not lose sight of that central priority that is where the college is located and the functioning. They need to be very conscious of and very plugged into their local labour market, but there is more than one way of doing that.

Q84 Shaun Bailey: Coming back more widely to the point on funding and cost pressures, one thing that has been raised with me is about pension funds and the possible impact on balance sheets, particularly when the ESFA is making sure that colleges are still financially performing acceptably. Given the turbulence in the pension space, with the two main pension schemes that colleges ascribe to and the deficit in one of them at the moment, combined with increased staffing costs but reductions in funding, what metrics is the ESFA using to ensure that, particularly on this pension and work costs liability, where the college is performing well elsewhere, this is not having an impact on the overall view of the college's financial performance?

Matthew Atkinson: I will start by referring to LGPS, which is a local government pension scheme. Each college will have a local government pension scheme. There are about 70 in the country. Most are in deficit, as you would expect and as you allude to, but they have quite sweeping



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powers to impose deficit reduction contributions on a college. This issue has come to light in the last three years, when the LGPS deficit has grown to more than £3.5 billion, so much more than we were talking about at the last PAC. Colleges spend more time negotiating and forecasting what they are able to service.

If you can imagine a college like a business that has a curriculum that produces cash flows, because money follows learners and then they pay teachers et cetera with that, there is a set of cash flows at the bottom that are required in order to meet their obligations. Their obligations are capital expenditure, some of which can be funded from the amounts of money we were talking about earlier; bank interest and repayments; and the amount that they have to service, in order to service the LGPS deficit. They need to make sure that, after they have done all of that, there is still a positive number at the bottom. Therefore, we are forecasting.

I have an example of a college that is absolutely outstanding both in finance and Ofsted. It is having a very difficult discussion with its local government pension scheme, which wants to accelerate its repayments. The college feels as if it is being targeted by the pension scheme. It is really a matter between the college and its local pension scheme.

Q85 **Shaun Bailey:** That is helpful. How do you think that economies of scale could be used to improve the FE sector in England?

Susan Acland-Hood: There is always a risk in assuming that big is beautiful inherently, but there are economies of scale that come from running slightly larger institutions. We have seen that to some extent through the result of the area review process and the mergers that were being talked about. We have seen examples where institutions, perhaps at least one of which was individually fragile, have become significantly stronger when they have been able to work together.

That is partly straight economies of scale, in that your purchasing power is different when you are a larger organisation. I do not think we should underestimate the important part that really good-quality management and leadership can play. Sometimes, those larger institutions can attract really good leaders. We have some outstanding leaders in the FE sector. We have talked about that a bit, but those two things are relevant.

Q86 **Mr Holden:** Picking up on the comments that Mr Bailey made around these mergers, obviously, the colleges are autonomous bodies. How do you influence those in financial difficulties to make changes?

Matthew Atkinson: There are various ways. If a merger is dependent on public money, there is quite a lot of leverage for the Department to ask for certain things to happen. We would rather it is dealt with in a much more supportive way than in a leveraged way. The FE commissioner will often be the driver of agreeing to a solution that colleges might be proposing, so agreeing that, on an educational, leadership and governance basis, that is the right merger. We then have national leaders of governance and national



leaders of FE. They work with Richard and they can go into situations to provide the level of support that those might need.

Where we have, for example, two colleges that might not be quite big enough on their own to do the financial modelling you might need to do in order to understand the impact of a merger, we can support them with financial modelling. We have a golden thread, where we ask merger colleges to understand their market, labour, demand and the demographics that they have coming through, and to then set their curriculum, set their teaching plan around that and work out their real estate. One of the synergies that Mr Bailey was talking about earlier can be around real estate. There is a lot of real estate in the sector. If you can do a merger and increase group size on certain sites, it may release a site for disposal.

Q87 **Mr Holden:** We can influence them via lots of different ways, mainly financial, but there are different pressures. Is there not a real issue with FE commissioners on one side, national leads and the Department? Does it not put us in a really confused picture and, because of their autonomy, mean that things go on in colleges that would not go on in other educational institutions?

Matthew Atkinson: We always strive to be ever better in this space. A national leader of FE or a national leader of governance would be recommended by Richard Atkins, the FE commissioner. I and my team work very closely with Richard and his team and we are co-ordinated by the further education directorate. When we are looking at a case, there are regular check-ins and things like case conferences and case management groups where we all voice our opinion.

If we are going to either inject some money or do something structural or strategic, all of us go to a credit committee, which includes independent oversight from a restructuring expert and a real estate expert. We say, "This is what we want to do, this is what it will cost us, this is a business plan, this is what it should generate and this is the financial instrument we want to use." It then goes to a Minister. The level of oversight we have is quite comprehensive.

We try very carefully to make sure that the college understands who is doing what at all times and sequences those bits of advice. It is a good idea, for example, for Richard to come up with an educational solution if he knows the numbers first.

Q88 **Mr Holden:** How successful have we been at ensuring that these colleges are in a good place?

Eileen Milner: As we said at the outset of the meeting, and as the NAO Report, which is the basis for our conversation today, signals, FE colleges are not in rude health but are in better health than they were in 2015. The level of activity that was driven by the area reviews has helped to alleviate some of the risk that was taking the college sector to a very precarious situation.



I am not pretending that being an FE principal and running a college is an easy job even in non-pandemic times. They have to balance scarce resources, differing levels of demand and challenges around workforce. In terms of what they are delivering for the country and the level of support that we are providing to them, we are in a far more secure place than we were in 2015.

Q89 Mr Holden: We have the White Paper coming forward. You said it is going to be really revolutionary. Does that mean it is going to be sustainable as well?

Eileen Milner: The revolutionary and critical thing for FE, and perhaps the reason why we are being told that we are being a little too optimistic, is the articulation of the role of FE in the education landscape and the importance that it must have and the things that we need it to deliver for the future success of the country.

Q90 Mr Holden: Surely one of the things it needs to succeed is to be financially sustainable, though, in and of itself.

Eileen Milner: I have signalled to you that I believe we have made progress. We want to make further progress. We have talked to you about where some of the one-year spending review settlement is taking us to. The White Paper will signal the expectation and opportunity of different programmes of study to draw from the Augar review, to talk about the importance of the 50% who do not go to university and to think about the qualifications and skills that employers want. This is where FE comes to the fore and has a position of prominence in the national dialogue and expectations that it has not had, certainly, in my lifetime.

Q91 Mr Holden: That is absolutely fine. Mr Atkinson, one of the interesting things we picked up on earlier was that you highlighted that there are a number of colleges in financial difficulty, more than we thought. The route you are looking at to try to deal with that is merging them together. Can you give us some examples of where this has been successful?

Matthew Atkinson: Chichester College Group is now one of the largest college groups in the country through a succession of mergers. Chichester College Group has a great Ofsted rating. If you have, for example, a college down the road struggling on finance, quality or both, and you merge it with that sort of institution, you get a lift almost immediately on day one. We can monitor. You do not officially have an Ofsted grade at that point, unfortunately, because you need to be inspected again in order for that to come true. In essence, those teachers are teaching in a better college straightaway.

We also monitor our mergers. Where public money has gone in, we are required to hold them to account and we use the financial instruments that we have, which are, broadly speaking, debt, grant and conditional grant. Obviously, conditional grant is what it says. There are anti-embarrassment clauses in there, but, crucially, in all of those, there are monitoring clauses



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where we ask for updated and forward-looking financial forecasts to see how these businesses are going.

When you merge two distressed colleges together, it is quite febrile for a period of time, so that monitoring is really important. Of the deals we have done, very few are continuing to be with us and look like they might need further support. That is quite a good indicator that we did good deals, but, because we are monitoring them so closely, we should see things before they happen, so that we can address them.

Susan Acland-Hood: The premise of the question was that merger was our principal response to financial difficulty. We should be clear that it is one of our possible responses. We also, quite often, will work with colleges to support them in other ways. We have good examples of places where we have not pursued merger or, indeed, any leadership and management change, but nevertheless managed to support colleges, including through the national leaders of education and national leaders of governance that were mentioned, to improve them in their current setup. There is no hard line between being in a bit of financial difficulty and then ending up merged. It is important we say that, so that colleges out there do not get the wrong impression of what might happen if they talk to us about their financial difficulties.

Q92 Mr Holden: That is a fair point. Mr Atkinson, it is clear that this merger thing has definitely been pursued, but I accept what the Permanent Secretary says. There are some that do look successful, but, looking in the NAO Report and at others, one of the big issues seems to have been the sheer cost of this. Looking at the Hadlow College Group, that is five colleges together. Could you tell us how much it cost to bail them out where they were a big college group together?

Matthew Atkinson: You are focusing on our worst example.

Mr Holden: You have to learn from your worst examples.

Matthew Atkinson: Quite. Because we used the insolvency regime, we have saved the Government and the taxpayer, we think, more than £20 million. The cost of the cases themselves will probably run to over £60 million by the time they are completed. A large amount of that is related to capital. The reason I want to make that distinction is that, because of the leadership and management of governance at Hadlow in particular but also at certain sites in West Kent, the estate was in a very poor condition. If you are a college stepping into that position, you would like to see the college estate brought up to a reasonable standard.

A large part of that expense is to bring the estate up to a reasonable standard, so not technically a cost of us doing a merger but a condition of us providing that support. There was a saving generated by using insolvency.



Q93 **Chair:** You quoted a figure, if I heard it right, of £60 million. Was that the money for the ones you have just talked about through insolvency? I am looking at page 45 in the NAO Report. Were you adding those two figures together to get to the £60 million or did I mishear you?

Matthew Atkinson: Shall I tell you what the £60 million is made up of?

Chair: Please, could you?

Matthew Atkinson: There is a large amount of emergency funding. These colleges were losing money day by day. Hadlow College had 52 pressing creditors—that is how badly it had been run—and there was a secured lender in position. We needed to remove that secured lender; otherwise we would not have been able to move the provision on. We needed to move 6,000 learners into new management and new ownership. That was around about £20 million. There was a saving there. That was not repaid to the bank in full.

As I was saying to Mr Holden, more than £20 million went towards what I would call the deal costs at the end. The reason that the numbers are slightly different to what you see in the National Audit Office Report is that these deals have been pretty recent.

Chair: That is helpful to know. It is useful that that is an updated figure. It is not audited, but we will take your word for that. I think you would have been adding that up pretty closely.

Q94 **Mr Holden:** I appreciate it is your worst example, but this is a big college group here, which is one of the methods that you normally use to try to put stability into the system, a system that is basically a group of autonomous vehicles in terms of colleges. How much did you spend on the administrators for the Hadlow College Group?

Matthew Atkinson: The administrators charge by the hour, so the longer the case goes on, the higher the cost. We also have a panel of advisers from which we choose administrators on a rotational basis. That is at significantly reduced charge-out rates to normal, but the cost to date of the administrators for both administrations is £6 million.

Q95 **Mr Holden:** Out of £60 million, £6 million is just the charges for the administrators.

Matthew Atkinson: Yes.

Chair: I can imagine principals around the country gasping, as we are, virtually and in the room, at that. Mr Holden, have you drawn your breath after that?



Q96 **Mr Holden:** These are huge amounts of money. Everybody wants to see earlier intervention at every opportunity. How can we make that process more supportive for colleges so that we do not end up in a situation where we are paying millions of pounds to administrators in order to try to get them out of the mess that they are in down the line?

Susan Acland-Hood: First, to the point that Matthew made, we have done an assessment on what it would have cost to sort out Hadlow and West Kent, if we had not pursued the insolvency regime option that we have. The assessment shows that it would have cost us well over £20 million more than it did. I agree with you, if I am completely honest. It is a gut-wrenching amount of money to have spent.

Q97 **Mr Holden:** It was spent on administrators, Permanent Secretary.

Susan Acland-Hood: It was significantly cheaper than the alternative of not using an insolvency-based option.

Secondly, having an insolvency regime in place, as I think the NAO had recognised in its Report, is quite an important component in doing exactly what you say, which is to try to make sure we can intervene earlier and more effectively. Without an insolvency regime, there was a risk that colleges in very difficult circumstances felt that they were going to be bailed out endlessly. Being able to show that there is a hard stop gives us a much better ability to intervene early and effectively. To be frank, we hope our worst examples will stay our worst examples because they will have a system effect that will help us behave differently and work differently with people in the future.

Eileen Milner: You have said a lot of what I was going to say, Susan. I will repeat, for the record, that there are a number of phases of intervention that we work to. We have put a great deal of emphasis in the last three years on the prevention element and being able to understand those signals from both data and regular ongoing conversations that would give us cause for early concern and early conversation, enabling us to address issues early before they become big problems.

We have something that is currently called early intervention, which happens where those signals have become a bit stronger. The very use of the word "intervention" jars slightly with the sector and we need to do some thinking about it. It involves much more proactive support both from ESFA colleagues and from the FE commissioner. People will receive that level of proactive support from us. Some people get it for months and sometimes years at a time, others for a period of a few weeks, when they need to engage with us to sort out a particular problem.

As we escalate through and get into formal intervention, by the time you get there, issues have really crystallised and become bigger problems. That is where we and the FE commissioner work really side-by-side, look at doing diagnostic visits and using independent business reviews to dig underneath the surface of what has happened.



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Q98 **Mr Holden:** I understand that you need to drill down into some of this stuff.

Eileen Milner: It is important for the record to say that there is a ladder of intervention that goes from prevention all the way through to insolvency and then ultimately the Secretary of State's powers.

Q99 **Mr Holden:** I am looking at figure 9 in the Report and how long these interventions last. Some of them have lasted for over seven years.

Eileen Milner: It is true that some colleges can be with us for a very long time in intervention. We have some very knotty issues that derive from financial sustainability. Even when we have intervened, it is right to be keeping a very close eye and sticking close to places. Many more are with us for a very short period of time. As we have set out and Susan alluded to a little while ago, we are not saying that colleges are identical or that solutions are identical. They have to be fit for purpose in the context in which something is happening.

Q100 **Mr Holden:** We know that the leadership of Hadlow College was a former auditor who has gone back to the audit firm he was at before. Given the immense amount of public money that has been spent on this, are you looking at taking any form of action against him, either professionally or even potentially through the courts?

Matthew Atkinson: The administrator has a duty to investigate the affairs of the company prior to his appointment and file, with BEIS, his assessment of the equivalent of director conduct. I do not want to prejudice anything that might be going on in that. Should there be sufficient evidence of wrongdoing, we would seek whatever sanction was available to us, yes.

Q101 **Mr Holden:** That is at least good to know. You said £6 million. Is there any possibility that could go higher?

Matthew Atkinson: As I say, they charge by the hour and the administrators are not finished yet.

Q102 **Mr Holden:** How many more hours do you think they will last? How many years into administration are these guys going to be?

Matthew Atkinson: The administrations are now largely complete.

Q103 **Mr Holden:** But not totally.

Matthew Atkinson: There are various statutory duties and filings of reports that need to be done by administrators, as part of their duty to court and their duty of transparency. In essence, the bulk of the work has been done and therefore they could close as quickly as possible. One reason to leave them open is the answer to your previous question. If any action is brought, it might need to be brought via the administrations.

Q104 **Olivia Blake:** I want to go back over the early intervention element of your process here and pick up on some of the issues. Do you think it is



sustainable for this intervention to continue for a long time for all these colleges? Do you accept that the fact that 75 colleges have been back in early intervention more than once says that this may not be the most effective approach?

Eileen Milner: That is a really good question. There was a companion piece to the NAO Report called the Dame Mary Ney review. I do not know if you saw that. That referred to the climate in which we are able to support colleges. If we accept that it is going to take a while, possibly, to reach the position of still further strengthening the financial position of FE colleges as a totality, we have to think about how we support them to best effect. She was pointing towards the need for prevention, which we have talked about, the use of data and getting in front of problems, and then having a quality and depth of relationship where we can use the professional skills and expertise at our end to support colleges to move forward. That should be part of an ongoing dialogue. This is why I talk about the use of the word "intervention" in these early stages as potentially both jarring and unhelpful, because we are trying to allow for issues to be tackled, supported and resolved. Sometimes, they are followed by new issues that emerge.

We want colleges to alert us early and for us to be able to work together proactively, using all the resources available to us collectively. That includes not just what we have but the collective wisdom of some of the leaders who reside in FE, while looking at places that have experienced similar issues and using that peer-to-peer support.

Q105 **Olivia Blake:** Do you feel that it is effective? Can I ask how many FE colleges are in danger of insolvency?

Eileen Milner: Matt, do you want to comment on this? "Insolvency" is a very loaded word.

Matthew Atkinson: The answer is very few, because it is not our intention to be profligate in the use of that regime. Quite often, it will not be the right tool anyway. The number that I talked about earlier is those cash days. That is what I am spending my time worrying about at the moment.

Q106 **Olivia Blake:** Just to probe a bit more, given the high number of colleges coming back into the early intervention, is merger the only effective tool that you have at the moment to prevent repetition, or do you have another example of success?

Matthew Atkinson: I will give you some examples as they fall into my head. A number of the restructuring facility cases, for example, have involved standalone turnaround. I have a college on the south coast that has just finished repaying its debts. We put money into that, but it was debt, and that has now been repaid. Some of my loans are performing really well. Some of those colleges are doing really well. If you have a college that has, for example, lots of different campuses, you can consider



consolidating that. You have to think about travel to learn and whether learners can access the new site, but there could be a real estate strategy, for example.

Q107 Olivia Blake: We have been over that. Do you feel that your powers are adequate in the intervention stage, given that they are autonomous organisations, to prevent big sums of public money going in to cover all these issues?

Matthew Atkinson: I would definitely like more power. The combined efforts of the further education commissioner, the further education directorate and my team, given the contracts and funding we have with these institutions, so long as we can maintain dialogue, ought to be enough. It is theoretically possible for a college still to bury its head in the sand and for us to have to step in. That mechanism to step in ends up being insolvency. I do not think that that is going to be particularly likely. The relationship we have with colleges at the moment in early intervention and, indeed, in formal intervention are very constructive.

Q108 Olivia Blake: We have also seen a huge amount of money going in and then transferring from loans to grants. Do you think that suggests that the funding system we have is unsustainable? *[Interruption.]*

Chair: Somebody needs to mute. Mr Holden is reacting for all of us, I think. It feels a bit like Groundhog Day, Mr Atkinson. We have been here before. We have seen loans. They have become grants because colleges could not afford it, so perhaps you could answer Ms Blake's question. Forgive our cynicism, but we do feel like we have been here before.

Matthew Atkinson: I can imagine you do, but the difference that has been made is the professionalisation of the process. In essence, we are using a proper corporate finance approach based on good evidence. We look, basically, at debt capacity. Some of the amounts of money you are seeing that were originally made as loans and converted to grant or, indeed, written off, because they were done so quickly at the time, were put in as loan not really in realistic expectation because not enough work had been done at the time. Now, we use a proper, formal, well-governed corporate finance process to establish debt capacity. We have to look after the learner and, if I see an institution that does not have debt capacity, but we need that institution to continue to provide for learners, the money has to go in as grant. It would be silly of us to try to maintain an artificial loan position. Therefore, we review our loan position every year with the NAO and, where we need to do something with that financial instrument, we do so. We are recovering a situation and I can assure you that what we do now is very professional.

Q109 Olivia Blake: Do you feel that the Department is limited in its policy decisions on how it can maintain provision for learners given their independent placement? Would you see any other options of DfE



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intervention into keeping provision available in this fragile state, as the Report calls the financial stability, going forward?

Susan Acland-Hood: While I appreciate Matt's desire for unlimited power, we need to be a bit careful of assuming that we will have a significantly stronger sector in the long term if all our solutions are focused on increasing DfE powers to intervene and act as opposed to trying to support good-quality college capacity and build it up. I am not sure I would frame it in terms of the independence of the sector being a barrier to its health and sustainability. It is really important, given the amount of public money going in, that where there are real difficulties and failures, we can both support and intervene.

Some of the most powerful things we have done have been about supporting really good college leaders to take on and bring forward improvements in colleges. I have some examples that Richard Atkins has very kindly provided of places like Oldham College and Warrington, where we have seen significant improvement under good FE principals who have taken advantage of the support on offer and moved it forward. The work we have been doing on training in financial matters, but also in leadership and management for FE college principals, is a really important part of this.

Eileen is right. It is possible that we should re-characterise early intervention more as early support, because we want to build a sector that has the ability to sustain itself as far as possible rather than to characterise it in a way that means that success comes from the DfE having more and more power to do things to it.

Eileen Milner: If you can indulge me on one small point, the protection of the learner drives every decision and every thought that goes on in what we do, up to and including the point where the insolvency regime we work under is different from normal company insolvency law, inasmuch as its first duty is to protect not the creditors but the learners in situ. I hope that gives you some assurance about what we are driven by and I am sure that that matters as much to you as it does to us.

Matthew Atkinson: We are doing an authentic consultation with the sector via the Association of Colleges and the College Finance Directors' Group to try to get ahead of problems. We are co-designing a forecast with that group so that we can see if there is going to be a problem, but having a way that we agree with the sector that it can report back to us and back to itself. As an example, in July, we simplified the cash flow return; 97% of the colleges submitted that on time and the rest submitted very shortly thereafter. We are working very closely with the sector. The relationship we are building with the sector, with the great help of the AOC and the College Finance Directors' Group, will help us intervene more effectively.

Q110 **Olivia Blake:** I want to push again on the value for money for taxpayers of this approach that is happening, whether you feel that the taxpayer is



getting value for money from this emergency funding and how you could evidence that.

Matthew Atkinson: I will not go over previous things that I have said, but this money is appropriately governed with external experts. It then goes to Ministers. Treasury is involved. Everything that we do with regard to what I would call new money is subject to a very high degree of oversight and governance, including value for money assessment. We do this properly. To go back to Eileen's point, it would be incredibly expensive for DfE and the taxpayer if colleges were simply allowed to close and learners to go untaught. If we were in the commercial world, DfE is quite a benevolent equity provider in some of these cases. If we put grants into situations in order to maintain provision, we are still doing our job and we would still ultimately save money by doing so.

Q111 **Olivia Blake:** We have talked a lot about the role of intervention, but I wanted to ask one final question about the role of the FE commissioner. Does the Department for Education feel that this is robust enough at the moment or is there a bit of a confused picture of whose responsibility it is?

Eileen Milner: Matt works on a day-to-day basis with Richard Atkins, the FE commissioner. I hope, in terms of the way that we present to the world, it is really quite joined up. It is likely to become only ever more joined up as we go into 2021 when we enact one of the recommendations in Mary Ney's report, which is that the FE commissioner will come in to sit alongside Matt and colleagues in the ESFA. We are recognising that the FE commissioner will usually look at the quality of leadership, management and the educational offering, and we look at the financial sustainability of the institution. We will be running those alongside one another, which is what we have been proactively doing for the last couple of years really intensively. People have been building really good working relationships in doing that. It is going to make it ever more apparent that the focus, experience and solutions are all very joined up.

Q112 **Olivia Blake:** We need to get some clarity about the powers that have been requested in various parts of this and understand what is going on, to be honest. It sounds like there is a bit of conflict on that issue. I do not know if Matt wants to come in and explain what powers he would like to see given that he voiced that he would like to see more powers.

Matthew Atkinson: Sorry, Ms Blake, that was a slightly flippant comment, but the case still exists that, if we had a very Machiavellian management team who wanted to keep us away until the very last minute, technically they would have a good chance of doing that. There are levers, such as our funding contracts, that we might decide to use early on in that. It is not necessary to have more powers. It is helpful to have the insolvency regime as an absolute fall-back because it tends to make people behave a bit better if they ever had to. We should see a long-term VFM benefit from it simply existing.



Eileen is right. There is definitely a Venn diagram of overlap of work between the commissioner, the PMO and the further education directorate, but it is only right that there should be. Richard and his team bring huge amounts of educational experience and views on leadership, management and some finance. In order to make a decision on new money, I need to have a very strong view from Richard on education and on leadership and governance, and to form my own view on leadership and governance, because we are injecting money on behalf of the taxpayer. The further education directorate runs the relationship with the college. It does all come together. You could treat me and Richard as the specialists who come in to provide specialist advice, but the further education directorate runs the relationship and has the day-to-day operations. Richard and I speak more than three or four times a week.

Q113 Sir Geoffrey Clifton-Brown: Ms Acland-Hood, you say that you do not think more powers are appropriate, but poor management is poor management. Table 9 on page 42 shows that some of these colleges have been in intervention measures for over seven years. That must imply that the system is not working. It is ultimately the taxpayer who has to pick up the huge costs to administration. Surely we need to look at the system and see whether the FE commissioner has adequate powers.

Susan Acland-Hood: What I said was that my starting point would not be that we should focus on continually adding powers as the solution to all these challenges. I stand by that. I did not mean by that to suggest there would never be a case for any new power of any kind in the system. There is something about the balance of emphasis. Do we want a sector that is continually falling over and then having to be propped up? We need to think about what makes the sector genuinely sustainable and self-improving as far as possible.

Of course, you need backstops. On the colleges that have been in intervention for long periods, it is important to look at the changes already made. The shift to introducing the insolvency regime itself, as Matt has said, is an important shift that will change behaviour, not just at that far end but earlier in the system, where people are looking at what will happen if they do not get their house in order earlier on. We need to look at those changes that we have already made and how we can use them to the best possible effect before we start saying that the answer must be to add further powers. I do not rule it out.

Q114 Sir Geoffrey Clifton-Brown: Can I try once again? The system is not working, looking at these huge costs of administrations. If these were schools, you would send in special commissioners or special administrators to run them. Poor management is poor management. If it is really poor, it is unlikely to ever improve. Surely there is a case for looking at the system to see how it can be overhauled and to see whether these very poor colleges can be brought back into proper running and finance more quickly than they are already.



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Susan Acland-Hood: The system has not worked as well in the past as it could have done, so a lot of change has been made to it, as has been outlined by Matt and others and recognised in the NAO Report. The financial health of the college sector had fluctuated since 2013-14, but showed improvements in 2018-19. It is likely that the work we did on area reviews has contributed to limiting financial deterioration. The NAO Report itself recognises the value of the work that has been done and more has been done since then.

I am not suggesting that everything you see in the figures going back seven years represents perfect practice. It certainly does not. There is more that we need to do and we need to recognise that there are things here that are not acceptable. We are trying to make sure that we are continuously improving this. We think we have made significant improvements. We want to carry on building them. I rule nothing out. We are willing to look at anything. I do not think it is a case of wholesale ripping up the system that we have just started to improve and put in place. It is a case of strengthening that and building on it.

Chair: Thank you for that. You have given a very positive readout of the National Audit Office Report. I would stress that it does conclude that the sector's financial health is fragile. To us on this Committee, it does feel a bit like Groundhog Day. While we recognise some of the things that Mr Atkinson in particular was discussing, there is a real challenge. This is a sector that is financially fragile because of years and years and years of underfunding, under different Governments. It is at the front line of providing real support for people after Covid-19. We have spent a lot of time, obviously, because we are the Public Accounts Committee, discussing money and the finances.

I am glad that a couple of you have mentioned learners, because getting those learners through a good experience and getting them the right skills to get into new jobs is going to be particularly critical. There is a bit of weary cynicism around the Committee table, if I may say so, this afternoon. We look for that White Paper with intense interest and we shall be crawling all over it, with our sister Committee, the Education Select Committee. Thank you all for your patience and your time, and the National Audit Office for its work.