THE ENGLISH FE SYSTEM
Achieving Excellence, Fulfilling Potential

NEW ENGINEERING
EMPOWERING EDUCATION : ENRICHING LIVES

September 2009

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Final Report

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The New Engineering Foundation (NEF) is an independent and strategically focused charity (registered in England number 1112354) that works with key partners and stakeholders to support the advancement of education for the benefit of the public. It was established in 2004 as a grant awarding charity and a think-tank that supports vocational Further Education in Applied Science, Engineering and Technology through:

- Research, Policy and Advocacy;
- Programmes and Resources; and
- Knowledge and Technology Transfer.

Our mission is to achieve measurable and visible improvement through collaboration and partnership by providing a shared vision which:

- Engages all the key national and regional stakeholders;
- Enriches teaching and learning professionalism;
- Enhances and develops the capability of individuals , providers and industry; and
- Empowers change in individuals (teachers, trainers and tutors), providers and industry.

NEW ENGINEERING
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ACKNOWLEDGEMENTS

The Gatsby Charitable Foundation

PROJECT AIM

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The aim of this paper is to set out the basis for ground-breaking research to find a better way to achieve excellence in the English FE system. This is about the overall way public services are managed.

The objectives of this initial overview are to outline the nature of the problems with the current systems and to establish some essentials for any new system. In addition to an analysis of these systems and the way they apply to the English FE system, the paper also draws on the thoughts from a 'think tank' of college leaders in April, 2009 and subsequent discussions with a number of influential thinkers within and around English further education.

1. The approach of 'new public management' begins to look like it has **run its course**. The 'targets culture' it has spawned, and, in the English FE system, the associated ways that national strategies for funding, accountability and curriculum operate, all too easily prevent professionals from responding with their best effects to the needs of students, communities and the local economies to which they are so important.

2. Twenty-five years of 'new public management' has placed the professional (and the college, school, hospital, council, etc.) in a position of **ever-increasing responsibility** for what to do (to deliver the goods) and **declining power** over how to do it (in the context of targets for funding and accountability). Services are measured only to the extent to which targets are achieved – and funding responds to this.

3. This way of working is under **increasing pressure**. There is a growing body of opinion that the way we fund and measure success in public services in the public sector may not be doing public services the good that was intended.

4. **There are four key problems:**

   - the Government has become the most important customer for public services;
   - the growth of bureaucracy and of micro-management;
   - the unintended consequences of 'targets culture';
   - centralising power, localising responsibility and thwarting innovation.

5. The combined effect of these problems is to disrupt the relationship between policy **intentions and outcomes** for the public.

6. The **needs of customers** should be the starting point of creating public services and public policy. Customers should not be denied the services to which they are entitled, and which policy-makers want to see them receive, because service providers are diverted by the adverse consequences of funding and accountability regimes.

7. What is needed is a way of doing things that is more likely to mean that both the national targets and the interests of customers are met by the same actions. **Aligning policy, outcomes and practice** in this way has implications for:

   - trust, accountability and decision-making;
   - customer demand and provider performance;
   - professionalism and leadership.

8. This initial survey, and the views of those who have contributed to it, point to **three essentials** for any improved system to work:

   - decentralising power much closer to the level where responsibility is exercised;
   - renewing trust in professional expertise;
   - aligning policy, organisational behaviour and intended outcomes.

9. The opportunity is thus presented to research the way such a new way of operating could lead to achieving excellence in the English FE system. The focus of the project should be on FE colleges, with the idea that what could work here should be transferable to other public services. The aim of the project would be to produce **a new model** and to develop the support of key influencers.

10. The project should consider four main themes.

   a) Public service management

   - What are the current means through which public services are managed in the UK ?
   - What are the strengths and weaknesses of these approaches?
   - What are the emerging new approaches?
   - What can be learned from these?

   b) Outstanding colleges

   - What makes them so good – and for whom?
   - How do they achieve?
   - How are they constrained?
   - What do they not achieve that they could do?
   - What would have to change to make them achieve more?

   c) System architecture

   - What factors are most likely to lead to better provision of public services?
   - What needs to change in the funding, accountability and qualifications regimes?
   - What needs to change in the way professionals operate?

   d) Modelling

   - What would a model for a new approach

to managing public services be?

- What challenges and risks, benefits and opportunities would it bring?
- How would it work?
- What would be the barriers?

14. The project could be **structured around the four themes** and link with a fifth – the need to develop a critical friends group that would both advise on key project ideas and become proponents for the model that the project would develop.

The outcome would be to provide a model for the overall operation of the English FE system that would enhance the prospects of its being truly world class.

1. INTRODUCTION

In 1989, the then Secretary of State for Education & Science, Kenneth Baker, described Further Education (FE) as the "Cinderella Service" and set out to recalibrate the amount of attention and funding it received, culminating in the 1992 Further and Higher Education Act. A generation on, FE funding and regulation is still being reformed.

The Foster Review (2005) made 31 recommendations to "realise the potential" of the FE system. The Leitch Review (2006) set out a wide range of demanding targets for delivering skills needed in the economy by 2020. The Government's "Raising Expectations" White Paper (March 2008) set out proposals for transforming the skills system through a range of changes in the 'machinery of Government'.

The clear purpose for the FE system in these reports and policies is for them to be the powerhouse for skills of economic value. The concentration is on starting from what is already in place and making changes. A clear vision for how the FE system could operate better in the future is not developed.

Such a vision is lacking partly because colleges and providers are expected to react to external drivers (funding, accountability, qualifications, etc.), rather than to create the means to translate policy into social welfare, economic prosperity and individual fulfilment.

A much clearer vision of the future of the FE sector is still needed along with what is

expected of a "world class" FE system. We require a better idea of how to align policy, activity and outcome so that we can harness the potential of our colleges more effectively.

The purpose of this paper is to set out a vision for achieving excellence in, and fulfilling the potential of, the English FE system. The basis of this vision is the contention that it is time for a new model for the management of public services, building on the progress achieved by what has become known as 'new public management'.

The new model must address the weaknesses of the current one. The essential elements must therefore include:

- decentralising power much closer to the level where responsibility is exercised;
- renewing trust in professional expertise;
- aligning policy and intended outcomes with organisational behaviour.

The intention is to develop this proposition as an outline model for the basis of a research project that will understand how such a new model for managing public services might be developed for use not just in the FE system, but across public services.

2. WHAT IS THE ISSUE AND WHY DOES IT MATTER?

Context: Market forces and the 'New Public Management'

During the 1980s and 1990s, through the 'Great Education Reform Act' and its successors, powers accrued to central government and those of local authorities declined.

At a time when 'privatisation' was the doctrine, the schools' curriculum was nationalised. Powers for schools to 'opt out' of local authority control and become 'grant maintained', weakened local control over planning; parents began to exercise greater choice on which school their child would attend, aided by the availability of a new, national, inspector: Ofsted.

Responsibilities for delivery were broadly de-centralised. Schools had to deliver a curriculum and associated exams (the new GCSE) designed centrally; the process of conforming to national standards, set in effect by Ofsted reports, was in train; and funding increasingly ran to national formulae. Each of which set the scene for the far-reaching reforms to the FE system of the 1992 Education Act.

Under the 1992 Act, all colleges (FE, Tertiary, Sixth-Form, Art, Agricultural, Specialist) were themselves taken out of local authority control and incorporated. The new Further Education Funding Council set national rates for funding (with the intention to equalise these across the country) and established an inspection regime for all colleges. As with schools, the national powers enabled central control; as with schools, these powers were

more effective in eliminating failure than generating success.

These types of market-oriented public sector reforms were applied across the public sector. They have been gradually superseded by variations through the past two decades of what have become known as 'new public management' through which the governments of western democracies have tried to bring about increases in value for money in the provision of public services.

The market is critical. In public services, the customers are patients, tax-payers, parents, students, patients, etc. In the market they exercise choice: if they don't like one service provider they should be free to find another. By exercising their choice, so the theory has it, they help to drive up standards.

The 'new' element of 'new public management' is the recognition that customer choice is problematic and that the state has to have a say in what customers should want. 'Customer choice' may be impractical, costly to provide, damaging (if services can't cope), or not actually what customers want (they may just want a good local service, rather than choice of several). And government depends on the idea that leaders are there to lead. An obvious application of this is diet and obesity; what customers want (i.e. high fat content food) is not what the state should encourage. Sound policy can't be created by perpetual referenda.

The outcome of this in the UK has been various iterations of models for the management of pubic services that have tried to strike a balance between markets and planning – between customer choice and state intervention. These

have each had implications for the role of providers of public services; they have also all maintained a secure grip on power at the centre, seeing local authorities in effect as large-scale service providers or, more recently, 'commissioners' of services. Policy remains the prerogative of the state; it has, in social welfare, become increasingly all-embracing.

The current model for the management of public services in England is 'Excellence and Fairness: Achieving World Class Public Services'. This sets out the Cabinet Office's overall approach to improving public services over the next few years. Although specific changes will vary from service to service, the model envisages that improvements will usually be driven by three main developments:

- Citizen empowerment: with stronger relationships between service users and professionals;
- New professionalism: with a commitment to achieving world class performance by all within a decade;
- Strategic leadership: Government providing strategic leadership of the system and addressing market failures, not micro-managing.

The picture is on the right. On the surface it would be difficult to find fault. Of course Governments should incentivise and not micro-manage; of course people are likely to be better served if they can engage meaningfully with professionals; of course it is important to be able to hold services to account. It is in the details behind the big picture that concerns emerge and so demonstrate the key problems into which 'new public management' has run.

Citizen empowerment

New professionalism

Strategic leadership

Excellence and fairness

PERSONALISED SERVICES THROUGH EMPOWERED CITIZENS AND PROFESSIONALS WORKING TOGETHER

GREATER ACCOUNTABILITY AND TRANSPARENCY ENABLING CITIZENS TO HOLD SERVICES TO ACCOUNT

GOVERNMENT ENABLING CHANGE THROUGH INCENTIVES AND SUPPORT WITHOUT MICROMANAGING

(Source: Cabinet Office, 2009)

3. THE PROBLEMS WITH 'NEW PUBLIC MANAGEMENT'

There are four key problems:

1. the Government has become the most important customer for public services;
2. the growth of bureaucracy and of micromanagement
3. the unintended consequences of 'targets culture';
4. centralising power, localising responsibility, thwarting innovation.

These are not just peripheral symptoms of minor problems; they are serious defects of a model for management that, though it has taken public services a long way from where they were, particularly in terms of account-ability, is now seen by people at every level (customers, providers, policy-makers, agencies and stakeholders) as flawed. There is a growing body of opinion that the way we fund and measure success in public services in the public sector may not be doing public services the good that was intended. The question is, can these flaws be remedied or do we need a fresh approach?

The focus of 'Excellence and Fairness' is to encourage more 'personalised' services. The idea is that 'new professionalism' means responding accordingly to the customer. This is not, however, about devolving powers to localities; rather it is an attempt to encourage the users of public services to have a greater say in what these services do and how they are run – in the context of the state defining

overall targets. Though there is a determination that there should be fewer targets, they remain centrally-defined and susceptible to complex funding levers.

'Excellence and Fairness' is ambiguous about service providers. There is a desire for increased autonomy, but a concern about 'provider capture' (institutions shaping policies and related funding streams primarily to suit their own needs, rather than those of the public). So 'strategic' powers are retained centrally – to set targets, fund services and drive up standards – and responsibility is decentralised to the professional for making sure things work. This is, then, a development of new public management theory and retains the same basic principles – and the same problems.

4. THE GOVERNMENT HAS BECOME THE MOST IMPORTANT CUSTOMER FOR PUBLIC SERVICES

The intention was always to place the customer at the centre. But the paradox is that, over time, centralising the power to run services like the education system has strengthened bureaucracy, weakened the ability to fine-tune the education service and led to the Government itself becoming the customer of the service provider. This is not surprising: to most public service providers, the Government is the main funder. Any business will tend to treat its main client with respect.

In the FE sector, for example, what this means is, as one leading principal told the Secretary of State at the Principals' Forum in February, 2008: 'you ask us to be innovative, but we just follow the money'. The twin risks of short-term reaction to initiative rather than continuous improvement of public services and of ignoring pressing local or regional problems for the sake of changeable national priorities are all too easily realised with the current approach.

An immediate example: the national priority has switched, in the past months, from 'employer engagement' to retraining for the unemployed. Colleges are in the thick of it, trying to respond to local needs; the Government makes funds available and these are allocated by the Learning and Skills Council. The college identifies people who need help and the means to help them; but the funds are for national priorities (for age-group, gender, skills, employment sector, etc.)

and the local ones may not fit; so what happens is that the local need is not then met.

The precise impact of this is that the college is left to tell some people who have lost their jobs and are seeking immediate help with retraining, 'Sorry, but you are not the current priority'. The college incentive is to follow the money. The Government directs where the money has to go.

This recent example is indicative of a much wider problem of highly detailed national funding methodologies. In 1994 a new funding methodology was introduced to the English FE system, based on funding units of learning. The elaborate nature of the methodology and its applicability has had two profound effects on the behaviour of colleges. The curriculum offer has continually been cut and changed according to what is and is not funded; and colleges have found ways under each iteration of maximising their funding by changing what they offer.

The former effect results in customers coming second to funding as the key determinant of what colleges provide – the recent shift away from funding adult learning is a good example of this, resulting in some long-established and successful provision being cut as the funding priority switched elsewhere. The latter effect has been an industry of 'hoop jumping' to manage courses, learners and data to achieve the best funding.

Colleges aim to hit targets for success rates – but this is not necessarily what the supposed customers – learners, employers or communities – actually need. Hitting higher success rates may well be due to better teaching and learning, but it can also be the result of

restricting the curriculum offer, or of colleges deciding what data actually ends up on the official and funded record – 'Individualised Student Record': it can pay to lose the funding associated with students who drop out of courses, when success rates matter as much as they do. This reflects the prized customer status of Government. The interests of the service users – learners and employers – would be better served by a wider curriculum and the greater opportunity this provides.

A further aspect of this is the way that colleges meeting funding requirements with employer related training can often mean offering what is fundable (qualifications) – which may not be the same as what is needed (skills and productivity). Though the advent of the new Qualifications Framework may alleviate some of these concerns, there is a tension between national priorities for public spending on further education and local needs of the service's customers.

The tension is not one that could or should be resolved by denying the role of Government in setting priorities. Rather, any solution needs to reduce their complexity so that the 'what?' of national strategy and policy does not become the 'how?' of delivering the service.

5. THE GROWTH IN BUREAUCRACY AND MICROMANAGEMENT

The 'what – how' continuum is at the heart of the bureaucracy that grips the English FE system. There are two aspects to it – the direct and the indirect.

The direct contributions are the inherent complexities of the funding and qualifications systems – complexities that are seen by many leaders in the FE system as an almost unbelievable level of micromanagement of colleges.

The current version of the LSC's funding guidance runs to 144 pages. There are several thousand qualifications available in the English FE system and several million students. From such a starting point, bureaucracy is inevitable – simply to keep track of who is taking what and how they are funded to do so.

What has multiplied the pressure in a direct manner in the system is the enthusiasm with which the regulatory framework has been encouraged to grow. Some of this is a response to the excesses of some colleges (most notably the cases of Halton and Bilston) in the 1990s and later issues with franchising; some is just because the funding methodology and data-management systems have made it very easy to demand lots of information of the system.

The underlying philosophy is perceived by many principals and other key stakeholders (not least, the chairs of their governing bodies) as based on a lack of trust on the part of the Government: accountability and regulation flourish where people are less trusted. This is one of the prime motivators for the 'self-regulation' processes that leaders in the FE system are still hoping to help

shape with Government (in spite of the recent drop in faith in such systems in with the Financial Services Authority and with the recent furore over MPs expenses).

'Excellence and Fairness' acknowledges these problems and its proposals for 'new professionalism' are partly a response to them. Trust is the key factor. However, the starting position is 'do not trust' and the incentive for colleges is to demonstrate they can actually be trusted – the doctrine of 'earned autonomy'. But it is still for the state to decide how far the trust goes and how fast.

Encouraging though this may be, there is a more significant issue left unaddressed. That is, the blurring of the 'what – how' spectrum.

This arises because of the continuing belief that setting detailed national targets and leaving the rest to colleges actually leaves colleges with real flexibility. Therein lies the key indirect source of increased bureaucracy in the English FE system.

In practice, colleges work to meet targets for performance and for volume – addressing the two main questions that underpin the way they are held to account – 'how well?' and 'how many?' In business terms, the Government is the client.

The strategic lead is with central Government policy-making; but the way in which the policy is made and is underpinned by the funding, accountability and qualifications arrangements mean that this 'strategic lead' becomes an operational process in practice. The strategy inevitably drifts from what is required to how it is to be produced.

Colleges do of course respond to these conditions in their own ways. Whilst there is much that might stifle innovation and spawn risk-aversion, there are many examples of high achievements for the actual customers of the system – learners, employers, communities. However, some would see really innovative practice being as much in spite of as because of the systems driving colleges.

The funding system, for example, is so exact, even in its more 'simplified form, based as it is on norms for the number of hours various elements of learning will take to deliver and the associated assumptions that such hours will be delivered.

This tends to define the learning experience rather sharply and to leave little to local flexibility and innovative practice. A Quality Improvement Agency study of effective practice in providing 'employability' education concluded that this was almost all done by working round, rather than through, the funding regimes.

So long as funding methodologies remain prescriptive they are capable of thwarting innovation and de facto telling colleges how to do things. The qualifications framework can do just the same thing. It is not just that many qualifications are, necessarily, contents-based as well as skills-achievement based. It is their capacity to prescribe how things should be done.
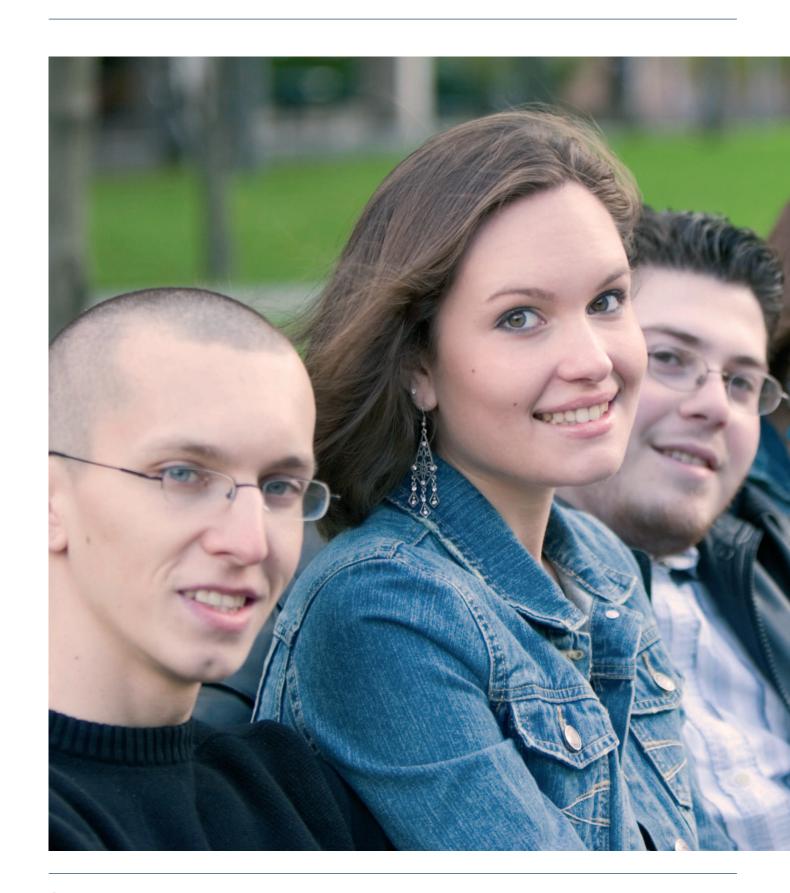
An important part of this bureaucratic world is the idea of a 'delivery chain'. There is some misunderstanding about how the funding 'delivery chain' actually works. The methodology funds learning outcomes; colleges receive funds effectively aggregating these; they then allocate

their resources according to plans and budgets. What is delivered has an uncertain relationship with what was originally funded. Whilst this may create the space for innovation, it is a hit and miss thing. The business needs of colleges mean attending to the bottom line: comply with targets, achieve surpluses and survive.

At every link in the delivery chain, people are reacting to the operating environment, making decisions, responding to what they think the policy means, to what they think of it and to what they think they should do. It would be more accurate to think of a probability ('tree') diagram – in which the delivery chain is the one, of a multitude, in which all the links operate as envisaged.

The result is that ideas like 'Excellence and Fairness' tend to fall down at operation level because they do not take account of the inherent controls of 'strategy'. The idea is to devolve, to encourage innovation, to breed 'professionalism'; but the inhibitors of complicated funding and qualifications systems militate against the ideals working out in practice.

6. THE UNINTENDED CONSEQUENCES OF 'TARGET CULTURE'

Governments make policy; policy has aims; aims have targets. So targets are set for providers of public services. The concern is not that there are targets; it is about the enthusiasm for SMART ones set at national level and the culture of organisational behaviour this has generated.

If the targets drove organisations to responses that were exactly in the interests of the customers (students, employers, communities, in the case of colleges) there would not be a great problem with the Government being the main customer and target-setter.

Things are, however, usually not so simple. Organisational behaviour is conditioned by the way funding flows and the way performance is measured. Targets are set and people are expected to act accordingly. The 'new public management' approach behind this is prone to targets culture problems

The question for quality of service is how far it is realistic to push objective measurements and what happens if they are pushed too far. In the UK public sector, for example, there are some well-worn examples of the problems this can bring: from petty manipulation of data (targets hit, no real beneficial change made) to major realignment of purpose (for example in schools, where there is a view that the main purpose of education has become to teach people how to pass tests).

Two new clichés have entered the language because of these effects – 'hitting the target

but missing the point' and 'valuing what we measure, not measuring what we value'. Clichés are well used – and they ring true. There is a problem with the targets approach to improving the quality of service. It is that the targets don't always drive the required behaviour. The desired flow from purpose through behaviour to outcomes is interrupted and, worst case, inverted: the measurement tail wags the performance dog.

The key measurable performance indicator of the English FE system is the success rate: how many people successfully complete a qualification they started. It is a sensible measure but has two connotations.

One is what they do tell you: success rates can be 'improved' in a variety of ways that don't include better teaching or guidance – restricting access to courses, narrowing the curriculum, avoiding 'hard to reach' communities and opportunities, even basic data manipulation.

The other is what they don't tell you. For example, in working with disaffected teenagers, it matters to know what qualifications have been achieved, and it also matters to know about how life chances have been improved, employability skills developed, new opportunities realised. Success rates only measure one of these things.

Success rates do say how many qualifications have been achieved – but not not what happened as a result. Progression, (including into a job with training before completing the qualification) is not part of the measurement. The implication that qualifications mean better life chances etc. is a basic and reasonable assumption – but depends on

how well the qualifications themselves actually provide a basis for employment or advancement. What do exam passes verify? Skills, abilities – or a facility to pass exams?

The concentration on success in examinations comes with increasing concern about what is really being learned. The Rose Review of primary education asserts the 'standards agenda' is compromising a broad education – the most serious consequence of which is that memorisation and recall have come to be valued over understanding and enquiry, and the transmission of information over the pursuit of knowledge.

Research also questions the assumption that if more people pass tests it must be a good thing. A striking example of this is the ESRC-funded research conducted by Michael Shayer of King's College, London, published in 2007. The conclusion of his work, with a sample of 10,000 children is that 11- and 12-year-old children are now "on average between two and three years behind where they were fifteen years ago" in terms of cognitive and conceptual ability. SMART may not be that clever.

The problem extends into the English FE system. The main drivers for the FE system are demand, funding strategies, success rates and the qualifications regime. These may create consequences that range from the expected and desirable to the unexpected and adverse – taking in a wide range of greater and lesser innovative and self-protecting practices on the way.

It is not as if college leaders are simply driven by these forces. Rather, they respond to them. They do have options and they are able to use these same drivers to bring about change and improvements. Nonetheless, the strength of the

external drivers has considerable power to limit the effectiveness of the system.

This is reflected in the idea that we 'hit the target and miss the point'. The direct impact of this is, for example, in selecting students on the basis of the likelihood they will succeed and tailoring the curriculum offer in the same way.

This makes sense to the untrained eye. Look a little closer and it can mean restricting aspiration, overemphasising the meaning of prior achievements against current ambition, reducing course options, and so on. The indirect consequences can include reduced emphasis on staff training as time and money for doing so are scarce, a squeeze on any time and resource for 'enrichment', an obsession with pass-rates at the expense of real learning.

The needs of users either for specific training or for general improved life chances are thus at risk of being unmet by a concentration on those things which funding pays for and a reduced priority for anything that doesn't lead to a qualification. The need to increase success rates can lead to an over-emphasis on 'teaching to the test'. At its worst, this has manifested itself in the reduction of some NVQ training from an 'assess-train-assess' model to just 'assess-assess'.

Another major anomaly of the current regime is the imbalance between the exertion to collaborate for a skilled, safe and healthy community and the incentives across the funding and accountability regimes to act in institutional self-interest. The rewards, for example, for those who work with the least able and most disaffected are harder to achieve. Playing safe is a powerful attraction.

The way we measure success is more concerned with measurable outputs than sustained impacts. Leaving aside the means through which colleges are able to ensure targets are hit, a key issue is the extent to which making lasting impacts is encouraged or impeded by the way they are funded, held to account and led.

There is a strong view that clear values drive really successful organisations. The way the system is run has a mixed impact on the incentive to run colleges this way. Reacting to short-term policy and funding changes, targets and performance criteria can interrupt even the most determined efforts to work for the greater goods over the longer term.

7. CENTRALISING POWER, LOCALISING RESPONSIBILITY, THWARTING INNOVATION

A simple response to the issues of targets, bureaucracy and Government as customer would be to have fewer, better targets, reduce bureaucracy and make sure that students, employers and communities had more influence over the services they received. This is not far away from the main themes of 'Excellence and Fairness'.

But... the underlying theme is that it is not just targets, bureaucracy and the Government being the customer: it is the problem that those responsible for delivering the services have so little power over how to do it. National systems for funding, accountability and qualifications have accrued power to the centre and devolved accountability to the providers.

This weakens decision-making. By the time the college leader and their staff play their role, then options are limited. The 'what' has already become the 'how'.

As new public management evolves it recognises the problem but attempts to resolve it through a mix of increased 'customer voice' (the 'duty to involve' in health and local government; the national learner panel; etc). and 'earned autonomy' for successful providers.

'Earned autonomy' as currently defined is interesting. With colleges, it means less frequent and less thorough inspection and the chance to devise certain vocational

courses. It is interesting that inspection is seen as a thing you avoid if you do well. The implication is that inspection is really there – still – to get the poor to comply; not to drive towards excellence in public service.

The re-invention of local control of the curriculum, however limited the current ambition, may be seen as a step back towards what James Callaghan famously called, 'the secret garden of the curriculum' in his Ruskin Speech of 1976 – a speech now seen as the prelude to decades of reform that have supplanted the secret garden with a sort of state-run intensive market garden.

It is an important step. The need for more significant local decision-making is the key to enhancing innovation, developing viable medium term plans for high quality services, addressing the needs of customers and engaging FE properly with social cohesion, economic regeneration and individual advancement.

What thwarts this presently are the too-detailed nationalised systems for managing the FE system. What college leaders and stakeholders see is that achieving excellence means professionals working with politicians to produce improvements and in order to do this a clear and shared vision for the future of the way things could work best is needed.

So what would be the key elements of such a vision? The most obvious aspect is a picture of high performance, manifested in the benefits achieved for customers of FE and in the esteem in which the FE sector is held. But this has been the vision for a long time.

The question is, what would it mean? For such a vision to become the reality of the future, three important things need to happen:

- Encourage innovation – empower professionals to identify needs and trends, respond to demands and pursue the highest quality;
- Revolutionise learning – 'teach less, learn more' and use new technologies to support this;
- Focus on communities – colleges play a crucial part with others in shaping the development of their communities and this should be seen as their main focus.

To achieve this means being able to apply funding, use accountability and devise qualifications that enable greater professional freedom, aspiration and responsibility. For the FE system it means being defined less in terms of types of institution and more in terms of the scope of services; and it means finding voice for leadership that has the same priorities. And for the professionals, it means new skills, approaches to learning and response to customers and the clear sense that their work is about generating value through lasting outcomes rather than institutional value through targets for output.

8. ALIGNING POLICY, OUTCOMES AND PRACTICE

The combined effect of these problems is to disrupt the relationship between policy intentions and outcomes for the public.

What is needed is a way of doing things that is more likely to mean that both the national targets and the interests of customers are met by the same actions. Aligning policy, outcomes and practice in this way has implications for:

- trust, accountability and decision-making;
- customer demand and provider performance;
- professionalism and leadership.

Some of the most successful colleges in the English FE system have demonstrated the importance of devolving power and discretion to act to the level where responsibility is exercised and expecting high achievement. The essential process is to create a culture of high expectation and clear values and to expect staff to work within broad guidance to deliver the best outcomes for their clients. Leadership sets the aims; staff deliver the goods as they see fit; customers benefit from high quality service, continuously improving.

The fact that this kind of leadership succeeds where 'top-down' approaches fail is hardly news – it is the way many successful businesses operate. But it is does show why localising power is essential if we are to make a success of locally-provided public services.

Such an approach means a greater level of trust in professionals; and with that come serious questions about accountability. How can trust be extended responsibly? How can any new

accountability avoid taking back in bureaucracy what was devolved in trust?

The needs of customers should be the starting point of creating public services and public policy. Customers should not be denied the services to which they are entitled, and which policy-makers want to see them receive, because service providers are diverted by the adverse consequences of funding and accountability regimes.

One of the strongest legacies of new public management is that what we are able to know about our public services has been transformed. Performance data, and access to it, is a world away from where things stood in the 1970s. This is very important to the way concerns about accountability can be addressed in a more decentralised model for running public services. There is no going back to the 'secret garden'.

One of the salient features of market theories and new public management is that individuals and, therefore, behaviour can be manipulated by a few simple forces. This has had the effect of discounting 'professionalism'. It is not that 'professionals' are to be distrusted as inevitably self-protecting; it is just that there are simpler ways to cause change than relying on professionals to decide to make them. Simple ways like funding regimes and inspection.

However, given the problems these approaches have run into, 'professionalism' suggests a possible answer. Professionalism implies a mix of expertise, standards of practice and a concern for the common good of the particular profession (i.e. education, health, public safety, etc.).

These attributes are at the heart of what is needed to make a more localised approach to decision-making work. The other aspect of professionalism that is needed is what Professor John Benington, of Warwick University's Institute of Governance and Public Management, calls "civic leadership". That is, the sort of leader and the nature of organisation that sees the provision of the highest quality service to the public as the key to success – not necessarily the same thing as professional or institutional self-interest.

These are hard challenges and any new model has to address them. What, then, would the key characteristics of such a model be?

A NEW MODEL: THE ESSENTIAL INGREDIENTS

This initial survey and the views of those who have contributed to it point to three key characteristics:

1. decentralising power much closer to the level where responsibility is exercised;

2. renewing trust in professional expertise; and

3. aligning policy, organisational behaviour and intended outcomes.

Highly effective colleges are run on clear values that staff understand and through which managers can take initiative and create better education and training; the epitome of successfully decentralising power to the level where responsibility is exercised. Staff motivation, organisational climate and effective leadership combine to produce the best deal for customers – on the basis of sustained self-improvement.

It is tempting to see this lesson from the best colleges simply as a lesson that the others need to be like them. Therein lies the thinking behind ideas like 'earned autonomy' in the process of evolving 'self-regulation' in the English FE system. However, the lesson really is about how to bring the best out in people so that services run to their best effect. And that is as much a lesson for other colleges as it is for the whole system and the various agencies within it.

The critical issue is power: specifically, the power to decide how to allocate resources to meet needs. This means that the national concern should be for:

- amounts of funding;
- the broadest level of priority;
- an overall system to determine how well priorities are being met.

The key to this is priorities. The broad aim of relevant national policy is for strong communi-

ties, empowered individuals, healthy economies: the challenge for colleges should be to apply these to local circumstances and demonstrate the added value of their work. This implies:

- significant change in control over spending the college's budget allocation;
- a new method for assessing outcomes of the work of colleges.

The current trend is in this new direction: the new 'Qualifications and Curriculum Framework' may hold a key to addressing the demand of employers for skills and productivity whilst meeting the need for real market value of the qualifications gained. It is important in any system where there is power to design the curriculum locally that what is designed has much wider currency.

The developments in Health (Foundation Trusts) and Local Government (the Local Authority Agreement process) also help: they are signs of a new willingness to think afresh about a 'targets culture' and have features that may lend themselves to greater devolution of power. However, the process is still one of 'starting from here' and devolving power only by exception. These developments are not a solution to the problems of new public management, though they may help point the way towards one.

Renewing trust in professionals

A new model would not simply devolve power to a set of service providers to behave as they saw fit. In the case of FE colleges, their work is of a nature that, to succeed, must involve partnership. The key local partners for any college are schools, HE, employers and their representative groups, community groups, local

authorities and other public services. Devolving power from the centre to localities will work only if there is the capacity for these groups to work effectively together.

A significant determinant is the quality of professionalism and civic leadership. To what extent are the leaders of the main partner organisations committed to the greater good, i.e. to things beyond the power of their own organisation alone to deliver – and to the need for acting together to improve the lives of local people?

In this context, the key point about professionals is the expertise they can apply to the design and delivery of effective public services. They have been frustrated by the bureaucracy and targets-culture of new public management; they can offer more than the system seems to require of them now.

Professionalism is also about openness to learning. One of the benefits of new public management has been to develop some highly effective improvement systems and the use of accurate performance data. These are here to stay; a new system for the management of public services that devolved power and encouraged professionalism and civic leadership would have such strengths and systems to build on. There is no going back to the old ways of bygone eras when professionalism meant customers of public services asked no questions of those in authority running them.

The other essential aspect of civic leadership is the ability to tackle failure and to drive a quest for the nest in public services. The renewed involvement of Local Authorities in commissioning 16-19 education is a potential illustration of

this. For the first time since 1993 the opportunity arises for local democracy to empower a vision for what localities need, to address shortfalls and to encourage greater achievement.

This will require much of local leaders, including college principals: not least, the willingness to accept new challenges, drop existing provision and work in partnership with others. Professionalism means standing up for the customers of the service – not the providers of it.

Aligning policy, organisational behaviour and intended outcomes

There remains a huge problem with the targets culture of new public management, that would need addressing for any devolution model to work.

In 2004, Sir Michael Bichard, a former Permanent Secretary, wrote: "Many of the targets (applied in the past decade or so) have been about process rather than outcomes and, as a result, many of the outcomes have not been measurable... Too rarely have these targets been expressed in terms of client needs and even more rarely have clients – or even front line staff – been involved in designing or setting targets".

This is an across the board analysis of the problem: in effect, we value what we measure, and are not yet really measuring what we value. SMART targets have been the order of the day; they are not, as it turns out, as smart as all that.

What do we value? Why is Sir Michael's point about staff so important? The UK Centre for Measuring Government Achievement (UKCeMGA – part of the Office for National

Statistics) published an analysis of consultation about such measurement in 2008. Its conclusions are striking, asserting that quality in public services has two key dimensions:

- the extent to which the service succeeds in delivering its goods;
- the extent to which the service is responsive to users' needs.

This is a profound step towards a new way of evaluating success. The case UKCeMGA makes for developing measures of success is based on addressing these criteria. Part of the case is an understanding that numeric output measures – the traditional ONS ones are pupil numbers and pupil attainments at, particularly, GCSE – simply don't cover at all the public should know about the success of services purported to meet their needs.

The key is the relationship between users' needs, the creation of public services to meet these and the way success depends on meeting the needs. This way of aligning policy with provider behaviour and outcomes is the new and challenging idea that must be part of the future system of managing public services. In colleges it would mean that if the policy is for strong communities, healthy economies and empowered individuals, then the provider works with users to identify and meet needs and expects to stand or fall by their success in doing so. This is a real shift from the 'process' measure and 'volume' targets that characterise new public management – even attempts to simplify it such as the LAA process or, in the English FE system, the new 'Framework for Excellence'.

There are helpful theories – like 'public value' – and well-tried quality improvement systems –

such as EQFM – that can shine a light on how to devise the system that will address the call UKCeMGA makes. It is, as yet, an unanswered call. But it is one in which there is wide interest – and not just from the professionals. The Times leader in mid April took the view that it isn't any good the NUT decrying SATs because of the way that targets adversely manipulate behaviour of teachers; what they should do is put effort into devising a better model.
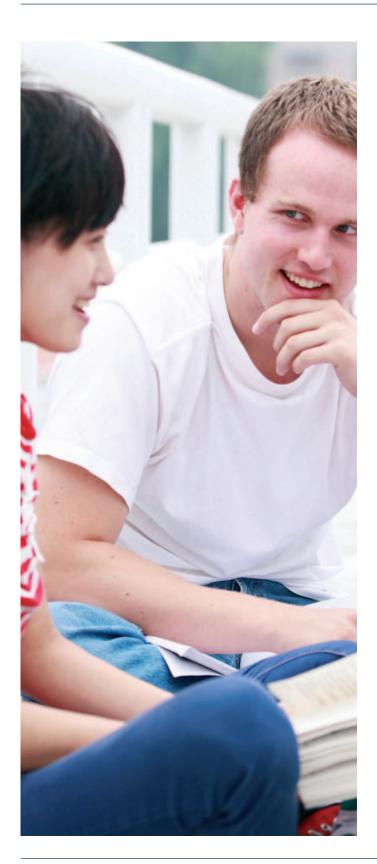
Targets would not have to disappear; they could be much better if they:

- were for outcomes rather than volumes;
- were not over-emphasised in accounta-bility/quality regimes;
- could vary locally.

At a very simple level, success could be measured in terms of customer satisfaction: this is not far from the way things are done in Finland – the country regularly topping the OECD league tables of successful FE systems. The customers of the FE system vary and the things that please them do, too. There is a risk of what HM Treasury sees as too easy a win: employers, for example, may be 'satisfied' because the taxpayer is footing the bill for their staff training. It depends what we ask and how we do it, but such an approach has the potential for simplicity, and for making sure 'the customer' means the user of the service, not the (state) funder.

In the context of 'aligning', the way funding operates is similar in impact to the way quality assurance and the qualifications framework do: and the remedy lies in the same area. That is, finding ways to enable things to work for the customer, to maximise the chance that the service meets the needs of users.

The seminar of 22 April and follow-up interviews that underpin this initial analysis provide the basis for a major piece of research and thought leadership for the NEF.

The intention of this work is that it should be strategic: providing a vision for the way public services could be better managed so that their value and their impacts are optimised.

The focus of the project should be on FE colleges, with the idea that what could work here should be transferable to other public services. The aim of the project would be to produce a new model and to develop the support of key influencers. The project would have four essential qualities:

- **Need.** A better way of managing public services is needed.
- **Opportunity.** There is a good basis of support and the FE system is a good sector in which to develop a new model.
- **Originality.** The project breaks new ground in direction, scope and nature;
- **Impact.** The project has potentially far-reaching consequences.

Four main themes
The project should consider four main themes:

1. Public service management
- What are the current means through which public services are managed in the UK ?
- What are the strengths and weaknesses of these approaches?
- What are the emerging new approaches?

- What can be learned from these?

2. Outstanding colleges
- What makes them so good – and for whom?
- How do they achieve?
- How are they constrained?
- What do they not achieve that they could do?
- What would have to change to make them achieve more?

3. System architecture
- What factors are most likely to lead to better provision of public services?
- What needs to change in the funding, accountability and qualifications regimes?
- What needs to change in the way professionals operate?

4. Modelling
- What would a model for a new approach to managing public services be?
- What challenges and risks, benefits and opportunities would it bring?
- How would it work?
- What would be the barriers?

The project could be structured around the four themes and link with a fifth – the need to develop a critical friends group that would both advise on key project ideas and become proponents for the model that the project would develop. The outcome would be to provide a model for the overall operation of the English FE system that would enhance the prospects of it being truly world class.

ANNEX 1 – 22nd April 2009 at The Royal Society, London

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Mr Martin Penny	Stratford upon Avon College	Principal & Chief Executive
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Please note that the views expressed in this report cannot be directly attributed to any particular individual.