

## Implications for FE

118. This section signals key consequences for FE and skills arising from the recession. The ambition is to develop a more interactive facility which allows on-line discussion and exchange of perspectives, sharing of strategies and approaches. Many of the points raised below could provide the basis for useful exchange of intelligence and practice. In the meantime, we would welcome views on whether this would be useful and what format you would prefer for such a facility. If you have any views on this, please send them to Ben Margulies, Policy and Research Officer, LSIS - [Ben.Margulies@LSIS.org.uk](mailto:Ben.Margulies@LSIS.org.uk).
119. The financial crisis can be seen both as a threat and as an opportunity for the further education sector, one which could create financial instability, but also one that might allow the sector to take a leading role in responding to the recession.
120. On the one hand, the crisis could herald decreases in revenue in the medium term. The Government has already told departments to expect £5 billion less in funding than previously projected, and local government, a major commissioner of services, is also expected to reduce spending through 'efficiency savings', of which £35 billion are now expected for the period between 2008 and 2011, including almost £2 billion from DIUS. Businesses often cut training during downturns – this is especially dangerous for FE, which gets substantial revenue directly from employers. Specialist colleges and National Skills Academies are heavily supported by business.
121. In addition, many colleges have spent significant resources on preparing for capital projects which are now on hold as a result of over-commitment of resource by the LSC, creating significant additional financial pressure, slowing new building and possibly damaging relations with the construction industry. Some new funding was allocated by the 2009 Budget (£300 million), but not enough to cover all outstanding projects. Furthermore, the Pre-Budget Report promised a freeze on capital spending in any case in 2011. A rapid increase in the number of students could also strain finances, especially if the LSC or its successor bodies do not increase funding allocations in line with learner enrolment. Conservative spending plans are even more austere than the current Government's, which could herald further cuts.
122. Concurrent with this is the actual credit crisis – that is, the difficulty everyone is having in obtaining credit from banks. This could make financing difficult. Similarly, the property market's collapse will make it more difficult for FE colleges to sell land to raise funding for capital projects or other purposes.
123. The crisis could also strain relations with local authorities, which are expected to work in partnership with FE colleges in the Government's current reform scheme. Local councils will be under new financial pressures, which could affect their commissioning of services from FE; the pressures of dealing with the crisis could also leave less time and patience for partnership work.

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## *The financial crisis and FE - stepping up to the challenge*

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124. On the other hand, the FE and skills sector could have a very significant contribution to make in fighting the recession. The Government is committed to investing in training and employment support, suggesting that funding might not be as threatened as the budget cuts may suggest, in the short term at least. The 2009 Budget did provide extra funding for capital, and to meet the need for extra student places. Indeed, it's becoming more flexible in the use of Train to Gain funding for example including some funding for units as well as whole qualifications. Furthermore, student numbers tend to rise when the job market fails – indeed, the recession of the early 1990s was a period of considerable growth for FE<sup>8</sup>. The sector can also draw on the new flexibilities introduced into Train to Gain, and there is a potential that these may be extended.
125. The crisis also accords the FE and skills sector an opportunity to play a leading role in developing the policies and strategies used to combat the crisis. Much of the Government's increasingly vital training agenda will be delivered by further education providers, giving the sector increased power and influence by extension. The sector may be able to build on this to make the case for greater discretion in the use of public funding to more readily meet employer needs.
126. In the same vein, the crisis could also help to raise the FE and skills sector's profile in the community, as a provider of training to workers, jobless people and those at risk of unemployment. It could join forces with local authorities to address key local workforce issues. The FE and skills sector has a distinct advantage over HE in this – it is local, works closely with business and the local economy, deals with a wider spectrum of people and is much less expensive to access than universities.
127. The increase in student numbers, as well as the increasing relative attractiveness of public-sector work, may make it easier for FE and skills providers to recruit quality teachers and managers in the current climate. There is already an increase in the number of students studying university courses that lead to public-sector jobs (e.g. nursing or law), as well as those training to be teachers.
128. The FE and skills sector will also continue to work on its other agendas during the crisis. For example, it will still be involved in supporting community cohesion in its locality, and new legislation will impose a duty on colleges to promote local economic and social well-being. This may become still more important, as recessions tend to exacerbate social tensions between groups (for example, the Depression saw the rise of the British Union of Fascists). The Government remains committed to increasing overall skills levels in the long term, to compete with China and India, and the FE and skills sector will continue to play a central role in this.
129. The recession will have a long-term effect on the shape of the economy as a whole – the FE and skills sector will have a role in supporting skills development for the upturn. This will certainly require a shift in patterns of provision and development of new curricula.

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<sup>8</sup> See *Guardian* article on this point:

<http://www.guardian.co.uk/education/2008/sep/02/furthereducation.creditcrunch>