



Select Committee on Economic Affairs

Corrected oral evidence: The Economics of Higher, Further and Technical Education

Tuesday 6 February 2018.

3.30 pm

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Members present: Lord Forsyth of Drumlean (The Chairman); Baroness Bowles of Berkhamsted; Lord Burns; Lord Darling of Roulanish; Baroness Harding of Winscombe; Lord Kerr of Kinlochard; Baroness Kingsmill; Lord Lamont of Lerwick; Lord Layard; Lord Livermore; Lord Sharkey; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 11

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Questions 126 - 139

Witnesses

I: Julian Gravatt, Assistant CEO, Association of Colleges; Richard Atkins CBE, Further Education Commissioner, Department for Education; Alun Francis, Principal and Chief Executive, Oldham College.

II: Eileen Milner, Chief Executive and Accounting Officer, Education and Skills Funding Agency; Sue Husband, Director, National Apprenticeship Service; Peter Mucklow, Director, Intervention and Young People's Funding Group, Education and Skills Funding Agency.

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Examination of witnesses

Julian Gravatt, Richard Atkins and Alun Francis.

Q126 **The Chairman:** Mr Gravatt, Mr Atkins and Mr Francis, welcome to the Economic Affairs Committee. Perhaps I could begin by asking you to what extent you think there is a gap in funding between further education colleges and universities.

Julian Gravatt: There is quite a big gap, because college activity in two areas is substantially worse funded than in universities. Universities are in higher education, and teaching is funded by student loans and research; and in colleges, particularly for 16 to 18 education and for adult education outside higher education, funding levels are much lower. We have provided some evidence in our submission showing that, for example, the average resource for higher education teaching is about £8,700, whereas for 16 to 18 education it is about £4,500 a year per student.

Richard Atkins: You see that in almost every aspect. I am a university governor member of council as well as active in the FE sector, and it is clear that the level of funding for university students is significantly better than that for further education, and probably less complex. The margins in further education are very small. There are multiple funding streams: apprenticeships, 16 to 18, adult learners and higher education. All of those have tight margins, and the college needs to be managed very efficiently and carefully. It is easy to go off track with those margins. In higher education, there is more money in the system, and, if things go a bit off track, it is easier to get them back on track.

Alun Francis: I concur with both of the previous speakers. There is also what has to be done with that level of funding. What needs to be done with the level of funding in FE is perhaps in many respects more complex than in HE because of the nature of many of the learners and issues that come to college, including around English and maths, and the proportion of students in FE who come from areas of very high deprivation, which means that other issues beyond their education, narrowly defined, have to be dealt with.

The Chairman: How is the available funding split between full-time 16 to 19 provision, apprenticeships and adult learning?

Julian Gravatt: For the college system, about half the money is for 16 to 18 education, so it is about £3.5 billion; for adult education, it is about £1 billion; and for apprenticeships it is half a billion and rising. Colleges also provide higher education, but there are 275 colleges in England and every college has a different profile.

Richard Atkins: I agree with all that. In recent years, the core funding for most, not all, further education colleges is for 16 to 18, for full-time learners. Most colleges regard that as the most stable funding. It is lagged, and although the numbers are not entirely predictable they are

more predictable. We had a 40% cut in adult funding, which led to a steep decline in income and activity with adults, and the apprenticeship funding has tended to be more challenging and unpredictable, so 16 to 18 full-time funding is the core funding for many of the colleges I visit.

The Chairman: It is always dangerous to rely on anecdotal stuff. I should declare an interest as a director of J&J Denholm. I heard anecdotally that businesses wanting apprentices to be trained found that the money available to further education colleges was insufficient to cover the costs of providing the number of apprenticeship courses for which there was demand from employers. Is that a general problem?

Alun Francis: It can be. Some contextual issues might have to be taken into account. The three funding streams colleagues have just described—16 to 18, adults and apprenticeship—are the main FE ones. Some of us do HE as well, but let us leave that to one side for now. The 16 to 18 funding is relatively straightforward to understand, in the sense that, if we recruit students in September 2018, there is a formula for calculating how many we keep over the year and we are paid for those the following year. We compete for them in the local marketplace with other post-16 providers, and, based on the number of students who enrol with us and stay, broadly speaking, we are funded for them in the following year. That is what Richard means by lagged funding.

Apprenticeship and adult funding comes as an allocation. How the allocation is decided is a fairly complex process, which I am not sure anybody quite understands. For example, in my college 50% of our FE funding is 16 to 18 year-olds; 25% of our provision is adult; and 25% is for apprenticeships. Because we get an allocation, effectively, we recruit apprenticeships that spend that allocation, and we cannot go very much beyond that. Sometimes we are able to bid for a small increase, but that is not often the case. We try to ensure that we know what our apprenticeship delivery is going to be so that we spend that money.

If we do not spend the money, there are some fairly substantial implications for the college. From an employer point of view, it could lead to the situation you described. However, other training providers might work on a different model. For example, they might not work in a local area such as a college; they might have a national contract with an employer and be able to deliver at scale. The context is quite important, but I imagine that the situation you described could happen.

The Chairman: The example was a very simple one. They just wanted scaffolders to be able to do an apprenticeship. There was considerable demand for that, but the local college said, "We've only got £6,000 per head to run this course and it costs more than that to do it. Therefore, we can't train your apprentices". That was the example given to me.

Richard Atkins: Generally, it would be economic to do off-the-job training in a college if groups of students were of sufficient size. In areas of construction such as brickwork, carpentry and joinery they probably would be. For scaffolding, it is not easy to get a group together, as I

know from personal experience as a principal, and the resources required to achieve the qualification, such as very large bits of scaffolding, are expensive to provide. For those reasons, only a handful of colleges would generally provide scaffolding. The economics are more difficult the more specialist the off-the-job training becomes.

Julian Gravatt: There is a national rate card for each apprenticeship. The college would look at the rate card for the qualification or apprenticeship that your company wanted to offer and would then have to work out the economics—that is, the number of apprentices it would have compared with income. The rates are set broadly on the basis that there will be a group of people, and sometimes it is quite difficult, on the amount of money available, to get customised training for an employer.

The Chairman: I was not making a particular case for J&J Denholm. I was referring to the principle.

Julian Gravatt: No, but anecdotes are important to understand the system.

Lord Layard: What you described for 16 to 18 year-olds is a system pretty much like that in universities; per capita funding follows the student without a cap. What you described for adults is a cap—a rather complicated sort of cap. If one wanted to liberate the FE sector, which many people feel is needed, should we be trying to introduce for adult FE or 16 to 18 a system as for universities, namely a per capita grant, varied by subject, which follows the student? Would that be the correct way for this liberation to be achieved?

Julian Gravatt: It would be fantastic if it was, but since the financial crisis there have been very strong Treasury controls on annual expenditure. The 16 to 18 per capita funding is in a context in which the Department for Education has to make sure that it does not spend more than £6 billion on 16 to 18 education. A per capita approach would need some flexibility from the Treasury on annual budgets and spending, because in a slightly more liberalised system, demand might well go above what is expected.

Richard Atkins: We have to be really careful of unintended consequences, such as the steep decline in part-time students in universities that has come from the loan system. In FE colleges, there is a complex learner mix of apprentices, full-time, part-time and others. If you simply gave them a block grant, we would have to be extremely careful about unintended consequences, such as colleges concentrating on some sorts of learners against others. It would need some very careful thinking and would be more challenging to introduce than it would be in universities.

Lord Sharkey: Is it not the case that the Government have said they will provide maintenance loans, like those available to university students, at levels 4 to 6? If that happens, how would the unintended consequences that you talked about manifest themselves?

Julian Gravatt: The proposal is to introduce maintenance loans only for students at institutes of technology, which currently do not exist and will only start in 2019.

Lord Sharkey: So it is a firm commitment.

The Chairman: It is straight out of "Yes Minister".

Julian Gravatt: I would be surprised if there are very many students in 2019, but it will add to the student loan system.

Lord Layard: That is level 4 to 6, but the central issue we have identified is the failure of the British system to deliver an adequate volume of people at level 3. Is not one problem that it is free up to 18, but, after that, all these issues arise about the availability of funding? I agree that you have to get the right tariff for suppliers to respond, but if you had the right tariff system, and made it free, are those not the two keys to getting an expansion of level 3 that we need?

Richard Atkins: To use an unfortunate metaphor, not all learners arrive oven-ready at 16. We have to start learners on a range of programmes at entry level, level 1 and level 2. Even with a lot of effort, they take different lengths of time. One of the most unfortunate of all the funding cuts was the cut at 18-plus, so in their third year we take a 17.5% funding cut, whereas common sense tells you that those are the learners who might get to level 3, and they need the extra help. That was a particularly unfortunate one. If we had an entitlement for everybody to study up to achieving a level 3, that would be extremely helpful to further education because, while some learners come to us at 16 or 17 and can achieve a level 3 within two years, or possibly even a year, many learners in FE take longer than that to achieve a level 3.

Julian Gravatt: It would be fantastic if the Government were prepared to have a national programme that developed level 3 skills for qualifications in particular areas. It would be brilliant for the country. We have had eight years of austerity and we probably need a reset. We need to understand that there would be some public spending consequences in what you are suggesting. It would probably need to be reasonably focused in certain areas, but it would be brilliant if it could be done.

Q127 **Lord Kerr of Kinlochard:** There are about 1.4 million people doing university first degrees at the moment, so about 400,000 a year graduate. In the colleges you represent, about 14,000 people are getting tertiary qualifications every year. I have two questions. First, surely that proportion, 400,000 to 14,000, is grotesquely out of kilter with what the country should want. Secondly, why do so few people going to colleges go for a tertiary level qualification? Are you guys incentivised to get a throughput of people going for lower qualifications rather than tertiary level?

Julian Gravatt: People who achieve a level 3 qualification will be accepted by universities for a level 6 qualification, a degree, so there is no need in our system to stop at level 4 or 5; people can jump across

levels 4 and 5. At level 6, there are maintenance loans as well as tuition fee loans, and maintenance loans are not available at levels 4 and 5. I guess we have a system, a society and an economy that are very used to people doing full degrees, whereas there are the higher nationals and foundation degrees and other qualifications at levels 4 and 5. The figure of 14,000 sounds a bit low to me. Nevertheless, it is lower than it should be, and effectively it has been underdeveloped. The Government have a review at the moment of how to develop that, but it is a bit of a chicken and egg issue because you need to develop provision and demand at the same time.

Lord Kerr of Kinlochard: But the number of people going for level 4-plus in your colleges is a very small proportion of the population at your colleges.

Richard Atkins: It is very small. That is because an increasing proportion of the level 3 learners in our colleges progress to university to do degrees—in particular, at the lower-tariff universities. As the demographic downturn is biting, as it is at the moment, for universities, linked to the cap coming off their numbers, those universities are fighting very hard to recruit enough students. Any level 3 student in an FE college has a very good chance of getting a place at university and drawing down loans, an increasing number of which, as you know, will never be repaid.

The Chairman: Is that not the problem?

Richard Atkins: Absolutely.

Alun Francis: We can add some colour to that. To look at it from the perspective of the town I work in, Oldham, 13% of the students who come to our FE college have English and maths at GCSE. That sets the context for what Richard just described. We aim to get them to at least level 3, and this year 32% of learners are at level 3. It is not that we do not get them there, but sometimes it takes longer to get them there.

We also have a university centre, the aim of which is to provide technical education in the locality, in an attempt to address some of the issues you describe. We are working in a context where for a generation, although I think it is changing, policy has made progression to HE almost the gold standard. By contrast, FE and technical skills have not had the same level of investment or attention. We have a situation at the moment where the whole system points towards HE as the best outcome for a student.

Technical education has been taken out of the school curriculum. The curriculum is purely academic. Teachers in schools know the academic curriculum well, because very often they have grown up with it themselves. They know the technical system less well. Careers advice is not able to cope with the volume of the challenge, for a whole variety of reasons. We are working in that context.

Looking at the implications for a town such as Oldham, and what actually happens in those places, it is not just the fact that there is unevenness in

national policy, and how it is affordable. When a young person who achieves good level 3 qualifications leaves and goes to university, our model is not just university; it is residential university somewhere else. University cities are a magnet for all the talent from all those other places, and that exacerbates some of the inequalities we are dealing with. The new arrivals in our town often come from all over the world, perhaps with lower-level skills, and we need to start again to help them. That is where our adult programme is focused, and many of the students we work with stay in the college. Because we are working in that context, people think a town such as ours has low skills. It does not have low skills; it has lots of people leaving and there is a range of issues attached to that.

There is a hopeful side, as there always is in these stories, because some of the curriculum changes coming through are definitely helping to set a way of thinking about and addressing the problem. People in our sector are quite hopeful about that. There are some obstacles as to how it might happen in practice, but many of us feel that some good progress has been made on the need to remedy the status of technical education and address some of the underlying issues.

Lord Kerr of Kinlochard: In this Committee, you are preaching to the converted. On a field visit, all of us were very struck by the high proportion of college students who wanted to go on to university and were treating college as a way of making up for a not very good school. If you had a free hand, how would you cure the problem? We all recognise there is a problem, but what is your solution? I agree it is something to do with raising the status, but can you be more precise?

Julian Gravatt: It would probably be reintroducing some degree of number controls on higher education expansion. Some care would need to be taken as to where it was done. It would be about finding a way to redistribute funding; but, more importantly, it is about changing demand. It is probably about employers voting with their feet, as they are doing already with apprenticeships, and recruiting people without degrees but who have skills and qualifications. I guess the public sector might be a good place to start, but there are possibly other areas. We have ended up where we are now after years of change, so it will take years to change it.

Lord Turnbull: Sometimes we are accused of producing too many graduates. Our view is not that there are too many, but that they may be in the wrong places doing the wrong courses, and some of the people who could be going through levels 4 and 5 might be better off doing that than going straight to level 6 and getting a qualification that is not really very attractive to employers.

One of the things that might change it would be that over time the word got round that, if you go through levels 4 and 5 via an apprenticeship and get to, say, the age of 30, your future employment prospects were as good as if you had gone to university and you do not have the same debt repayment obligation. Somehow or other you have to persuade teachers,

all brought up in the university system, as you say, and parents, even parents who have not been to university. All of them aspire to it because the university brand is so strong. Something needs to be done to give the non-degree, non-residential, three-year course some extra push.

Richard Atkins: We are making some progress. As Julian says, we are trying to reverse 40 or 50 years of expansion of higher education and, as you say, the expanding aspiration. More and more families aspire to it. There is quite a bit to reverse. Every time I attend an apprenticeship award evening—I am sure it is the same for you—someone stands up and says, “I am 22 years of age. I have no debt and am earning a good salary and have a great career. My next-door neighbour went to university and got a 2:2 in a subject with few employability skills. They’ve now got £50,000 of debt and not such good career prospects”. That is becoming more commonly discussed.

Personally, I think we need to blend the lower-tariff universities and the further education system more closely together. We talk about having a world-class higher education system. We have some world-class universities, but I am not sure that all 135 are competitively world class. Some universities already do fine technical work, and I would like to see a better blending of those universities and the further education system so that the progression routes are more obvious. I would like to see some of those institutions offering more levels 4 and 5, or even 6, in technical subjects and not simply honours degrees.

Lord Darling of Roulanish: Mr Francis, a few moments ago you talked about young people who left school without adequate qualifications for university, and you said that part of what your college does is provide them with those qualifications. As we look at how to fix various problems in the system, to what extent is the problem that those young people should perhaps have got that training at their school rather than having to go to the FE sector? I am not suggesting that we widen our inquiry too far, but it would be remiss of us not to overlook the fact that we should ask ourselves what young people are being taught and which way they are being pointed for their ultimate career. If we tackled the problem at 14 rather than 16, perhaps it might be better.

Alun Francis: There are two answers. They might be contradictory. First, it is true that in this country the technical education system and what we might call second-chance or catch-up education are muddled together. A lot of what we end up doing is catch-up education through the technical system, and that does not always help everybody. If we want to revive that technical system, one of the issues we have to be clear about nationally is, do we want students to progress more quickly to higher-level skills, or do we want some students who might leave school with good GCSEs to choose technical routes rather than A-levels? That is a really big challenge.

The second issue is about the school part. I am agnostic about this. If you compare the number of students who left with English and maths GCSEs in 1993 with last year, percentage-wise there is almost no

difference. It is about 60%. The reason it is about 60% has nothing to do with the quality of schools. We might have another whole set of debates about the quality of schools, but only a certain number of people pass their GCSEs in English and maths. Of course, those who do not pass them often come to us, rather than choosing an A-level route, for example. It is slightly misleading to say that the whole problem is to do with poor education in schools. Unless we change the system and say that, for example, 95% should pass English and maths, we will always have the problem because of the nature of the system. It is a sorting system at 16. Unless we change that, we will not have a clear run at the issue you have described.

On a broader level, we get students with very poor literacy and numeracy skills. Some of them come with literacy and numeracy skills at 16 that you might have expected them to have at year 8 or year 9, so there is a big problem with catch-up in that respect.

Lord Sharkey: On a point of clarification, Mr Atkins has twice mentioned lower-tariff universities. I am curious about where they are. I thought that, generally speaking, universities charged the same.

Richard Atkins: I meant tariffs in terms of entry requirements and qualifications. I apologise. It is commonly used terminology in the sector. A high-tariff university would tend to require high A-level grades and a low-tariff one would admit students with a wide range of qualifications at lower A-level grades. These days, large numbers of students with BTEC qualifications go to those universities. That is where you would have seen on your field visit level 3 students moving on to those universities from BTEC courses. That is probably now the main exit route for many level 3 BTEC students.

Baroness Harding of Winscombe: I want to follow up Lord Turnbull's question about brand. As he said, the higher education brand is strong, and, in answer to his question, you all focused on how to diminish the power of the higher education brand rather than how to strengthen the further education brand. I am interested in what you think the sector can do, and we could do, to reinforce your efforts to strengthen the further education brand.

Julian Gravatt: International visitors come to this country to see the college system, and they are really impressed. One of the things we need to do sometimes is talk up our system and the effective parts of it, rather than automatically assuming that there are problems. The strengths they see are in a system where institutions are self-governing, responsive to employment need and think through what their communities need. Compared with some very good systems, such as the German or Nordic ones, where they have quite rigid qualification routes into regulated labour markets, we have a slightly more flexible system. We need to start from the things that are good and build on them. That is one of the first things to do.

Richard Atkins: My day job is to try to do that, to improve the reputation of the sector by working with the 25% to a third of colleges that face some form of difficulty. Two-thirds of colleges are good or outstanding, and some of those are truly world-class; they are absolutely exceptional. I have a small cohort of national leaders of further education who do an absolutely outstanding job. Julian is right: when I have been abroad or had international visitors, I have had a lot of compliments about the English system. Colleges are different in different communities. For example, there are colleges that are first choice. I know of a college that is not a sixth-form or FE college that has 24 Oxbridge offers for this September. There is a range of colleges that do different things.

Most people know the colleges in their area, so they translate that to the national picture. Many opinion formers have not been through the FE system themselves and do not understand it; many policymakers have not. In the school and university sectors, there has probably been greater involvement of educationalists in designing some of the qualifications. Further education is a bit of a done-to sector at times, but there is an enormous amount to be proud of. I am sure that in your field visits you will have the opportunity to visit one of our outstanding colleges, because they are absolutely fantastic.

Lord Tugendhat: To follow up Lord Darling's question, we read a lot in the newspapers about young women outperforming young men at exams, and there are more women in universities and so forth. Lord Darling asked about the extent to which you are remedying the deficiencies of the school system. Are there more young men or more young women coming into your establishments?

Alun Francis: It depends. In different curriculum areas, there are quite distinctive patterns in the choices people make. I am loath to caricature publicly the particular choices people make, but ethnic minority boys in particular, or white boys, choose pathways in some areas; some areas tend to be white girls; and other areas might be more mixed. It tends to be a very mixed intake, but, broadly speaking, based on their school GCSEs, we tend to find pretty similar prior attainment patterns for males and females with relatively low achievements in school. Our job is to help them catch up.

Lord Burns: Can I check whether I have understood this correctly? Levels 4 and 5, which I understand to be BTEC and HND, have basically been squeezed out by the uncapping of degree numbers and the provision of student loans. You said that the only way at this stage of correcting that would be to reintroduce capping in the university system. Are there any other ways of getting back to the level 4 and 5 courses, the BTEC and the HND?

Alun Francis: That was one of a number of things Julian mentioned. There is quite a range of things happening. The broad issue is how you start to equalise the choices, which goes back to the previous question.

In our college, it comes down to a very practical thing. How do we persuade school leavers to choose a technical or professional pathway rather than an A-level or university route? Some things are in our control and some are not. The bits happening nationally that we think will help are reform of the curriculum and the introduction of T-levels. We like a lot of what we see in the skills plan, in the ambition and ideas behind that. A number of things around apprenticeship reform have helped greatly.

The things in our local control are strong employer partnerships that make vocational education a different experience. Over the previous generation, not only has the HE route become dominant, but the vocational route has become diluted. Lots of different providers provide vocational courses. Some are vocational courses in name rather than in content. A vocational experience should be very different, and it is really about us recovering what that is, which is essential. It is a partnership between colleges, providers and employers; it is never us on our own.

Richard Atkins: In my college, the most successful level 4 and 5 provision was always in partnership with a small number of employers, particularly where there were jobs that were perceived as high value. We had an aerospace engineering programme that went through levels 4 and 5. Everybody got a job. It was high value and we had waiting lists of people to get on it. That was true of a number of areas, but in other occupational areas the link between a level 4 or 5 qualification and a great career in a well-paid job was much less clear, and people were much readier to leave at level 2. In some industries, they are employable at level 2 and level 3, and they do not go on to levels 4 and 5. I agree with Alun. Partnership between key employers and the colleges is critically important in encouraging more youngsters to see the benefits of staying with levels 4 and 5.

Baroness Kingsmill: Is that a consequence of the reduction in our manufacturing base? There just are not enough employers who offer meaningful apprenticeships.

Julian Gravatt: That is a difficult question.

The Chairman: We will come to the issue of liaison with employers in a later question.

Q128 **Lord Layard:** One of you mentioned the idea of an entitlement to at least a completed level 3. Obviously, there are two ways to do this. One would be to make education free; you would certify that the person has not already got a level 3 and then they get paid for. The other way, which has been suggested by some witnesses, is to have a fee-paying system where the individual is given a financial entitlement and pays fees. That could even be extended to include university level under some of the proposals we have had. The second route is a grander version of the individual learning account. What are your comments on the relative merits of those two ways of trying to deal with expansion of opportunity?

Julian Gravatt: There is already an entitlement up to the age of 24, which is free, but the amount of money available per student is restricted. That restricts the provision available and the choices people have. Individual learning accounts have had a very bad press over the last 17 years, because they were very badly introduced with few controls. There would be some merit in looking at ways to bring them back, perhaps on the back of a student loan system.

The problem is that the Student Loans Company is in considerable difficulty at the moment. It has about 130 different products or services and its computer system is terribly out of date, so it does not necessarily have the infrastructure to support some of this. At the moment, the DfE is looking at what are called flexible learning pilots, which are a small-scale version on a modest basis. I guess it is an area worth thinking about.

In response to an earlier question, we have spent eight years in our sector looking at ways to deal with diminishing budgets, so we are not particularly used to discussions about how to deal with expansion. Given the skills gaps, and the consequences of the changed economic environment in the 2020s, we should be looking at different approaches.

The Chairman: Does that mean you would support lifetime tertiary finance, or not?

Julian Gravatt: Yes, but it would need to be done properly, with planning for, say, 2025 rather than something that is done just to meet the immediate career of a particular Minister. One of the problems with individual learning accounts is that they were put in place to get as many accounts as possible in time for a particular election, and then the controls did not happen.

The Chairman: Surely not.

Lord Layard: Can we have some other answers to that, because it is an important question?

Alun Francis: Behind your questions, particularly about adults rather than 16 to 18, is the really important issue that there is no national strategy for adults. It is very difficult for some adults to find their way back into education. Of course, any policy and recommendation would have to recognise that a lot of nuance would be needed, given people's different circumstances.

There is an entitlement up to 24, but the rules are different if you are on benefits; the rules are different if you are in a low-paid job and you want to upskill; there is not much help if you are already trained to level 3 or above in one sector but want to reskill to a different job, which is a huge issue nationally. In any system of joined-up funding, we would need a proper strategy for adults in an era when people need to job change and reskill and upskill. At the moment, what we have is nowhere near what we need.

Richard Atkins: I echo the comments of my two colleagues.

Q129 **Lord Livermore:** You touched on this briefly in answer to Lord Burns. When colleges are designing courses, how much account do they take of local labour market demand, and how concerned are they to make their courses relevant to industry?

Richard Atkins: They take considerable account of local labour market demand. I see it in all the good and outstanding colleges I visit. Clearly, if a college is weak and gets a poor Ofsted, that might be one of the criticisms, but in the majority of colleges there is no shortage of people to help; good colleges have strong links with chambers of commerce, business groups, LEPs and local authorities that have economic development and so on.

We talked earlier about incentives for funding. The key incentive for a college is to recruit learners and retain them so that they are successful at the end. That is what will get you a good Ofsted grade and mean that you have money in the bank. To do that in any further education college, you have to understand the local labour market. That manifests itself in lots of ways. For example, the college at Tyneside or the one in Blackpool, the Fleetwood marine school, offers marine engineering. I could take you right across the country. My old college, from which I retired 18 months ago, is very much concerned with aerospace because Flybe is based at Exeter airport. There are lots of links with Flybe cabin crew. A lot of you must fly Flybe. A lot of my former students are on those planes. Only a poor college would not have strong links. If you do not understand the local labour market, you cannot make a relevant apprenticeship offer, or indeed a relevant full-time offer.

I could go on. There are detailed short-term labour market reports that tell you, for example, "We need three people to work in a quarry", or whatever. My approach was always to get as close as possible to the chamber of commerce, the LEP and employers, both SMEs in particular and larger employers, and understand what they were looking for, and try to provide that.

If I may come back to the question Baroness Kingsmill asked, one of the challenges is for employers in the service sector and sectors away from traditional engineering and civil engineering to understand the value of higher-level 4 and 5 qualifications. Those students will add value to their business, yet too many employers still recruit at level 2, never mind level 3. They will get longer-term gains if they recruit at a higher level. It is a real partnership approach. The more far-sighted employers are keen to work with colleges to try to put that in place.

Alun Francis: I will give you an analogy that I hope brings to life how we try to address the issue. In my office in Oldham, we have the 1934 student record book, which sets out the names of all the students who went to the college and what they studied. It is a fascinating read. It is what you would expect at the height of the cotton-spinning industry. Cotton spinning was No. 1, engineering was No. 2, and then there were

all the associated skills people might need. There was a small amount of chemistry, because of the colours of fabric and so on, and there was lots of commerce, languages, maths and English.

The challenges for our college when it first started as a technical school and the challenges we have now are incomparably different. There was a labour market that was very noble. All the employers were doing the same thing. You could work easily on scale with everybody; the curriculum was fairly easy to design, and you did not need to move far from that. Furthermore, most people who grew up in Oldham stayed in Oldham, whereas now, when we think about the labour market, I would echo all the points Richard made. Which labour market are we designing for? Some of our students want to work in a global labour market; for some, it will be the Greater Manchester or regional labour market, and for some it will be the Oldham labour market. They are all different. They are not completely different, but they are different.

There are, therefore, slight differences in the way parts of our provision might align with the labour market. Some colleges have specialisms, but, broadly speaking, in our 16 to 18 provision, we all offer a range of vocational pathways that allow people to develop their skills and perhaps increasingly specialise as they get older. We do sport, construction, et cetera. There are no massive differences between colleges in that respect, although there are some. In apprenticeships, there is a lot more focus on the local labour market because, as colleagues have said, that is an area where you are very directly responsive to the fact that an employer has to have an apprenticeship vacancy for you to be able to deliver the education part.

For adults, it is a different story again. It goes back to the points made earlier. A lot of adult provision in our college is English for speakers of other languages, English and maths, and access provision. Other colleges may have adult provision that is much more focused on the needs of a particular sector because that is bigger in their area. The question is complicated. Colleges do align their provision with the labour market, but within the context I have described.

Baroness Kingsmill: Do you think the status of further education is lower because we no longer have big manufacturing industries? Service industries have taken over and are more widespread across the country, and the route to a good job is not seen so much as being through further education. That is the first part of my question.

Recently, we talked to a number of students, all of whom said that, if they were not on a university track, the school lost interest in them. That is the other side of that particular coin. When we come back to the brand thing, and raising the status of further education, it seems to me that there are two very strong points: first, how kids are directed when they are at school initially; and, secondly, the move from a manufacturing base to a service base. I work in Germany a lot and I see a huge difference in the status of apprenticeship or further education; it is a much more honourable way of working. What are your views on both

those elements?

Julian Gravatt: It is a good hypothesis. There are areas, such as aerospace or automotive, where manufacturing is still strong, and colleges of further education are seen as a good route. In the north-east, in Barrow-in-Furness or in Blackpool, where manufacturing is strong, colleges are strong. There are some areas where service industries are quite strong and colleges are quite strong. We have strong provision in the college sector for catering, hospitality and the tourism industry. It is definitely a good line to explore.

On your second point about schools undervaluing alternatives to university, that is definitely a challenge. Teachers are used to the route they have gone through, added to which we have a system that judges them almost entirely on their success in getting pupils to go for an academic route up through A-levels and into university. There are some issues about the incentives and targets they are set, in addition to challenging some of the culture.

Richard Atkins: First, colleges are often more highly valued in their locality than they are as a national system. Every Wednesday morning, I run a surgery for Back-Bench MPs about further education, and there is huge interest. Almost every MP I speak to is terribly proud of their local college, even if they have concerns about further education. In local communities, people are often proud of their local college, so that is interesting in itself.

Secondly, the German system of technical and professional education has been relatively stable since 1945. Ours has very frequently been subject to considerable turbulence, so that may play a part.

Baroness Kingsmill: It is often two tier.

Richard Atkins: Yes. We offer a range of programmes in colleges such as the one I ran, or the one Alun runs, in a range of areas, some of which provide many employability skills, but they are often looked down at by others initially. We ran hugely successful sport, leisure and tourism provision, graphic design provision and, dare I say it, media provision. I met many of those students in their 20s and 30s and they were in fantastic careers. The skills they got at college, both interpersonal skills as well as technical skills, put them on the way to a modern career. A modern career is seven jobs, or seven different careers. As Alun said, it could be in global employment and so on. Further education offers a lot more than might be obvious.

Finally, the parts of the country where it is perhaps particularly low value are where the academic grip has such a firm hold that the youngsters who go to college are seen as failures. That is really unfortunate. It is not the picture across the whole country, but it is in some parts.

Q130 **Lord Tugendhat:** Can I turn your minds to apprenticeships and ask what you would do to improve the quality and/or quantity of apprenticeships?

Nick Boles was quoted as saying that only a third of apprenticeship funding went to colleges. Do you think that is going to change with the new levy?

Julian Gravatt: Everything in the apprenticeship system has changed within the last 12 months, and there is a danger that it has been partly driven by the original target to have 3 million apprentices. In the process of introducing the levy to support that, and in giving employers the spending power, there is a definite danger that we will lose sight of what the apprenticeships are for and making sure that they are in the skills of the future rather than the skills of the present.

What we in the colleges and the Government should do is work with the system as it is and keep a focus on what apprenticeships are for. We should make sure that colleges and employers use apprenticeships not for short-term transactional relationships but to enhance the skills of, generally, younger people, and that they have a good eye on the local labour market, if not the future labour market. It is not about changing a thing that has already changed a massive amount but about making sure that people take an ethical approach to it.

Alun Francis: If I may, I will answer your question by relating it to a question raised earlier to explain the challenge that colleges have in growing their apprenticeship provision. The figure of only 30% passing through colleges is often cited. I want to explain some of the constraints on us, and then go to a more optimistic side of the answer.

In order to deliver apprenticeships efficiently, I need to know that for every assessor I employ I can get between 25 and 30 apprenticeship vacancies. The assessor is the person who is managing those loans. It is their class, although they are in a virtual classroom, so they are all over the place. If I do not get that number, the college loses money, because I have an assessor who is underemployed. If I get only 15, I am paying him or her full-time but they do not have a full-time cohort, so we have to get the business side right. We are the institutional framework and, if we get that wrong and start to become unstable, we will not deliver very much.

When we are growing or developing our apprenticeship provision, colleges will be quite cautious to make sure they have the right numbers to justify employing staff at the beginning of the year to deliver that over a 12-month, 18-month or two-year period. That is a challenge. However, colleges are very keen to deliver apprenticeships; they want to do them. They are difficult to do at scale and quickly, and we need a very stable policy environment to do that.

One of the difficult things is when policy changes quickly. We need to know we have time to do things properly. In my college, we grew our apprenticeships very quickly between 2012 and 2014, but we grew too much bad provision. It is very easy to do that without realising it. Effectively, you are signing up to apprenticeships people who have no intention of completing the whole apprenticeship; they want to do one bit

of the qualification and not another. Employers and students might be on the same page, but it affects us as regards quality and completions. We have to know that we can deliver high quality and grow it in a sustainable way.

There are some things in policy that could help make that quicker. One of the very important things for us is that at the moment the levy has not had a huge impact, because we do not have an awful lot of levy-paying employers working with us. Most of ours are small to medium-size enterprises in our locality, so they do not pay the levy. A stronger strategy would be help on the employers' side and more resource to help us and them in their workforce development, and in the management skills they need to deploy effectively in the workplace. That bit of the equation is not really addressed in policy. We go to see them and we persuade them to take apprenticeships, but perhaps they need a little more support to address productivity and improve the business, and that might unlock demand in a more effective way.

The Chairman: You are giving us very helpful answers, but we are running out of time. If it is possible to have shorter answers and crisper questions, it will enable you to catch your trains.

Q131 Lord Darling of Roulanish: For the most part, we have been talking about younger people this afternoon. I want to ask about older people further up the age range, in particular how responsive you think the FE sector has been to people who either lose their jobs or whose skill sets are not adequate when things change.

I am particularly interested in areas where there is no obvious demand from employers. You mentioned in the Oldham example people moving away. Clearly, if a factory shuts down but there are two others, you can talk to the other two. However, all too often in a lot of the country, there is not something else and you are educating or training someone to go somewhere else, no matter where that somewhere else might be. I want to get your view on responsiveness, both in relation to what you do and where you think policy might usefully be changed.

Alun Francis: I will keep my answer very short. You have identified a real problem in our national policy. If those people were eligible for funded provision in a college, the college would have no problem finding them the right programmes to do, but therein lies the problem. If they have already developed their skills to a certain level and have been funded to do that but they need to retrain, that is a big problem. It is very difficult for us to respond to it because there is nothing to pay for it, which goes back to the point I made earlier about having a clear adult strategy based on how an adult's career develops these days.

Richard Atkins: At the moment, one of the things colleges are regularly criticised for is not spending their adult budget. Funding for adults has become simpler from the supply side but not from the demand side, so there is a single adult education budget, and Alun would get that.

Lord Darling of Roulanish: Could you expand on that? What is the

weakness on the demand side?

Richard Atkins: The weakness is that the rules on eligibility for a course are very complicated and require the learner to have funding. You gave the example of a small number of factories. When a whole factory shuts down, FE has quite a good record of stepping in—for example, when it involves a big industry such as steel. When it involves small and medium-sized enterprises and small numbers of workers, the problem is that their eligibility for funding does not meet the criteria.

Lord Darling of Roulanish: The Government tend not to step in in the way they do when a steelworks shuts down.

Richard Atkins: Absolutely.

Julian Gravatt: The DWP Work Programme is run very separately from the adult education budget, with different rules, targets and providers. Some of the work colleges did 10 or 15 years ago on retraining people has slightly got lost. The DWP Work Programme is run very much on a short-term basis to get people back into work and off the benefits system.

Q132 **Baroness Bowles of Berkhamsted:** You have illustrated quite well that this is a complex area, and that some of the things you are meeting are at national level and some at local level. Would any of that be assisted if the education and skills budget was devolved below national level, and, if so, to which institutions or what for?

Alun Francis: It is a huge question, which I will try to answer briefly.

The Chairman: You are allowed a long answer.

Alun Francis: Locally, we intuitively like the idea of devolution; more control over the funding and the system allows us to address local issues more effectively. That is true in part. As a caveat, we have had a discussion here about what is a very complicated skills funding system. From the point of view of colleges, we have a policy on apprenticeships and a policy on 16 to 18 provision; we do not really have a strategy on adults and we have a policy on HE; but we do not really have a policy on FE as a whole where we bring all those things together. We have to do that in an efficient and effective way.

Some of the issues attached to that are national, and some are local. If we are to devolve, we need to be clear about which bits still need to be resolved nationally and which bits are resolved locally; otherwise, you end up with a real muddle. I can give you a very good example. Sometimes, when people talk about local labour markets, they say that, if only they could control funding, they could commission provision that would close the gap between employers and the education system. It is just not that simple for all the reasons we have talked about. To treat it that simply would create more problems. Devolution of skills funding is a good thing, particularly around partnerships with employers, contributions to local regeneration and engagement locally with other

public and private services, but it is about how we do that in a way that recognises that some solutions are still national and some are local.

Richard Atkins: I tend to agree. I am involved in early plans for devolution. You need really strong local and regional stakeholding, but you do not need lots of different systems all over England for qualifications, funding, inspection and intervention. A whole load of issues would need to remain national, but you need very strong stakeholder involvement, in some of the ways we described earlier. Local authorities and combined authorities are a big part of that, as are employer groups, but in a global marketplace we could not have entirely different systems operating all over England.

Julian Gravatt: The adult education budget has been partly devolved to eight or nine combined authorities next year, so that is about £400 million out of a college budget of about £7 billion. It is a slice, but it will be really important in those areas. One of the authorities it has been delegated to is the Greater London Authority, which has not had control of the budget for the last 16 or 17 years but has had quite a lot of influence over the shape of provision. In some cases, it is not necessarily control of a budget; it is using the other powers that the combined authorities have.

Q133 **Lord Burns:** Earlier, you mentioned T-levels. Is there anything more you want to say about them and the whole question of the establishment of institutes of technology and the role they can play?

Julian Gravatt: It is great to see that the Government are supportive of technical education, and T-levels are a great opportunity. We are at a very early stage. The first T-levels will not be available on a pilot basis until 2020, and the others will be available from 2022. It is a pretty big reform programme. I am slightly concerned that its development has been done a bit on the cheap, and we are trying to overspecify even now, when we do not quite know where we will be in the next couple of years. It is a good opportunity.

There is a procurement process going on for institutes of technology at the moment. The aim is to have about 10 of them built up from existing colleges and universities. It is a good experiment, but I fear that a bit too much faith has been placed in them to revolutionise the system. At the moment, it is a relatively modest programme and does not necessarily deal with some of the wider issues in further and higher education.

Richard Atkins: I agree with much of that. Full-time 16 to 18 is a core part of what colleges do. To have world-class qualifications for those students is a good thing. It would be really good if we see this one through, because there have been quite a lot of attempts to do it over the last 30 years. In the colleges I ran, we always had some A-level provision. That changed two or three times, but we always called them A-levels. We used to have linear ones. We had modular ones and we had Curriculum 2000, but we always called them A-levels, and people seemed to think they were about the same standard. It would be helpful if we

could have initiative fatigue and not have too many different sets of letters. Let us hope that these are the ones that stick and will be with us for a lengthy period of time. They are absolutely the right direction. I agree with Julian. They might be expensive to deliver.

There is a small number of IoTs. They are a very good idea. It is excellent to promote technical and professional education, and excellent to promote partnerships between universities and colleges. There will be a relatively small number. The amount of funding going into them is modest, so I am not sure that they will transform the system, but, hopefully, they will regionally add value to the skills agenda.

The Chairman: We have given you a lot of questions. We may follow up some points. Thank you so much for coming in. I apologise for the temperature in this Room. Even as a hardy Scot, I notice that it is cold.

Examination of witnesses

Eileen Milner, Sue Husband and Peter Mucklow.

The Chairman: Thank you for coming this afternoon. Welcome to the Economic Affairs Committee. I think you were listening to the earlier session. Lord Lamont will put the first question.

Q134 **Lord Lamont of Lerwick:** One of our witnesses said that it is “contrary to common sense” that less money is given to the further education sector than to HE. Do you agree? I imagine you do.

Eileen Milner: I think you are referring to Baroness Wolf, who is of course well known to us, and has had a big stake in the work we do. In 2011, she helped to design the system that we oversee. It is important to set that out.

I will ask Peter, who is responsible for much of the £7 billion that goes out to the system from the Education and Skills Funding Agency, to give his sense of that. This has been Peter’s lifeblood for more than two decades, and it is important that his perspective is the first real voice that you hear.

Peter Mucklow: The first thing to say is that we have learned not to argue about what common sense is with Alison Wolf, so I will not take that on directly. What I will say is that there are a number of ways in which we are underpinning the Exchequer funding for further education.

Mr Francis said earlier that the core funding on which most colleges rely is the 16 to 19 participation budget. The funding rate for that has been guaranteed and protected for the lifetime of this Parliament, which provides a degree of predictability. The second major component is the adult education budget. Again, that has been protected, at a total of about £1.5 billion.

The third thing is that we have sought to open up more scope for colleges to gain funding directly from students, through an adult learning loans budget of up to £325 million. That product is administered by the Student Loans Company. Funding for adult apprenticeships, particularly from the employer levy, is also rising. This year, it is worth more than £1 billion.

There is a tough financial environment for FE colleges, but 76% of them are good or outstanding in Ofsted terms, and the majority of them are good or outstanding as regards their financial health. As previous witnesses have said, there is a lot of good and a lot of strength in the further education sector, notwithstanding the straitened times we live in as regards funding.

Lord Lamont of Lerwick: Why, in 1991, was funding per student for FE between the ages of 16 and 18 50% higher than funding per student in secondary schools, but in 2015-16 it was 10% lower? Is there some rationale for that?

Peter Mucklow: Further education funding has been subject to a lot of standardisation. In 1991, that funding would have come from local authorities. That was prior to the incorporation of further education colleges and prior to the establishment of a national funding formula, so there would have been vastly different levels of funding from different local authorities around the country.

There was perhaps a bit less rigour. The national funding system has brought all colleges on to similar funding rates for the same provision. It is fair to say that, for further education colleges, the 16 to 19 budget and the adult education budget have had to be restricted under the impact of austerity in the years since 2010. They have borne considerable efficiency savings. It may be that funding for schools has been slightly better protected.

Lord Lamont of Lerwick: One of the complaints we have had is about maintenance loans not being provided for all further education students, as compared with higher education.

Peter Mucklow: For 16 to 19 students who are disadvantaged, there are discretionary bursaries, where money is put in the hands of head teachers and the principals of FE colleges. They can and do provide bursary support for disadvantaged students to enable them to participate. There is student support funding within the adult education budget. There is flexibility for institutions to support students who cannot pay fares, cannot buy equipment or cannot otherwise participate.

There are no maintenance grants for further education in the traditional higher education sense. None the less, significant student support funds are available to institutions.

Q135 **Baroness Kingsmill:** Would you provide us with a bit more detail on the Government's planned review of tertiary education as a whole?

Peter Mucklow: I cannot add to what was in the industrial strategy.

Baroness Kingsmill: Which was a plan to review.

Peter Mucklow: Yes. The Government hope to be able to announce further details later this month. I believe you will have the opportunity to quiz the Minister on it next month. All I can say, and I will be brief, is that the review will look at the education system for those aged 18 and over. That will include the various educational routes between FE and HE.

Baroness Kingsmill: Which are few and far between at the moment.

Peter Mucklow: As the Committee discussed earlier, participation at levels 4 and 5 is not extensive compared with level 6.

Baroness Kingsmill: It seems like a real weakness of the system.

Peter Mucklow: Combined with the level 4 and level 5 review, the Government recognise that there should be more level 4 and 5 in further education, and probably in higher education, too. There is a gap. There is

provision, as members of the Committee have been noting, with traditional HNCs and HNDs. There have been two-year foundation degrees. None the less, as previous witnesses have said, the currency of the traditional three-year degree course has maintained a sort of primacy.

Baroness Kingsmill: Do you think another funding arrangement would make a difference? Do you think an all-purpose tertiary funding arrangement would be the answer?

Peter Mucklow: I do not know. The all-purpose funding arrangements that I administer for 16 to 19 year-olds cover schools, colleges and independent training providers for similar provision. That said, we have a separate funding system for apprenticeships, with apprentices being employed in a different model of education. It is possible to draw funding systems quite broadly, but sometimes the strain can be too much. I would not like to speculate on that, but the tertiary review will certainly provide an opportunity to consider the case for some form of broader system.

Baroness Kingsmill: Yes. Perhaps it will be by upping the funding for further education.

Eileen Milner: Peter is right to say that the announcement of the terms of the review will emerge very shortly. When I began my career, which was rather more years ago than I care to remember, it was at a time when FE and parts of higher education were funded in the same place. Some witnesses will have spoken to you about that already. I do not remember whether at that time, three decades ago, FE felt itself necessarily to be operating as part of a joined-up system, where funding flowed freely. It certainly merits being looked at, and it is important that we allow the review the opportunity to do that, but it is important to reflect on where the system has come from.

The Chairman: But there were more people doing vocational and part-time courses 30 years ago than there are now.

Eileen Milner: That is certainly true.

Baroness Kingsmill: One of the things we heard earlier—I think our witnesses were present—is that lifetime learning provision is poor, and there is not a means, or the funding does not allow for a system, whereby that is easily provided. Perhaps you would like to comment on that. Is that something you think the review may or may not contain or should or should not contain?

Peter Mucklow: The adult education budget, which Mr Francis in particular referred to, is £1.5 billion, and, as I mentioned earlier, it has some clear priorities, to address the very low level of skills among people who have perhaps not been best served by the school system or not been particularly successful in it. It prioritises English and maths for people who do not have English and maths attainment. It provides free tuition in

English and maths, and for adults, first qualifications at level 2 and level 3, if they do not have a qualification at level 2 or level 3. There is provision for funding for unemployed people, although there are rules around that.

I think the Government recognise that there is a case for looking at retraining people for the jobs of the future. In the Budget, the Chancellor announced the national retraining scheme, to be governed by a national retraining partnership involving employers, and, in advance of that, some funding for the retraining of adults in construction and in digital, as priority sectors where there is employment growth and a need for retraining. The reviews will examine the scope for retraining and adult training and the case for greater lifetime learning.

Baroness Kingsmill: I like the way you call it retraining. It may not be retraining at all. Perhaps it is simply that people are developing skills over time, and it is not a case of retraining but a case of growing skills. We already have huge skills shortages and they will be even greater in the years to come if we pursue the Brexit strategy. It will be interesting to see how the FE system responds.

Peter Mucklow: For 16 to 19 year-olds, the Government effectively underwrite participation by the whole cohort. Young people have a choice between A-levels, the vocational qualifications that currently exist and, where they are available, apprenticeships. The opportunity to develop vocational skills, both in the classroom and in the workplace, is there for young people, and it is funded by the Exchequer currently.

There are considerable opportunities for young people to gain work-related skills through the vocational courses that exist now. T-levels, which were briefly mentioned in the previous session, are an attempt to strengthen those qualifications. There is always a case for doing that, and for trying to make standards more relevant to the changing needs of employers.

Q136 **Lord Layard:** The peculiar feature of the British educational system is the lack of people with vocational qualifications. To develop the numbers getting level 3 would be the most obvious way to deal with our skill shortages. The fact that we are not doing well there at the moment obviously has something to do with the funding arrangements in FE.

Suppose that level 3 became free, irrespective of age. Would that make a big difference, if the Treasury was willing to fund it? If maintenance grants or loans were made available for level 3 irrespective of age, would they make a big difference, or do you have an alternative strategy for dealing with the problem?

Peter Mucklow: There are a couple of things. First, as the Committee is aware, tuition is free at level 3 for 16 to 19 year-olds and for young adults aged between 19 and 23 who do not have a level 3 qualification. Those are free.

Lord Layard: But the previous witnesses were telling us about some

abatements of the funding and about its being problematic at that age.

Peter Mucklow: I think that the problems that were expressed, particularly by Mr Francis, were mainly for unemployed people. There is a statutory entitlement to free tuition for 19 to 23 year-olds for their first level 2 or level 3 qualification, if they have not gained one as a 16 to 19 year-old. That is partly what the adult education budget is for.

Beyond that, at age 24-plus, we call upon adults, particularly if they already have qualifications, to make a contribution through adult learning loans, but there are also opportunities through apprenticeships. One of the biggest changes that we have seen in the last 10 to 20 years has been the opening of apprenticeships to adults. There has been significant expansion of apprenticeship opportunities at levels 2 and 3 and, most recently, at higher and even degree level, to adults.

Of course, if you provide free tuition and free maintenance grants to more people, there will be greater take-up in those areas. That is obviously subject to affordability. In higher education and further education, the Government have been trying to increase the proportion of institutions with income that comes from individuals and employers, and not only from the Exchequer, for the general public expenditure reasons the Committee is well aware of.

The Chairman: You said the review is likely to be published soon. Ministers are coming to the Committee on 13 March, the Ides of March. Might we expect, when they come to the Committee, that the review will have been announced?

Eileen Milner: It is very much my hope that it will have been.

The Chairman: The Committee has been taking evidence since the Prime Minister announced it in October. We have covered a huge amount of ground. Why has it taken so long to get to the stage of announcing the terms of reference of the review? What has been the problem?

Eileen Milner: I am not entirely sure that I would problematise it, but, during the course of getting towards an announcement, we have had a change of Secretary of State, and we wanted to afford him the opportunity to review what is in scope. I think that is a proper thing to do. That has caused a delay of just a few weeks, but there is determination to get it out and get on with it as soon as possible.

The Chairman: That was probably an unfair question.

Baroness Harding of Winscombe: Are colleges incentivised to provide low-level qualifications at the expense of tertiary-level qualifications? We were struck by the data showing a relatively small proportion of students studying for higher-level qualifications.

Peter Mucklow: Within the 16 to 19 group, the answer is no. The funding system encourages colleges to recruit as many students as they

can and to retain as many students as they can, and for those students to complete.

The market segment of students that further education colleges attract tends to be less well qualified than for schools and universities at the same level. The majority of students in further education colleges are from the least advantaged 40% of the population. As I said, a very significant minority of the population does not emerge from school with good qualifications, and they need to be educated. Further education colleges are often the institutions of choice for those students.

We have a very large, low-qualified, adult population. The adult education budget provides free tuition and funding to colleges to ensure that the needs of those people are met. Although we and others might wish that everybody was qualified to level 2 at school and everybody was ready for level 3, level 4 and level 5 study, that is not the case, and it is fair to say that, within the educational market, schools and higher education institutions have tended to corner the market for the better-qualified students. They are easier to educate, because they tend to be better qualified and more highly motivated, and require less support.

Colleges have to work hard with the students they have. They have considerable level 3 provision, including A-level provision, as Richard Atkins mentioned in relation to his former college. It is not the case at all that it is all low level, but that is a market segment where the college sector is strong. I do not think that, certainly within the 16 to 19-phase, the funding system is set as low as that.

Baroness Harding of Winscombe: What if you look at all adults, not just 16 to 19?

Peter Mucklow: Within the adult education budget, adult learning loan support and the apprenticeship budgets, there is considerable scope for further education colleges to educate at higher levels. The fastest-growing sector of the market is at the higher levels, and further education colleges are getting their share of that market.

Baroness Harding of Winscombe: But the numbers are tiny, are they not? There were 14,725 students in 2014-15. That is absolutely tiny. Why?

Peter Mucklow: The adult education budget provides guarantees for the least well-qualified students. For further education colleges, the economics mean that they need decent class sizes in order to make courses pay at the rates we make available through the funding. Therefore, they need to go for numbers; they need to concentrate on areas where they can recruit in significant numbers. Small class sizes of five, six, seven or eight students, whether they are 16 to 19 year-olds or adults, will not pay the teacher's salary. It is partly around eligibility, but it is also about the economics of scale in running an institution.

Baroness Harding of Winscombe: To challenge and push back, a

number of employers have given evidence to us, and their feedback is quite clear: there are real skills gaps in tertiary technical education. However, you have just answered quite eloquently why FE colleges would not be incentivised to put on those courses. How do we change the mismatch between the skills gaps that employers tell us they have and the incentives on colleges to put on the right courses?

Peter Mucklow: There are two areas. One is stronger courses. Some of the previous evidence discussed the mismatch between the qualifications that people emerge with and employers' needs. The move in apprenticeships from old frameworks to new standards, with employers specifying those standards, strengthens the product. T-levels are about strengthening the product of classroom-based vocational education to move to employers' standards. That is the first element.

The second element is to expand the funding that is available, and that is happening in relation to the apprenticeships budget. There is now an expanded budget. It is available for higher-level apprenticeships. They are growing at level 3 and at higher and degree levels. Colleges and indeed other providers of apprenticeships will be providing more apprenticeships at higher level in future. The level 4 and 5 review will examine the funding arrangements for levels 4 and 5 both in FE and in HE.

Lord Layard: To come back to the question of scale, why is the scale of FE so small at level 3 and above? There are two possible explanations, I suppose, on the question of the incentive to the colleges. One concerns the tariff: there is not enough money per student. The other involves a cap. We were told by the previous witnesses that, although there are no numerical caps on students, there are numerical budget caps, with a total funding limit. The way of dealing with that could be, as in universities, just to remove the cap. Would that be a dynamising feature for the system, or is it that colleges need more money per student?

Peter Mucklow: There is a wide range of funding per student on the adult budget, which varies according to the length of the course and the course weighting, which is the cost of the course; for example, construction gets more than the lower level. It is also the case, as I think the previous witnesses said, that not all the adult education budget is currently spent. It is not just a question of taking a cap off the budget, not that we would do that, given the control of public finances.

It is a question of economies of scale and of getting enough students to make a course pay. If colleges can do that, they are very willing to do so. If not, it becomes more difficult.

The Chairman: Mr Mucklow, you said "not that we would do that" in relation to controlling budgets, but surely that is exactly what is happening in higher education.

Peter Mucklow: I cannot comment on the higher education budget; I am responsible for further education, and part of that is ensuring that we live within our budget controls.

Lord Turnbull: To go back to the tertiary review, one of the things that we have been dogged by is finding a name or a brand, something that describes people who do not go through the usual three-year degree. Is there a name that describes in positive terms what they actually do, as opposed to what it is not? Most of the discussion has been about lower-level qualifications and non-university channels. Somehow we have to find something that presents this form of education on its own merits in a positive light, and I have not seen anything coming from Government that does that.

Eileen Milner: It is a great shame.

Lord Turnbull: Yes.

Eileen Milner: If you take the opportunity to visit an FE college or talk to people who are going through the apprenticeship route, they do not typically talk about what they are not or say that they are there because they have failed; they talk about their opportunities and the routes and ladders they have to jobs and careers.

If there is a message that needs to attach to the particular brand of FE, it is about access to opportunity, which is the root of the FE movement—the old technical school movement. It was about bridges and ladders to opportunity, and people getting skills for work and for life. I do not think that they have shifted hugely from that; it is just that, as public discourse has been more about the value of a university education, the relative weighted value of the FE experience has been diminished.

You have heard many witnesses talk about that. We have a particular part to play in the landscape of funding schools, further education and apprenticeships, but we all take a huge amount from meeting people who are going through those systems, which reminds us that public money is being put to good use in further education, and it is being put to good use by way of apprenticeship routes and access. Making it a more positive discourse as a balance to the couple of decades when the narrative was all about the university currency would be useful for colleges to think about, as well as government, in playing more proactively in that space.

Lord Turnbull: Mr Mucklow described the client group as coming from the least advantaged part of the population. It has also been the most neglected. On the whole question of where funding has gone, in particular funding per capita, if people are more difficult to educate, perhaps we have to spend more on them rather than less, but you are actually spending less in this sector than on sixth-formers.

Peter Mucklow: There is considerable weighting for disadvantage in the funding formula for both 16 to 19 and the adult education budget. The

more disadvantaged students in an institution, the more money it will get. For example, at a sixth-form college in Cambridge, the average level of funding may be around £4,100 per student. At Lakes College in Workington in Cumbria, it is more like £5,500. That is partly a function of the occupational areas. There is weighting for construction and engineering over classroom-based A-levels, but it is partly a factor in relation to the disadvantage of the students. A disadvantaged student in a general FE college doing the same course as a less disadvantaged student in a school will attract more funding. There is that element.

Lord Turnbull: It is still massively below HE funding.

Peter Mucklow: That is undoubtedly the case. Clearly, much of the difference is a function of the student loans system. It is substantially provided by individuals.

Q137 **Lord Turnbull:** Can I turn to apprenticeships? We have taken evidence from the aristocracy, as we might call them, of engineering companies, and we have been to some universities, and we got a very upbeat account of what the apprenticeship system can deliver, but the main facts are that the numbers have fallen, and there are major problems with quality. It is all very well for people who are right next door to British Aerospace where they have top-class apprenticeships, but is the bulk of the country actually going to get a rather poor system?

Sue Husband: I am sure the Committee will be aware of the apprenticeship reforms that have been introduced over the past couple of years. The intent of those reforms is to do just as you are saying about raising the quality of apprenticeships, and to have a step change in the number of apprenticeships; we want to grow the programme considerably.

Two significant changes have been made through the reforms to the apprenticeship market. One involves funding: the introduction of the levy to make sure that we have sustainable funding for the apprenticeship programme, and significant employer investment in apprenticeships. Alongside that, we now get co-investment from smaller businesses that are not levy payers.

The other big change is the quality improvements. We have shifted from apprenticeship frameworks to employer-designed standards for apprenticeships. Among many other changes, there has been the introduction of the requirement that 20% of apprentices' activity takes place away from the workplace.

Those are two significant reforms. There has been a period of significant change, particularly over the last year. Because of that, we are seeing employers pause and take time to make sure that they design robust programmes that are of better quality. It is important for levy-paying employers to meet their workforce development needs. That is crucial for a good-quality programme. Quality is at the heart of the reforms, and they are employer led. That means that we have fewer levers than we

may have had in the past on things such as apprenticeship numbers. Employers tell us that they need time to plan their programmes well. That is why we are seeing a drop-off in numbers at the moment.

One of the things that my day job involves is working with some of our largest employers to ensure that they can plan good-quality apprenticeship programmes. Through the National Apprenticeship Service, we support all employers who may be thinking about taking on an apprentice, planning an apprenticeship programme or growing the programme they already have in place. We do that in many ways. One of the most productive is using employers, such as BAE Systems, Siemens and Rolls-Royce, which you met recently, as ambassadors for apprenticeships. They share how they have developed their programmes, and the successes and challenges of those programmes, with employers who are considering growing a programme. That works very well for us. We also work through intermediaries, representative bodies such as the Federation of Small Businesses, so that they can encourage their members to take on apprentices.

Lord Turnbull: Lord Sharkey is going to ask about quality and standards and how quickly they are being developed. There is an argument going on about whether we broaden the things on which the money can be spent or whether we should narrow it to ensure that it concerns what a lot of people thought it was about, which involved people trying to find a place in the workplace at the first attempt.

Is there a danger that employers will take the money and spend it largely on the people they already have and whose training they would probably have paid for anyway? That will produce a tick for them, because they are using their levy. It is also a tick for your numbers in trying to get you up to 3 million. Actually, however, it is drifting away from what people thought the initiative was really about.

Sue Husband: That is a very good challenge. It is one of the things that we considered very carefully when we were first putting the reforms together. The first thing is that quality is at the heart of these reforms and that they are employer led. As you can imagine, finance directors in organisations that are now paying a levy want to ensure that that money is being invested well. It has also caught the attention of HR directors. They might not have as big a learning and development budget as they previously had because of the impact on the organisation of having to pay the levy. Levy-paying organisations are making very well-informed, smart decisions with our support.

Lord Turnbull: Smart from their point of view, not necessarily smart from the nation's point of view.

Sue Husband: It can benefit both. As I am sure you have heard from some of your other witnesses, if you run a strong, good-quality apprenticeship programme, it helps the employer. Absolutely. We know that it helps in increased productivity and better quality of product or service. Lots of large employers also see it as a way to widen

participation, which is one of the objectives of the programme. They see it as a way to bring individuals into the organisation whom they may not have attracted to that business before. Examples include organisations such as KPMG and Lloyds, which have completely changed the way they bring young people in particular into their organisations, and have discovered a whole new talent pool as a result of apprenticeships.

Lord Burns: I am a bit confused about this. I was particularly confused when I saw the announcement from the Treasury of a proposed four-year degree-level apprenticeship programme. That seemed to me to be at the margin of what the whole idea of apprenticeships was about. This is basically taking people who would have gone through a normal degree, paid their own way through it and gone into it through a competition, to a four-year programme that basically means that they are paid while they are doing it. That is classified as an apprenticeship. Very few people in the country would think that was what lay behind the idea of having apprenticeship programmes.

Sue Husband: At the core of an apprenticeship is somebody who has a job, where they gain knowledge, skills and behaviours to become competent in a particular occupation. We know that the skills needs in the UK are not just at level 2 or level 3, where people may traditionally think of apprentices. There are gaps at level 4 and above. In that sense, it is meeting the needs of employers. It is an employer-led programme, and it fills the skills gaps they are reporting.

Lord Burns: But are they not just gaming the system, basically? Is that not what is happening—companies finding a way of getting their hands on the money and doing things that would have happened anyway? It is what we used to call deadweight cost in the days when I was in the Treasury.

Sue Husband: These are employers who are paying the levy, so they are investing, and that is what we want. There were signs that they were not investing enough in the development of their staff. We are working with them to make sure that they spend their levy wisely and use it to fill the skills gaps that are being reported. That is very important.

Early indications are that one of the areas that is growing is the development of leadership and management skills. There is a lot of evidence in the UK that we need to develop the skills of managers in our organisations, and that can have great knock-on benefits. In my experience, the employers we are working with spend the levy wisely.

The Chairman: Does that mean that someone could be sent off on an MBA and it could be charged to the apprenticeship levy?

Sue Husband: I am an apprentice myself. I am doing a chartered management degree apprenticeship. You can use the levy to develop people. I did not go to university. I left school when I was 16 and I have worked my way up, but I am finding it hugely beneficial, and I am applying those skills every day in work.

The Chairman: But do you not think that that is something your employer should be doing anyway? I thought the whole idea of the apprenticeship levy was to increase the skills base at a somewhat different level.

Sue Husband: Apprenticeships now go from level 2 all the way through to level 7. A lot of evidence shows that it is more at level 4 and above where we have the big skills gaps.

Lord Sharkey: I want to go back to the issue of quality. There are now 2,000 registered apprenticeship providers, a number that has grown enormously from the 900 or so before the levy. When a sample of them were inspected by Ofsted, half of them were either inadequate or required improvement. That meant that about 37,000 apprentices were in institutions that were inadequate or required improvement. Was that a surprise and what are you going to do about it? Ofsted said that it does not have the resources to inspect more than it currently does. It inspected only 189 out of 2,000. How are we to be certain that those registered providers are in fact delivering quality, especially when we know that half of them are not?

Sue Husband: Employers are leading the reforms, and quality is at their heart. Where employers have invested in the levy, there is much more drive towards making sure that, in the relationship with a provider or college to deliver a programme on their behalf, they demand high standards, as they would with any other people in their supply chain. We are seeing that employers, working with those providers, are first and foremost choosing carefully, and we have brought new providers into that market space of late.

Lord Sharkey: Could you provide us with the evidence base for that? We would be very interested to know how you know, and on what basis, that the situation is improving and that employers are helping you to improve it. That would help us.

One of the other questions I asked was whether you were surprised by all this. A very high percentage of people you rely on absolutely to provide this service are inadequate or require improvement. Were you surprised?

Sue Husband: One of the things we have done through this, and one of the purposes of this—

Lord Sharkey: I think it is the kind of question where a yes or no would help.

Eileen Milner: It cannot be good enough, can it? You are absolutely right to call it out. Amanda Spielman of Ofsted and I have sat down to talk about this; Amanda is quite right that she is not resourced to inspect every single provider of apprenticeship training that exists today.

Historically, we would have said that we took a risk-based approach, but, as numbers have increased, the role of the Education and Skills Funding Agency is such that we need to look to ourselves and think about what a

risk-based approach actually means. I am not going to sit in front of you today and say that we can be categorical about every instance of poor provision, but we are setting things in train, between ourselves and Ofsted, to get the right resource in place so that we can offer better assurance to you and, most importantly, to the people who go on to these programmes, that they are of high quality and that, where problems arise, we are able to act upon them with considerable force at an early stage, to drive improvement or take poor provision out of the market quickly.

Lord Sharkey: It would be very helpful if you would write to the Committee, saying exactly what steps you are taking to increase the inspection rate of these things, to assure yourselves that there is a widespread improvement in quality.

There is another aspect of standard setting. As of last Thursday, 223 standards had been approved. There were 305 waiting to be approved. We have received evidence from many of our witnesses that this is a damaging bottleneck in the system, and that people would like something to be done about it. Do you accept that it is a bottleneck? If you do, what are you doing about it?

Sue Husband: Yes, I accept that there has been a challenge, particularly with some employers who have been involved in apprenticeship standards for quite a while. They have gone through some of the learning process in standards development, along with the department.

Since April last year, the Institute for Apprenticeships has been the independent public body that will now work hand in hand with employer groups, which we call trailblazers, to develop those standards. I think you have had some written evidence from the Institute for Apprenticeships. It is important that employers continue to lead development of the standards. Obviously, they are the best people to make the call about how a standard should be described to say that somebody is competent in a particular role.

The institute has done quite a lot of work in the last couple of months to address that. It has been listening, consulting and planning improvements to make the process much faster. It will soon be launching its simple, new and effective two-stage process to review standards; in fact, I think it might have been launched in the last couple of days. As well as the process, it is providing more support. There is much recognition that, although employers are best placed to say what the standards should be to describe what someone needs to be competent in their industry, they are not necessarily expert at writing standards or endpoint assessments.

Lord Sharkey: Could you give us an idea of when the 305 pending standards will be approved?

Sue Husband: I know the institute is doing it in a sort of prioritisation order.

Lord Sharkey: Roughly.

Sue Husband: I think the process is down to about six weeks, so I imagine that over the next few months it will be up to speed. I know the institute has put more staff on it and has trained its staff better to support employers, so that when they put standards through the process they are more likely to get them through first time.

Lord Sharkey: Could I ask you about money? Could you say how much the department thinks it will spend on apprenticeships over the next three years? How much of that will be funded by the levy and how much by departmental spending?

Sue Husband: The annual investment in apprenticeships in England will be £2.45 billion by 2019-20, which is double what was spent in 2010-11. Over the next three years, as was set out in the 2015 spending review, it will be £2.01 billion in 2017-18 and £2.23 billion in 2018-19, rising to £2.45 billion in 2019-20. As I said, the levy was launched in April 2017, and it will fund the numbers that I set out.

Lord Darling of Roulanish: We are supposed to be more genteel at this end of the building than at the other end, so I do not want to be unduly critical, but listening to you this afternoon, what worries me is that, as you have just said, the Government are spending an awful lot of money over the next few years, yet we already know that although at the top end—at British Aerospace and so on—you can point to some very successful outcomes with apprenticeships, at the other end it can be pretty random. We hear that it can be pretty hit and miss as to whether something is any good or not.

Mr Mucklow, in reply to Baroness Harding's question about the number of people taking degree courses, you said that perhaps it was about the quality. I kept asking myself, "Who is in charge of changing all this?" You fund it, but is there somebody else who is going to change things? You were asked by Lord Sharkey about the number of approvals of standards. It seems to me that we are again at grave risk of spending an awful lot of money and that, in another few years, people will think that it has all been a terrible mistake, and we should have been doing other things. It really worries me that you do not seem to have a grip on it. Am I being unduly unfair?

Eileen Milner: I invite you to be equally genteel in your questioning of Minister Milton when she comes along. I think she would give a very robust response, and that would be for her to do.

Lord Darling of Roulanish: Is she in charge?

Eileen Milner: She is. That would be where the Minister feels a grip is being got on this.

The landscape is one where we provide the funding, and we work closely with Ofsted on standards provision. You heard from Richard Atkins earlier about the quality of what goes on in FE provision. Richard and Peter work

hand in glove on financial sustainability and quality of provision. Together, we intervene when things are not going well. Given the nature of my job, I do not necessarily see nearly enough of the lovely, opportunity-laden world, but I see when things go wrong. I assure you that, where we see things going wrong, intervention between the two bodies works seamlessly.

I have already said that we need to do more in the area of apprenticeship provision, where more providers have come in and we need greater certainty about the quality. As I said, that work is in train and it is happening. I would not want to give you any sense that we do not have a firm commitment to driving forward developments of high quality that turn out to be sustainable. As you are probably hearing, the landscape has had quite a lot of change done to it. People tell us that they are crying out for certainty, at employer level and certainly at FE level. They want things to plan to and plan with, which is part of what we endeavour to do.

Peter Mucklow: Apprenticeship providers that are inspected by Ofsted from now and found to be inadequate in their apprenticeships will be removed from the apprenticeship register. That is clear. We published that policy on Friday.

On T-levels, we are looking for the first colleges putting on T-levels in 2020 to be outstanding or good providers. There are very few inadequate FE colleges; it is 2% of the total. I would say to Lord Sharkey that there is a significant difference between requires improvement and inadequate; “requires improvement” requires improvement.

Lord Sharkey: I understood that.

Peter Mucklow: There is a significant difference. They should not necessarily be lumped together. We are very clear on quality, and one of the things that we will be doing shortly is publishing qualification success rates for apprenticeships. We do that every year. It is possible to take action where provider institutions have very poor performance against the minimum standards. It is possible to take action to terminate contracts or restrict provision. We will use the levers we have.

The Chairman: I am conscious of the time and that hypothermia may be setting in.

Lord Kerr of Kinlochard: I want to go back to the point about the bottleneck that Lord Sharkey raised. It is pretty unsatisfactory that there is currently no agreed apprenticeship scheme in this country—for example, for blacksmiths, bookkeepers, bookbinders, boat builders or brewers. Presumably there have been such things in the past, but you now have a system that requires the industry to produce a proposal; you then agree a standard; you agree an assessment plan; and you allocate it to one of 15 funding bands. At the end of that process, which clearly takes a considerable time, out comes an apprenticeship, and we can start getting more brewers, bakers or whatever. This feels absurd. Why did

you have to pull up the whole system by the roots and start again with these new plans?

I will tell you how it looks from inside a company. I am a director of a utility, which takes on between 200 and 300 apprentices a year. It has very good links to local colleges and it always has more demand than places for apprenticeships. The arrival of the levy has so far caused immense complication to the company. It is about to decide that it will have no truck with it at all; it is just going to pay the money and not ask for anything back. It looks grotesquely complicated at that end. If you look at the end Lord Sharkey was looking at, it looks pretty complicated. What I am talking about may just be transitional costs, and this may just be a dip that we will come out of, but there is something wrong at the moment.

Sue Husband: I recognise that it is challenging. I work with many large businesses, and the reforms have absolutely been challenging for organisations. I am pleased to say that the vast majority of companies are choosing to invest their levy in apprenticeships. I would be happy to discuss that organisation afterwards and to see if we can better support it to spend the levy.

The standards are working well in the sense that they bring industries together. That is one of the really positive things. People sit in a room, and employers who have never really shared things before, because they are in direct competition with one another, come together to design standards for an industry. The employers design the standards, but with the support of the institute. If there is demand in the industries you mentioned, employers can come forward and the institute will support them in developing a standard for those areas.

Peter Mucklow: For occupations where we are waiting for the standards, there is a previous apprenticeship curriculum, which is apprenticeship frameworks. Employers can use those. They are not switched off until the standards are switched on. Employers are waiting for the standards in some areas because they believe they will be better. Yes, there is a bottleneck, but that is a sign of confidence in what is being created, and confidence in the employers who are creating the standards.

Q138 Lord Kerr of Kinlochard: What can your sector contribute to lifelong learning? Most of the conversation, with one honourable exception, has been about young people and further education for them. Are you making an effort at retraining, and re-employment, of people who are out of work in their 40s, 50s or 60s? Is that going on as well?

Sue Husband: Yes, absolutely. Through apprenticeships, employers are looking at ways of bringing in different people. Some industries may not have tended to recruit at 16 and 18, and they might do that. Barclays is a good example of others. It has a bolder apprentices scheme, which is particularly aimed at people who have taken time out of the workplace, through choice or not, and who come back into employment with

Barclays at around the age of 50 or over. It is putting them through an apprenticeship to give them new skills, so that they can work at Barclays.

There are good examples of employers using these schemes either to bring in people later in life, when they have perhaps had a few different careers or taken time off to be parents, or to retrain staff within their existing organisations, where the skills needed have changed considerably over time.

Lord Kerr of Kinlochard: Is this an online effort, or are they required to go back to a classroom? That is a big disincentive to middle-aged people.

Sue Husband: It is quite flexible. People have different ways of doing it. Some of it might be online learning. Some of it might involve going to a local college that they are working with, or it might be with a local independent training provider. There is a whole mix of different ways that they can do it.

Peter Mucklow: There are more than 3 million students in further education. At least two-thirds of those are adults. It is not a desert or a wasteland. A substantial proportion of the adult population is in further education. They might not all be doing higher-level qualifications, as the Committee might want, but there is significant participation.

Lord Layard: Some years back, there was clear evidence of huge excess demand for apprenticeships among young people, and the number of apprenticeships has not gone up since then. Is that still the case? If so, who is responsible and what are they doing to try to get more employers to provide more apprenticeships?

Sue Husband: Particularly for young people?

Lord Layard: Yes.

Sue Husband: With the programme being employer led, we cannot overly influence employers but, through our relationships, we can encourage them to see the benefit of bringing young people into their workplaces. Some organisations are more used to doing that than others. We all have a responsibility. There is a big responsibility to spread the message to young people that apprenticeships are now a really good route to a very successful career.

One of the things that has been most successful for us as an apprenticeship service has been the use of ambassadors. Young people who are either doing an apprenticeship at the moment or have done one recently go back to their schools to talk about their experience, their career and how much they are earning, and how much they enjoyed their apprenticeship, to inspire other young people.

We also have a job to do with employers, because we need vacancies for those young people. We work with some of our employers who are successfully employing young people. They share their best practice, as ambassadors, with other organisations, so that they, too, might open up

their programmes to young people when they have not done before. There is much still to do, but I think success will come through getting more young ambassadors to go and speak to their peers.

Eileen Milner: I would like to relay one thing that a young ambassador said at the recent national apprenticeship boards, which has really stuck with me. He was outlining his own journey on the apprenticeship pathway, not having gone in with a higher-level apprenticeship entrance but coming out the other end having worked his way through the levels. He said, "I would have been the first person in my family to have gone to and finished university, and I would have been proud to say that, but I am even prouder that I am the first person in my family who has completed an apprenticeship". That is part of the story of apprenticeships that we need to get out: they are really great success stories, and very many people have benefited and are benefiting from them. We should have optimism for that programme.

Q139 **The Chairman:** I was going to close at that point, but there was one further question we wanted to cover. One of the points that we found when we visited Birmingham was that—I am sorry; I am asking the questions, not giving the answers.

Eileen Milner: Please do.

The Chairman: Do you think that enough emphasis is being given through the careers service to point young people in the right direction? Are schools really incentivised not to send as many people as possible on to higher education? How can we change the perceptions among parents as well as teachers about the benefits? That was one of the themes that came out of our visit.

Eileen Milner: Sue can give you a properly professional response, but let me preface it, as the mother of somebody who is a consumer of education at the moment. This is purely anecdotal, but, when I talk to parents and hear from 17 year-olds they see apprenticeships as a real opportunity to explore, and as a choice that is as positive for them as going to university.

I confess that I am surprised by how quickly that has happened, but happening it is, in real time. Sue, who is responsible for the National Careers Service, can talk about some of the trends, but I thought it was worth sharing that personal, unevidenced anecdote of what I hear and see around me.

Sue Husband: It is important to say that, in some of the discovery work that we have done recently with 16 to 18 year-olds about the post-16 choices they make, they are drawn by experiences around them, by what people in their family have done, and by not taking too many risks. It is quite normal for people to do A-levels and go on to university, so we have to unpick some of those social norms. We talked earlier about the experience in Germany. It is normal in our society to do A-levels and go on to university.

One of the changes made through the careers strategy is that schools have to allow employers in to talk about their apprenticeship opportunities, and colleges to talk about opportunities for those young people. That will be a shift to start with. Most interestingly, the change in behaviour that I have seen in the past few years is in young people themselves. While we are providing more and more careers advice and guidance to them, they are looking for information themselves. That is a huge shift in the last few years; they go out and search for those opportunities, as well as having the support we give them through the careers service.

The Chairman: That concludes the session. Thank you very much for your helpful answers. I hope it is warmer in the corridor.