Good afternoon. I am delighted to be here – and I’m particularly delighted to be talking to you on the first day of your conference, rather than the last.

As you know I usually only get to have my turn after everyone else has had theirs – but given that this has been such a key and demanding year for the sector, I was keen to have the opportunity of speaking to you on ‘day one’ while the debate was still hot rather than raking over the ashes at the end.

And it has indeed been quite a year. It has been a year when FE has taken its place in the spotlight – and it’s my guess that that the glare of that spotlight will become ever more intense in the months to come.

We’ve had Sir Andrew Foster’s report, the first FE White Paper and now, of course, we’ve got the Further Education and Training Bill. We’ve had a Schools White Paper, a Local Government White Paper, the continued roll out of agenda for change and, of course, Lord Leitch’s interim report.

And we have introduced new services which we expect to have a lasting impact on the sector’s reputation – with Train to Gain the most obvious example in the way that it’s transforming the way that employers work with the FE system and invest in training.

More recently, we at the LSC have published our first progress report – describing for the first time the real impact that the sector has had – followed by our Annual Statement – Raising Our Game – which sets out our priorities for investment – in young people; in skills, in transforming the FE system and in contributing to economic development.

Taken together I believe that all of these articulate a new set of ambitions – for the FE system and for the LSC itself – and I would like to use today to try to pull together these different strands and to set out a vision of the future which is about being truly innovative and responsive to the wants and needs of individual learners and employers.

In doing so, I want to describe what this should mean for those learners and employers – handing them much more control of a system where they have real purchasing power and where they drive success.

And I want to set out what I think this means for the LSC – how we must continue to change – as well as what it means for colleges and other providers.
I want to talk about how we make a reality of the rhetoric, about how I believe we must be bold and ambitious – for learners, employers, communities and for ourselves.

I want to talk about how we need to raise our game if we are to deliver the skills needed for greater economic competitiveness and for wider social justice.

That said, I want us to be realistic too – because the level of change that is needed is significant. It requires new behaviours and new attitudes and not everyone will necessarily succeed. We need to be honest about the risks and we need to work together to mitigate them.

Let me begin by talking for a few moments about why we need to change.

As some of you may have heard me say on a number of occasions, there is no doubt that the FE system is delivering ever greater success. I’ve gone on record on numerous occasions to celebrate the progress we have made.

I’ve talked about the record numbers of young people in education; the record numbers of apprenticeships; the highest ever levels of adults with qualifications; the progress we are making on Skills for Life….I’ve talked about all of this and much much more and I was delighted to here the same from Alan Johnson.

We are delivering against – and often exceeding – every target that government has set us. We have improved quality, engaged more employers and young people in learning and training; we are increasingly efficient.

But even with all of this, we all know that it is not enough.

The impact of globalisation means that as well as competing with our established economic rivals, the UK is increasingly vulnerable to competition from many emerging economies. These competitive pressures are driven by the skills of the workforce as well as factors such as technology and costs.

We know about China and India – they spearhead a number of fast-industrialising countries who are hungry for a larger share of the world’s markets. This means the imperative to invest in skills is greater than ever.

If we are to continue to compete successfully in a global economy, we need a step-change in the way the system works. If we are to engage more people and more businesses in developing their skills, we cannot rely on the success of the approaches of the past.

And that’s why all the talk – from government, from Leitch and from the LSC – is about the need to raise our game – the need to be bold and imaginative in thinking of new ways to deliver the skills our country needs.
We have to think beyond what we know already – we have to free up the learning market – empowering and enabling the best of providers to engage and excite more learners and more employers.

In our recent Annual Statement we talked about putting the customer – whether learner or employer – in charge of their learning or training solution.

We said that to do this, we need the FE system to provide greater choice, diversity and specialisation.

We believe that this can only be achieved by releasing greater freedoms to the system – allowing you to respond flexibly and creatively to the challenges of local economies and communities.

I welcome the Secretary of State's challenge to further education to develop proposals to make a reality of self-regulation. We want to work with you on these and the development of the Framework of Excellence, to build a simpler, more customer-centred approach to our understanding of quality and performance.

I’ve been talking about the role of the LSC in all of this for the three years I have been doing this job – about the need for us to be in the right shape to help to deliver this change and about the need for us to play a more strategic, less heavy-handed interventionist role.

The changes the LSC has been through over the past year are important steps in this journey. What tends to get the headlines is the fact that we have reduced our staffing by 1,200 jobs – that's 25 per cent – or that we have saved £40 million a year of administration costs.

What tends to get overlooked is that we have put in place small, focussed and increasingly expert partnership teams to work at local level with colleges and other providers with a new light touch approach to planning.

But this is not the end of the journey. We know that as the market begins to operate more successfully, more independently, the LSC will need to change again. As the FE system strengthens and becomes more responsive there will be less need for us to intervene in the ways that we do currently.

This will have implications for us, it will also have implications for the way in which colleges and providers work.

Currently the FE system operates in what you might describe as something of a quasi market – where there is some encouragement of competition but where purchasing power comes from the government, through bodies such as the LSC rather than directly from the customer.
This has led to frustrations – which many of you have shared with me – frustrations that the state can often get in the way and act as a barrier to customers, preventing them from exercising their choice and engaging in the learning that they want to. This turns people off. It sends employers away – bemoaning the bureaucracy they face.

I know you want to change that. As so many of you have told me, we need to free you up, enable you to talk directly to individuals and employers about their needs and develop the provision that best addresses these. We need a more open market – where you can be innovative and creative and expand your provision to engage new learners, new employers.

At the same time, we have to be clear that not all customer choice will be met through government funding. We need you to move further towards a position where you offer provision that individuals and employers truly value and are therefore prepared to pay for.

We expect to see customers driving the market but doing so through their individual investment as well as their influence. And, let us be clear, we are looking to see levels of full cost recovery work to increase and the balance of government funding and commercial income to shift considerably.

I know a great number of you are doing this already but as I visit colleges and other training providers I still see many examples where employer engagement strategies are designed to extract money from the LSC – with offers of fully funded provision – rather than genuinely seeking to meet the needs of those employers.

The truth here is that if we are to meet the challenges of the future we have to raise our game higher, to lever in more funding for skills from employers and individuals. To underpin this we will shortly be consulting on a radical re-design of the funding system aimed at putting greater control in the hands of customers. I urge you to respond to this.

At the same time, we recognise that not all individuals will succeed if their fate is left solely to the market to determine. In a totally market-driven environment, provision for the most vulnerable of learners could easily become marginalised – we have to guard against this and protect the interests of those with greatest need.

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As I have said already, if we are to raise our game, I believe we have to be bold and visionary and we have to challenge ourselves to really grasp a new set of principles.

We have to think about what the future FE system could and should look like – embracing the commercial opportunities this brings; as well as managing the risks for some providers.
Let’s start by trying to describe what this might look like for employers. We talk often and abstractly about a system that is demand led, where employers genuinely are in the driving seat. But if that actually existed, what would it look like?

- The first thing is that Sector Skills Councils would have significantly upped their game and dramatically rationalised and simplified the qualification landscape. They would speak authoritatively on behalf of employers so the vocational qualifications they approve would be a priority for government subsidy.

- Employers would recognise the benefits of training and would be confident that the system can meet their needs. The FE system would be the first choice of employers who want customised skills training – their investment would increase accordingly.

- Businesses and their intermediaries would be powerful advocates of FE.

- And building on Train to Gain, businesses would choose which provider they want to use – no longer constrained by geography or funding bodies.

If that’s how it would work for employers, how would this feel for learners?

- Well, they would be holding the purse strings – determining where they use their entitlement through learner accounts.

- They would have an automatic expectation that their learning would take place in facilities that are world class – genuinely exciting and innovative.

- Real-time data on the performance of institutions would mean that learners would make much more informed choices about the learning they want and the place or places where they want to study.

- They would be supported by expert advice and guidance which would give them up-to-date labour market intelligence on skills trends, job entry requirements, career progression and future earnings potential.

Those who want to pursue learning for wider benefits would have access to a wide range of choice, at affordable prices.

And what then is the role of the LSC in this future? As we look to a truly demand-led system we need to recognise that our role is changing too.

We want the FE system to operate in an open and competitive market, driving up quality because that’s what customers demand; delivering more and more innovative provision – because that’s what gains greater market share.
In these circumstances we will move away from the traditional role of planner and funder and become more of a market maker – influencing the market when and where necessary, to protect the needs of all learners and employers.

By this I mean that markets are not universally good things. They can ignore the needs of those customers who are more disadvantaged; who lack the ability or confidence to articulate their needs or demand their rights as consumers and citizens.

We know that these are the people who have been most excluded from learning and who are the least likely to participate in any future training or development. In these instances the LSC has a duty to influence the market, and act on behalf of the most vulnerable of learners.

Learners with learning difficulties and or disabilities are one such group. In these cases we need to define the offer rather than let market forces dictate the outcomes. But to do this within the context of a more open market demands a new approach from the LSC – that of strategic commissioner rather than planner or funder.

By commissioning, I mean adopting a customer-centred approach to defining the need for provision in an area and then commissioning new provision from an array of suppliers to meet that need.

Within this we will continue to have a key duty to protect the interests of learners and employers – taking robust and urgent measures to withdraw funding from poor and failing provision and move it to those colleges and providers that can deliver.

Part of our role will also be to open up and diversify the market to bring in new providers with particular strengths in engaging wider groups of learners and employers. This could include niche private training providers for specialist sectors of industry, or voluntary sector organisations working within local communities.

The LSC will continue to invest capital to build the infrastructure to meet the current and future needs of young people, adults and employers. We see this as critical to our changed role in making the market work more effectively and efficiently.

We understand that long-term investment in capital is crucial to the future success of the FE system. But we recognise that different rules apply to different parts.

For young people we want to expand choice and increase the quality of 14-19 provision, to ensure more young people continue to participate and achieve.
To do this we need to look at local learning markets from the perspective of learners and not institutions. We must invest in a range of facilities to ensure that choice is not constrained by what is currently available; enabling the most successful providers to expand. That may not always fit neatly with our planning role…

We will continue to invest in high quality vocational facilities that will support the development of specialist provision and providers, to give adults and employers the skills training they need.

We want to remove barriers that stop new providers from entering the market. We are currently exploring the potential of extending eligibility for capital assistance to support this and I would welcome your views on this.

The LSC also has another key role in relation to the market – that of leading and supporting wider economic development.

The FE system can accelerate economic growth and simultaneously maximise the potential benefits for those who have been most excluded from education. I know that this area of work is not new to you or to us – despite what some of our stakeholders might think.

- Last year alone, we estimate that the LSC and colleges invested three quarters of a billion pounds in physical regeneration projects.
- We have seen a 66% increase in provision in areas that employers or their representatives have identified as priorities.
- We have increased the reach of our provision, with over 1.3 billion pounds of FE money invested in learners who come from disadvantaged neighbourhoods.
- And we have focused our efforts on giving people the skills and qualifications they need to enter the job market. For example, last year, more than 250,000 of our learners were on some form of benefit.

This year we want to focus our energies to shift the emphasis onto moving people who have finished training into work.

And we will continue to work closely with Jobcentre Plus so that employers who place vacancies with them are made aware of the Train to Gain service – helping us to truly integrate skills training with employment.

Across the country, there are many hundreds of examples of the way in which colleges are at the heart of local initiatives to give communities the skills that new and existing employers need.

Often, these initiatives are targeted at the very hardest to reach – where success can only be measured at the individual level, by recognising the transformational effects that learning a new skill or gaining a qualification can have on any one person’s life.
At the moment we do not celebrate this kind of work anywhere near as much as we should. Our investment and impact in getting people into work is unsung and undervalued.

That is why the LSC will shortly be commissioning a major piece of research into the progression of learners, so that we can better understand and articulate the benefits that learning brings – in getting a job, getting promotion, being an active citizen, building confidence – the list goes on...

We will build on work that the AOC has already begun to look at the impact of the college sector. We want to work with you on this – to hear your success stories – so that we can build a compelling platform on which we will respond to the challenges that we anticipate Lord Leitch delivering.

At the same time, we know that we have to do more to link skills and employment. We have to raise our game so that the FE system as a whole can pursue a much more ambitious and systematic approach to use skills training as a means of getting more people into jobs.

This is where the LSC really needs to add value to the workings of the market – championing its potential to private and public sector partnerships, to stress the need to put skills at the heart of economic development.

We need to be expert advisers – informing wider plans for wider physical and community regeneration so that skills are central to housing development, transport strategies, inward investment, and wider business support.

But we must think beyond this too. I want a wider overhaul of the range of activities and programmes we are currently delivering which have the potential to improve employability.

We need to link this into our response to Leitch but we need to start thinking now to consider how we best incentivise the market to deliver a combined focus on skills and job outcomes.

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What I have tried to do today is to put flesh on the bones of a vision for the FE system and I have talked about what this means for employers, learners and for the LSC itself.

In doing so, I have reflected the thoughts and views that so many of you have raised with me – about how the system needs to change; what opportunities that brings and what risks too. So finally, let me try and summarise some what this will mean for colleges and providers.

As I’ve described, the landscape is changing – there is much greater competition for learners. There are no longer any certainties.....
Our expectation is that you will need to compete to survive. Security of funding will be determined by your excellence – secured through learners and employers choosing you.

Whilst this will bring greater risks, it also brings many opportunities. The best of you will be freed up, able to expand into new areas of provision, new geographical areas of delivery, new partnership models of collaboration.

You will have greater autonomy as an institution but quite rightly you will be expected to deliver high quality provision, consistently. And when you don’t, money will be moved to those that can.

You will face greater competition from others, greater dynamism in the market place and more innovation as you respond positively and creatively to that.

In this environment you will be expected to understand your local community and employers – knowing what they want, delivering to their agenda. You will have your finger on the pulse of your learners’ views and needs – constantly improving the services you deliver to retain their loyalty to you.

You will evermore be key players in local economic development. You will work with existing employers and those moving into your area – giving them the skills training they require. And you will target your provision at disadvantaged groups so they can better access the employment opportunities available.

In a world of greater competition, in the world of the market that I have tried to describe today, I believe you will need to think about gearing your businesses very differently.

Success in this environment is about truly understanding the wants and needs of employers and individual learners – and then responding to them with innovative solutions; it is about delivering excellence in the quality of your provision; and it is about ensuring you are in robust financial health for the challenges ahead because you cannot hope to prosper in this new world if you haven’t got yourself in the best possible shape to respond.

And, very importantly, success is also about ensuring that your governing bodies and management teams are clear about the new behaviours, the new attitudes, the new approaches that are now required.

From what I have seen over the last three years, I am confident that working together the sector can and will respond to this vision and I look forward to continuing to work with you.

Thank you for listening

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