

Reviewing post-16 education and training institutions: guidance on area reviews

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Foreword from Nick Boles MP, Minister for Skills

We have a productivity challenge in England and addressing it is a national priority. We can play a vital role in driving up productivity by developing a professional and technical education system which ensures all young people are on a high quality route to employment.

To achieve this aim we need strong education and training institutions which have high status and are genuine centres of expertise. On that basis, and at a time when we are asking all publicly funded institutions to consider how they can be more efficient, it is right that we review post-16 provision in every area. We need to ensure that we have the right balance of provision, including capacity to deliver three million apprenticeships by 2020.

We have announced area reviews driven by local leadership and I hope you see these as a welcome opportunity to influence the shape of local provision. This guidance is designed to support the reviews. It builds on, and should be read alongside, our policy statement *Reviewing Post-16 Education and Training Institutions*. It sets out a national framework which will ensure a level of consistency across all reviews while allowing space for local flexibility.

Within this framework I want to encourage colleges, local authorities, local enterprise partnerships (LEPs), local employers and others to work together. These reviews will support collaboration and strengthen local partnerships, including through the creation of local outcome agreements. They will help encourage stronger local influence, ahead of future devolution of adult skills provision, and where combined or lead authorities already have devolution deals we will expect them to take a leading role.

The reviews will focus on general further education (FE) and sixth form colleges, and I strongly urge every college to take part. Other post-16 providers may choose to opt in and feed in views, and the availability, quality and relevance of all post-16 provision will be considered. However, the development of options will focus on colleges to enable swift action to put the sector on a more stable footing. The outcomes are likely to touch on all colleges. In some cases this may involve curriculum rationalisation, while in others restructuring is likely to be needed.

Overall, we need to move towards fewer, larger, more resilient and efficient colleges. Another key aim is greater specialisation, with concentrated expertise to support progression through professional and technical routes, alongside excellence in core

areas such as English and maths. This will include the creation of a new network of prestigious Institutes of Technology and National Colleges to deliver high standard provision at levels 3, 4 and 5. These new institutions will sit at the apex of clear technical and professional progression routes, making it straightforward for young people to move from school through to high status, specialised training with strong links to business. Ultimately this should establish the credibility of professional and technical education as a legitimate and equal alternative to the traditional academic route.

Given the challenging financial context, it is important that the reviews happen quickly so that implementation can begin as soon as possible. We expect the final reviews to be complete by March 2017. It is essential that area reviews consider the outcome of the spending review, because in many cases the status quo will not be an option if colleges are to live within their means. Ultimately we would expect funding agencies and LEPs only to fund institutions that are taking action to ensure they can provide a good quality offer to learners and employers, which is financially sustainable for the long term.

I recognise that the reviews will take place as part of an ongoing process of reform. As well as the need to reflect the spending review outcome, forthcoming policy announcements will be relevant as we move forward. In particular we expect to say more around the development of Institutes of Technology, devolution to localities and routes to employment later in the year.

Nevertheless, rather than delay, it is important that we press ahead. I want to thank everyone who has contributed so constructively to the design and set up of area reviews so far, and encourage everyone to engage fully as we take them forward. At stake here are the future prospects of millions of young people and adults, and the development of a system which enables them all to reach their full potential.



Nick Boles MP

Minister of State for Skills

Context for the reviews

The overall objectives and context for the area review process are set out in the government policy document: *Reviewing post-16 Education and Training Institutions*¹. This guidance sets out a national framework for the reviews which allows local areas scope to work flexibly. It can be adapted to take account of local circumstances and requirements, e.g. in London because of its size and particular local government structure.

Purpose of the reviews

Each area review should establish the appropriate set of institutions² to offer high quality provision based on the current and future needs of learners and employers within the local area. Reviews should deliver:

- **Institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment.** This should take account of the scale of the public finances challenge over the next few years. It should also reflect the findings of a review by BIS, DfE and HMT which identified wide variation in costs at FE colleges, indicating potential for greater efficiency especially in terms of administration costs³. This review confirmed that the most efficient and financially strong colleges understood their costs and took them into account in driving efficiencies. An important part of the analysis of each review will be to compare key cost drivers at institutions to national benchmarks identified by the FE Commissioner.⁴ The reviews will identify scope to make efficiencies in a range of ways, including (a) removing duplication in curriculum, (b) reducing management and administration costs, (c) making more efficient use of the land and buildings controlled by the sector, and (d) enabling more efficient and effective use of technology both in terms of teaching, support and assessment and back office systems. This is likely to result in rationalised

¹ See: www.gov.uk/government/publications/post-16-education-and-training-institutions-review

² The term institutions used in this document references those organisations involved directly in the review process.

³ The report is available from Joint Area Review Delivery Unit, email: Area.REVIEWS@education.gsi.gov.uk to request a copy.

⁴ See: www.gov.uk/government/publications/implementing-rigour-and-responsiveness-in-skills-fe-commissioner-letter-financial-challenges

curriculum; fewer, larger and more financially resilient organisations; and, where practicable, shared back office functions and curriculum delivery systems.

- **An offer that meets each area's educational and economic needs.** This will mean (a) assessing what these needs are, taking account of any local outcome agreements being put in place⁵, (b) considering how existing provision and delivery structures can be adapted to deliver them more effectively and efficiently, and (c) understanding and, where appropriate, mitigating any adverse impact on other parts of the wider education system including higher education. This should result in closer links between colleges and employers and provision which adapts to the current and future needs of employers and learners. There is a particular role in ensuring individuals have the relevant up to date digital skills increasingly required in the workforce, as well as the basic digital skills needed to engage in an increasingly digital world. Outcome based success measures are currently being developed by BIS⁶, aligned with measures being adopted by DfE, which will assess whether provision is delivering outcomes that meet the needs of learners and employers. These measures can be used to support the creation of local outcome agreements and monitor the impact of changes as a result of an area review.
- **Providers with strong reputations and greater specialisation.** Providers should focus on what they can deliver effectively and to a high standard. An important outcome of each review will be the establishment of clearly aligned progression routes, from schools through to specialised institutions including new Institutes of Technology, and National Colleges. Each review should consider the scope to establish an Institute of Technology (IoT). Annex A provides more detail on IoTs. As the Annex makes clear, establishment of IoTs should not undermine the expansion of educationally successful and financially viable providers, such as National Colleges and University Technical Colleges (UTCs), including planned new provision.
- **Sufficient access to high quality and relevant education and training for all,** including 16-19 year olds, adults and learners with Special Educational Needs and Disabilities (SEND), both with and without high needs. This will need to take

⁵ UKCES and the AoC have recently produced a report on the potential place of local outcome agreements in supporting local areas. See: www.aoc.co.uk/sites/default/files/UKCES%20AoC%20Local%20Action%20National%20Success.pdf

⁶ See: www.gov.uk/government/publications/adult-further-education-outcome-based-success-measures-experimental-data-2010-to-2011

into account the numbers of learners for whom provision will be required. It should also consider the need to make SEND provision available in both mainstream and specialist institutions. Annex D sets out the issues area reviews will need to address in considering the quality of provision and describes the data the funding agencies and Ofsted will provide to inform those discussions.

- **Provision which reflects changes in government funding priorities and future demand.** In particular this will mean creating the capacity to support the delivery of 3 million apprenticeships nationally over the life of this parliament. This significant increase in the quantity and quality of apprenticeships will require a step change in funding, routed through employers and supported by the apprenticeship levy. Increasing their delivery of apprenticeships will enable colleges to diversify their sources of income. Each area review should consider how future provision can better support the growth of high quality apprenticeships which meet the needs of employers. The review should also consider how students can be better supported to transition on to apprenticeships once they have completed full time courses. Further detail on apprenticeships will be set out in a policy statement later in the year.

Area reviews, Structure and Prospects Appraisals (SPAs) and early intervention

Where an area review takes place its analysis will take the place of a SPA, and there will be no requirement for a separate SPA process. Clearly colleges will continue to consider their long term structural options, and we encourage colleges to conduct such thinking in advance of the area review process taking place. Where colleges consider there is a case for a separate SPA taking place in advance of an area review process they should engage with the FE or Sixth Form College Commissioner and ensure that the SPA does not remove options which an area review would want to consider. Where colleges are engaging in discussions about structural change they should ensure that their SFA or EFA lead is aware.

If Government intervention in a particular college needs to take place urgently, an area review will not prevent this from going ahead. The ongoing strengthening of the funding agencies' approach to early intervention and prevention means it is likely that individual cases will be identified and, if appropriate, referred to the FE and Sixth Form College Commissioners for assessment in parallel with the area review programme. The interaction between the individual college intervention processes and the area review process is set out at Annex B.

Governance – local area review steering groups (‘local steering groups’)

Each review will be led by a local steering group composed of a range of stakeholders within the area. Members will include the chairs of governors of each institution, the FE and Sixth Form College Commissioners, local authorities, LEPs, the funding agencies and Regional Schools Commissioners. The Department for Business, Innovation and Skills and the Department for Education will also be represented, either through or alongside the funding agencies, reflecting government’s responsibility for protecting students.

Areas with devolution deals, such as Greater Manchester, Great London Authority, Leeds City Region and West Yorkshire, Sheffield City Region and Cornwall, should take a leading role in their area review.

The local steering group will be chaired by someone who is independent from the providers involved in the review. In the cases of areas with devolution deals, the chair is likely to be a representative from the combined or lead authority; in other cases we would expect the chair to be either the FE Commissioner or the Sixth Form College Commissioner.

The local steering group will oversee and steer the review’s work. They will be able to call on wider expertise such as the Commissioners’ advisers in curriculum and financial matters, as well as experts in areas such as special educational needs and disabilities. The steering group will have a critical role in ensuring the coherence of the overall outcome for the locality – including alignment between institutions, with clear professional and technical progression routes that reflect local economic need, and are easily understood by young people.

It will be for the governing bodies of each individual institution to decide whether to accept the review’s recommendations, reflecting their status as independent bodies. Governing bodies will therefore be expected to engage proactively in the review process, and in particular to ensure that the analysis covers the options they would wish to be considered, taking account of their legal responsibilities. We are looking at what advice and support might be provided to support governing bodies in their considerations.

Local steering groups will be supported to keep accurate and sufficiently detailed records of all activities during the review process.

Roles and responsibilities

As set out in *Reviewing post-16 Education and Training Institutions*, area reviews will be a collaborative process involving a range of bodies.

We envisage that the following will participate in the review:

- **The FE and Sixth Form College Commissioners:** Responsible for ensuring consistency, quality and neutrality across all area reviews, ensuring boundary issues are addressed appropriately and ensuring reviews' recommendations are clear and deliverable. They will chair local steering groups, except when combined or lead authorities with devolution deals choose to do so.
- **Local Enterprise Partnerships (LEPs):** Contributing to the analysis of the current and future economic and educational needs of their area. Engaging in and supporting the review process including through their wider strategic economic development role and through use of their potential resource leverage including capital funding and other related funding streams like European Social Funding. Being impartial and economically driven, LEP involvement will allow the business voice to feature largely in the discussions and ensure there is a full understanding of employer demand.
- **Local authorities:** Contributing to the analysis of the current and future economic and educational needs of their area. Engaging in and supporting the review process including through their wider strategic role. Engaging with sixth forms in maintained schools. In addition, we expect **combined or lead authorities** (with devolution deals) to take a leading role, overseeing the process and chairing the local steering group.
- **Governing bodies:** Ensuring that all relevant options are considered for their institution. Taking decisions on the institutional recommendations. Leading implementation. As institutions are independent, each will need to make its own decision on its future. We have listed at Annex C the role, developed with the AoC Governors Council; we see governing bodies taking at the relevant stages of the process. We anticipate that conferences of the governors of the relevant institutions will be held both before and at the end of the review process. We expect chairs of governors to be members of the steering group, supported and informed by their principal or chief executive who will also attend subject to how the local steering group is organised and the size of the area.
- **Regional Schools Commissioners (RSCs):** Identifying any issues with school sixth form provision in the area, particularly academy and free school sixth forms and UTCs, and feeding these into the review through the local steering group. They will meet with all school sixth forms in the area at the beginning and end of the review, working with local authorities as appropriate. It will be important for RSCs to have an overview of how young people progress from school through to more specialised institutions, and what that implies for school based provision.
- **The Education and Skills Funding Agencies (EFA and SFA):** Facilitating the work and delivery of the review, including by supporting the collation and

presentation of data and analysis and using their funding levers to support the process. Supporting implementation.

- **BIS and DfE, and wider government including BIS Local:** Setting the national framework for the reviews and their implementation, facilitating access to delivery resources, advice and guidance, and undertaking a formal evaluation of the impact of area reviews. The Departments have also set up a national advisory group involving a wide range of stakeholders and partners including LEPs, local authorities, business, learners and providers to help shape the approach to area reviews.
- **Ofsted:** Providing local steering groups with a summary and analysis of inspection findings in relation to colleges and all other post-16 providers in the area covered by the review. Ofsted will carry out inspections from September 2015 in accordance with the newly-published *Further education and skills inspection handbook*⁷. This includes the types of inspection and their frequency.
- **Other supporting organisations:** A range of bodies will support institutions in going through the review, and in implementation. This will include the Education and Training Foundation and Jisc, and Annex E sets out more detail on the role they can play. The sector bodies such as the Association of Colleges, the Sixth Form College Association, the Chartered Institute of Further Education and the National Union of Students will also wish to play a full role in supporting the reviews for the benefit of their members.

The national approach to scoping and phasing area reviews will be overseen by the **National Area Review Steering Group**, which reports to the Minister for Skills, and includes the FE and Sixth Form College Commissioners alongside officials from BIS, DfE and the funding agencies. This Group will also be responsible for evaluating impact, including improvements in productivity and in outcomes for learners and employers.

Local **employers** are key stakeholders in the area review process. LEPs will represent the employer voice on local steering groups, and we expect each local steering group to consider how best to inform and engage with employers in the area and their representatives, such as the Chambers of Commerce.

⁷ See: www.gov.uk/government/publications/further-education-and-skills-inspection-handbook-from-september-2015.

We are putting in place arrangements to ensure that there is effective engagement with the **independent provider** network, including formal arrangements for discussion with representative bodies including AELP, Hoxex, Natspec and Third Sector National Learning Alliance. Similar arrangements are being put in place for **higher education institutions (HEIs)**, including through HEFCE and UUK.

There may be a need for early consultation with key **counterparties** of colleges, such as lenders and landlords, who may have an interest in the outcome of area reviews. We would expect this matter to be considered as necessary by colleges and the local steering group.

We expect all parties participating in the reviews to adopt the following general principles:

- A visionary approach, thinking strategically about options for the benefit of the area as a whole matched to local economic and educational needs, local outcome agreements and government priorities such as apprenticeships and high quality technical routes.
- An open-mindedness to change for the greater good, irrespective of vested interests and personal preferences.
- A willingness to seek best value in the use of resources, especially those arising from public funding, for the benefit of learners and employers.
- A strong commitment to collaboration and relationship building across local steering group members and other local stakeholders, recognising the importance of fully understanding and taking account of the views of learners and employers.
- An awareness of potential structural and pedagogical models (both informal and formal), including the pros and cons of each and relevance for the locality
- A sound financial planning capability to help ensure the optimum area-wide use of resources and discharging of debt to secure long term financial sustainability.
- A sound evidence-based analytical capability taking into account local labour market information, Ofsted data and the full breadth of data available for and about institutions in the area.
- A strong focus on quality improvement across the area including the offer for young people, adults and employers, and access to higher level routes.
- A willingness to embrace the possibilities provided by technology via blended, independent and online delivery and assessment, which can increase the quality and scope of provision and improve efficiency.
- An awareness of the potential efficiencies which can be achieved through consolidation of back office systems and the adoption of shared services.

- The right balance of skills to take the local steering group through the area review process, including an ability to recognise the characteristics of resilience and sustainability in the development and assessment of options and recommendations.
- A preparedness to recognise other interests and cultures and to preserve these where possible in determining outcomes.
- A continued commitment to ongoing operations during the area review process.
- A willingness to learn the lessons communicated by the FE and Sixth Form College Commissioners and from others with experience of the area review process and SPAs.
- A willingness to utilise sector learning and development support.

Funding

We will expect colleges, LEPs and local authorities with relevant devolved skills budgets to provide funding and support to implement changes, particularly as we expect change to deliver significant net savings in the longer term. Government finance would need to be provided as a last resort.

Area review experience

Aspects of the area review process have been tested in the City of Nottingham and in the Great Yarmouth, Lowestoft and North Walsham area of Norfolk and Suffolk. The core expectations set out in this document build on and take account of the lessons learned from these reviews. The summary reports of these reviews are available on gov.uk⁸.

⁸ See: www.gov.uk/government/publications/further-education-commissioner-intervention-summary-assessments

Project start and gateway – how a review is triggered

The National Area Review Steering Group gateway

The National Area Review Steering Group (‘the National Steering Group’) will advise Ministers on initiating reviews and their scope, and how the reviews are progressing. As set out in *Reviewing post-16 Education and Training Institutions* it is expected that there will be a phased series of reviews over an eighteen month period which will cover all FE and sixth form colleges.

When area reviews take place they will be based on:

- A risk assessment by the FE Commissioner, Sixth Form College Commissioner and the funding agencies which identifies that a particular area should be prioritised. This might be in response to specific problems arising with one or more individual institutions in a given area.
- A local area bringing forward a proactive proposal. In particular, we would expect local areas securing devolution deals to come forward with proposals.

Proactive proposals for area reviews from localities

The National Steering Group will engage with local areas which wish to move ahead proactively with the process. It will be keen to consider proposals which are jointly supported by the following:

- Educational institutions, including FE and sixth form colleges, and potentially schools with sixth forms, HEIs, independent and local authority providers.
- Local and combined/lead authorities with devolution deals.
- LEPs and other economic development partners.

In developing a proposal for an area review, localities should consider (a) the economic and educational needs of their area, including urgent issues that need to be addressed and (b) major risks to all types of existing provision, including quality and financial risks in colleges.

Local areas that wish to put forward a proposal to the gateway should contact area.reviews@education.gsi.gov.uk in the first instance.

The National Steering Group will agree the proposals and schedule the timing and phasing of all area reviews through the gateway process. We intend to publish the list of area reviews agreed by the National Steering Group, as it is agreed, including the indicative phasing.

Defining an area

Areas to be covered by reviews will be defined by reference to (a) relevant functional economic area, and (b) population area – including travel to learn patterns. In some areas, such as those where there are combined or lead authorities with devolution deals, there will be natural political and economic boundaries. In some cases a LEP may cover the right zone for an area. However, an element of flexibility will be retained to ensure that relevant institutions can be included and are not separated by artificial boundaries. The National Steering Group will consider how the proposed boundaries fit with other area reviews as part of the gateway process.

Where a college is on the border of more than one review area, we would expect to see it formally take part in one review but its presence be taken into account by, and it consulted about, other reviews that could also affect it.

Defining the scope of institutions to be covered

Proposals for reviews should identify institutions in scope, which will normally include the FE and sixth form colleges in the area, and indicate their willingness to participate.

Other providers, including school sixth forms, HEIs, local authority and independent providers can opt in to the review process if they wish and the local steering group agrees. We would expect those opting in to do so at the beginning of the process. In particular, large providers of further education (with budgets of over £5m) whether community learning, basic skills or professional and technical skills up to level 5 may wish to consider participating, recognising the potential for the outcomes of the reviews to impact on them directly. In practice we expect that all institutions making a significant contribution to post-16 provision in an area will wish to participate in a review.

All post-16 providers will be in scope for the initial analysis phase. Effective arrangements should be put in place to communicate with all providers in an area about the review, giving them the opportunity to consider whether to opt in and to inform the analysis phase. The Regional School Commissioners and local authorities will have a role in engaging with school sixth forms. The analysis should consider how young people progress through the system in that locality from one provider to another, the effectiveness of those progression routes, and how they align with local economic need.

The challenges facing the post-16 sector apply across the board and all providers need to respond proactively and constructively. Therefore, reports on area reviews may make general observations about opportunities for collaboration, improved progression and signposting, and efficiency savings across all providers.

We want to encourage school sixth forms to collaborate to a greater extent to help drive efficiencies. Similar provision in sixth forms is often duplicated in relatively small geographical areas when it could be delivered in a more joined up way. This may be particularly the case where sixth forms are very small, as some evidence raises concerns about the costs, breadth of offer and outcomes for these providers.

Separately, we are reviewing the criteria for the opening of new school sixth forms because of the risk of oversupply in various local areas.

Starting the process

In agreeing the case for a review the National Steering Group will consider the appropriate timescales, roles and responsibilities and resource available to support it. These will be set out in formal letters from the FE and Sixth Form College Commissioners to the institutions, local authorities and other key partners involved. A high level statement setting out the intention to conduct the review, including the relevant area, timescales and roles and responsibilities will be published on GOV.UK⁹

Timescales

Timescales for a review will vary depending on an area. In some cases where there is a large combined authority, it may be that a review takes place over several phases to ensure areas of high risk are dealt with urgently. In some areas, where there may be only a few relevant institutions in scope, a review may be able to be completed quickly. Our early review experiences have indicated that a typical timescale for a review is around 3-4 months.

Reviews should take place as quickly as possible. We expect all area reviews to be completed in around eighteen months, by March 2017.

⁹ See: www.gov.uk/government/collections/post-16-education-and-training-area

Review phases

A flowchart setting out the review process at a high level is attached as Annex F.

Each review's considerations and recommendations will be based on robust evidence, taking account of analysis and mapping data. A review delivery team will be established for each review which will include FE and Sixth Form College Commissioners' advisers and staff from the funding agencies. The delivery team will be supported by local authorities, LEPs and RSCs, and will draw on any analytical resources or products they can make available. Delivery team members will be experienced in the FE and sixth form college sectors and independent of any of the providers involved in the review. The analysis will follow a framework agreed by the FE Commissioner and the Sixth Form College Commissioner, to ensure neutrality and consistency.

Economic need analysis

The review will be supported by an underpinning analysis which will cover:

- The current and future economic priorities of the area. We expect this analysis to be led by the local authorities and LEPs with support from the Commissioners' advisers and funding agencies. The aim will be to look at the future needs for the next 5-10 years, where possible.
- The current and future demand for education and training at age 16 plus in the area, including longer term demographic change. This will be supported by the funding agencies, but will also draw on local authorities' and institutions' data.
- The progression routes for young people from school to other education and training providers, the extent to which these align with local economic needs and priorities and meet the needs of employers
- An assessment of the level of publicly funded provision which is affordable in the local area in the context of both central government funding decisions and contributions that LEPs, local authorities and others may be able to make.

Analysis of current provision and delivery arrangements

The review will consider an analysis of the current post-16 provision (including schools, independent and local authority providers and HEIs) including local capacity, the quality and outcomes secured and relevance to economic needs, taking account of delivery across the range of provision in the area, the opportunity for greater specialisation and the views of learners.

It will also analyse the position of individual institutions in scope of the review in terms of their quality, curriculum offer, finances and estate, with a focus on FE and

sixth form colleges. This process will include site visits – to interview the key people, ask pertinent questions, consider financial performance and quality, review the estate and take the views of students and staff.

The review will take account of the sub-contracting arrangements in place and the impact on the independent sector, reflecting the importance of this sector in delivering apprenticeships and a wider range of provision.

Options analysis

The local steering group will set out the options which should be considered as part of the review. Curriculum options may involve rationalisation of curriculum and opportunities for greater specialisation. Institutional options will include structural options such as formal mergers and looser forms of collaboration as well as closures. In this context, the FE Commissioner has published an evaluation of mergers and models of collaboration in the college sector¹⁰. The local steering group should also consider recommendations on scope for improved delivery for learners and employers and more efficient local working practices, for instance local procurement frameworks, better use of technology or shared services. In considering options the local steering group should consider the impact on groups of learners with protected characteristics in line with the requirements of the Equality Act 2010.

Local steering groups should identify the options that are relevant to their particular areas. Over the entirety of the English FE and sixth form college sector, our expectation is that the scope for rationalisation and greater efficiencies will lead to fewer, but stronger individual institutions.

The options will be evaluated by the review delivery team, engaging closely with the individual institutions, and will be scored against established criteria, weighted by the local steering group where appropriate, at the outset. The criteria include:

- Meeting the current and future needs of learners and employers, and taking account of local outcome agreements.
- Feasibility and financial sustainability.
- Raising quality and relevance, including delivering better outcomes.
- Achieving appropriate specialisation.

¹⁰ See: www.gov.uk/government/publications/current-models-of-collaboration-post-14-further-education-fe-commissioner-letter

In addition to considering options for the institutions directly involved in the review, the review will also consider implications for other institutions in the area.

In some cases it is likely that local steering groups will wish to consider options involving merging institutions. In these cases it will be important to recognise that a merger is not the objective but the process. Raising productivity and successful economic growth requires not just merger or collaboration but effective mergers where the benefits are achieved i.e. not just two sets of senior management reducing to one. The process requires appropriate mergers, reviewed with proper due diligence, including a full review of post-merger integration benefit, site reviews and curriculum re-design ahead of a merger. An important element of a merger process is the selection of the new senior post holders; we would expect the default position to be fair and open recruitment processes to fill the key roles in the newly merged institution. The local steering group should consider any approvals required by key counterparties, such as lenders, and ensure early engagement and consultation.

The role played in the local steering group by the FE and Sixth Form College Commissioners will help to ensure that the recommendations it develops and agrees are consistent with the national framework set out in this guidance.

Governing body deliberations

Governing bodies will be responsible for deciding whether to accept agreed recommendations in relation to their institutions. In considering the outcomes of reviews it is important that college governors give careful weight to the long term stability of their institution. This will need to take account of their broader duty under charity law to comply with their legal obligations as charity trustees in exercising control and management of the administration of the college as a charity. The Secretary of State retains powers to intervene in colleges where there are substantial concerns that it is being mismanaged or significantly underperforming.

We expect institutions to take action, in light of the findings of a review, to ensure that they are resilient and able to respond to future funding priorities. Ultimately we expect the funding agencies, LEPs and national partners only to fund or support institutions that have taken action to ensure they can provide a good quality offer to learners and employers, which is financially sustainable for the long term.

Stakeholder engagement and publication

Local steering groups will need to develop and implement a strategy for engaging with, and managing, local stakeholders. Engaging and encouraging contributions from learners, employers, other providers not directly affected and local communities should be evident throughout the review process. This engagement is central to the overall success of reviews, particularly as one of their key outputs is to ensure that

the profile of provision meets the current needs and future priorities of learners, employers and communities. It is important that disadvantaged and under-represented groups are actively involved in reviews.

Agreeing a media/PR strategy is also essential at the outset of the process, together with an agreed internal communication strategy for those staff and students likely to be affected.

Similarly, it is important that the area review process is open and transparent, and that findings and lessons learned from each review can be shared to inform the next wave of reviews. Following the final local steering group meeting, a summary of the review's analysis and recommendations will be published on gov.uk¹¹.

Implementation

Implementation of the outcomes of reviews should be underway as soon as practicable. Effective implementation will be critical, and often requires a different skill set and resources to those required to effectively run an institution which is in a 'steady state'.

The local steering group should oversee production of an implementation plan which includes:

- Timescales, with an expectation that change happens swiftly, e.g. in time for the next academic year when possible so that disruption to students is minimised.
- Plans for consulting and communicating with staff, students, employers and others affected by the changes.
- Monitoring the impact the changes are making in terms of improved outcomes for learners and employers, and improved delivery by colleges including financial position and efficiency savings.
- Reporting to the National Steering Group on the outcome of the implementation.
- Ongoing arrangements for collaboration in the area to maintain an effective local offer.

¹¹ See: www.gov.uk/government/collections/post-16-education-and-training-area

Detailed monitoring of the implementation plan will fall to the funding agencies. In addition, the National Steering Group, including the FE and Sixth Form College Commissioners, will oversee how implementation is progressing. It will receive regular updates on, and retain an interest in, the speed and effectiveness of implementation. It will report to the Minister for Skills at a high level on implementation of review outcomes and the impact they are making. The departments will also undertake a formal evaluation of the impact made by area reviews.

We will work with relevant organisations to ensure that the right support is available to institutions that are going through a process of structural change. We would expect support from key players at both national and local level such as LEPs, Ofsted, the Education and Training Foundation and Jisc. Annex E sets out the support offered by ETF and Jisc.

Annexes

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Annex A: Institutes of Technology

The post 16 skills system is critical to our strategy for raising productivity and economic growth. However, the UK suffers from several weaknesses in its skills base that have contributed to its longstanding productivity gap with France, Germany and the US. We perform poorly on intermediate professional and technical skills, and the UK is forecast to fall to 28th out of 33 OECD countries for intermediate skills by 2020.

To address this shortage and the productivity challenge a new system and approach to delivering professional and technical education is needed. As set out in the Government's productivity plan, a major plank of reform will be the creation of a small number of clear, high quality professional and technical routes to employment. Strong independent institutions with a specific focus on the delivery of high quality technical education are needed to support this ambition. While there are many excellent academies, colleges and providers delivering high quality provision, some of which is technical, provision across the country is patchy and learner and employer satisfaction is mixed. Employers consistently report difficulties in filling technician-level (levels 3-5) vacancies and labour market analysis reports a need for as many as 700,000 science, engineering and technology-related technicians over the next 10 years.¹² The current arrangements under which a large number of institutions seek to provide technical education of this sort spreads investment thinly and makes it hard to achieve the scale needed to ensure adequate investment in facilities and staff to deliver a consistent and high-quality offering.

We will establish a new network of prestigious Institutes of Technology that will provide the higher level skills that employers demand, primarily at levels 3 to 5. We envisage that there will be one IoT per LEP area, although we recognise that there will be exceptions in certain areas. IoTs should operate collaboratively and complement other providers, including FE and sixth form colleges, National Colleges and University Technical Colleges. They should form part of the simplified system of professional and technical routes.

As part of an area review we would expect the local steering group to consider the case for an IoT in the area and whether any of the current college facilities could

¹² BIS (2014) Research Paper No 171: Technical Apprenticeships (citing data from UKCES Working Futures 2012-2022).

provide the basis for the IoT, recognising the need to ensure strong employer ownership of any proposals. Considerations will begin with an analysis of the demand from employers for higher level skills, the degree to which the current provision and delivery arrangements meet this demand and the opportunity for greater specialisation and focus on these particular skills. This analysis should examine the need for an IoT and the impact it would have on the area. It will inform the recommendation for how and where an IoT should be established.

Recommendations for the establishment of an IoT should be considered by the National Steering Group and endorsed by BIS to ensure that it delivers the original policy intention. The National Steering Group will also monitor at a high level how implementation of Institutes is being taken forward and the impact they are making.

We expect to set out more detail on Institutes of Technology in a policy statement later this year. In advance of that officials will be able to provide further guidance as part of the review process.

Annex B: Area reviews and the college intervention regime

During the programme of area reviews, where a college triggers the criteria for intervention as set out in *Intervention in Further Education: the strengthened intervention process*, or the DfE's published accountability policy, the existing intervention process will continue to apply. In summary, this means that the Commissioners team will conduct an initial assessment of the college and provide recommendations to Ministers regarding appropriate next steps.

As set out in *Reviewing post-16 Education and Training Institutions*, the funding agencies are continually developing their ability to identify potential issues, both in terms of quality and financial health, at an earlier stage. The Commissioners' and funding agencies' experience is that a drop in quality is closely related to deterioration in financial health, therefore it is important to closely monitor both.

While we need to respect the autonomy of individual colleges there is action that can be taken to support the sector to identify and rectify potential problems quickly.

For example, through strengthened clauses in their funding agreements, the funding agencies are putting in place a range of measures to support early intervention. Section 4 of *Reviewing post-16 Education and Training Institutions* sets out in more detail early action that could be taken where colleges are identified as being at risk, including increasing levels of quality and financial expertise on boards, requesting recovery plans and conducting cost scrutiny exercises.

These changes are intended to ensure that the issue of financial stability is firmly on colleges' agendas without requiring recourse to a formal intervention process. They provide colleges with an opportunity to resolve issues at an earlier stage, when the time and cost of doing so is less. However, where serious issues are identified, formal intervention will continue to be taken to ensure rapid and robust action is undertaken to address underperformance.

Where intervention, either by the Commissioner (under the arrangements set out in *Rigour and Responsiveness in Skills*¹³ or by the funding agencies, occurs in parallel with, or immediately precedes, a review of the relevant area, then the college in intervention will be assessed in the usual way but placed in the context of the wider analysis of local economy, employment opportunities and overall curriculum offer.

¹³ See: www.gov.uk/government/publications/rigour-and-responsiveness-in-skills

Where a college is in intervention, additional funding levers and, in exceptional circumstances, legislative controls will be available to ensure the end outcome for the college best meets the needs of local students, employers and the wider community.

Where an individual college's intervention is completed in advance of the wider area undergoing an area review, the Commissioners' recommendations to Ministers will always take account of the future review of the area.

Flexibility will be maintained around the scheduling of area reviews to allow a review to be brought forward where the position of a college in intervention is such that it is not appropriate to look at the college in isolation. It may also be appropriate to accelerate a wider area review where a Commissioner's assessment recommends that a structure and prospects appraisal be conducted, particularly where initial findings suggest the college is not viable as a standalone entity.

Annex C: The role of the governing body in area reviews

During the review process

Governing bodies will be expected to:

- Take an active role in the local steering group through the chair.
- Ensure the review covers the options they wish to be considered.
- Continue to comply with their legal obligations as charity trustees.
- Take decisions on local steering group recommendations so far as they affect the status or operations of their institution.
- Lead implementation of the local steering group's recommendations.

Implementing review recommendations

Governing bodies involved in implementing the recommendations will need to demonstrate:

- Continued collaboration with local partners on implementation and delivery of outcomes.
- Close collaboration with any other governing bodies involved in implementation.
- Strong organisational and business planning capabilities, particularly in the areas of finance, curriculum planning and quality improvement to ensure the delivery of plans.
- That all new and continuing institutions (including any new informal/formal federated structures) have the capability to be resilient, sustainable and sufficiently flexible to respond to future funding priorities and the need for income generation.
- That any informal/formal federated structures recommended by the local steering group are taken into account in line with expectations.
- That future financial and quality targets are based on realistic projections, rather than aspirational ones.

Post implementation

Governing bodies of new and continuing institutions post-implementation will need to demonstrate that they:

- Have a recently reviewed, diverse membership with the capability, skills and characteristics, experience and commitment to drive the new institution forward.
- Have a strong business and commercial acumen commensurate with the size and complexity of organisations arising from an area review.

- Have taken into account the views of local employers and local stakeholders involved in delivering the economic plan for the area (LEPs / LAs).
- Can develop and implement a long-term vision, enabling better prediction of difficulties arising in the future.
- Are able to demonstrate complete independence in light of potential legacy issues (in the case of merger).
- Have structures in place to successfully manage a fast-moving business (and in the case of merger, multiple sites and different organisational cultures).

Annex D: Quality standards for area reviews; information and data

Delivering world-class skills requires all learning provision – for young people and adults – to be of the highest quality. Therefore, assessing the quality of institutions in an area is essential to understanding which institutions are offering outstanding provision; where performance needs to improve; or where provision needs to be rationalised or undertaken elsewhere. Raising quality will be an important element of the scoring criteria against which options will be assessed.

There are a number of aspects to assessing quality:

- Understanding the current quality being delivered by all post-16 providers in an area and how well it is meeting the current and future needs of the area. This assessment will cover a wide range of factors and include policies and procedures that will ensure providers meet their legal obligation around safeguarding and Prevent including complaints handling and whistleblowing.
- Ensuring that current and future students' and employers' education and training needs are delivered by institutions that have high standards and have the capacity and ambition to raise those standards even further and ensure even higher levels of positive outcomes for learners.
- Assuring the local steering group that all institutions have been thoroughly and objectively assessed against rigorous quality standards to inform recommendations.
- The performance data used to inform quality discussions is uniform between areas to ensure consistency in the area review process across the country.

Information and data

The funding agencies (EFA and SFA) will provide detailed data about post-16 provision to support the review team's analysis work. Key data will include: financial health, funding and learner number patterns; curriculum delivery at all levels, including apprenticeships data to look at supply and demand, curriculum crossover and fit with local need; Ofsted grades; learner outcomes data such as qualification achievement rates, point scores, value added, minimum standards measures and destination measures; demographic information such as cohort and travel to learn data. The team will also review economic data such as deprivation, local employment patterns and key sectors.

This data will inform the review delivery team in assessing the fit of current provision with local need, presenting key findings to the local steering group and in an evidence-based assessment of potential options for change.

Ofsted has also agreed to provide to local steering groups a summary and analysis of inspection findings in relation to colleges and all other post-16 providers in the area covered by the review.

This information about provision will be set against information about current and future needs. Some LEPs and local authorities will have detailed information about the current and future needs of their areas, taking account of the Labour Market Information available from UKCES.

The review delivery team, in conjunction with other partners, will work to address any gaps in the information and data available.

Delivering Future Reforms

Another aspect which will be considered is how far institutions will have the capability and capacity to deliver a quality offer to students and employers in the future. There is an ambition to deliver 3 million apprenticeships against new standards as well as traineeships, reformed A levels, GCSEs and professional and technical courses to higher levels.

It is also imperative that the needs of all students are considered, including those with learning difficulties or disabilities, vulnerable adults and the low skilled and that there are providers with a strong track record in helping students to live independent lives and gain employment.

It is intended that the area reviews will support greater collaboration across local partners and the production of local outcome agreements which set out the needs of the area, the outcomes being sought (in terms of destinations and progression) and how providers will be meeting these.

Annex E: Supporting change: the Education and Training Foundation and Jisc

Education and Training Foundation

The Education and Training Foundation (ETF) will provide support to the FE and training sector through the Area Review process. As the sector-owned, government-backed support body they are uniquely positioned to support managers, leaders, governors and practitioners, as well as work with LEPs and other partners in playing their role excellently and objectively.

ETF will offer events, training and consultancy to: build personal and organisational resilience and capacity; equip governors to scrutinise options; support chairs in their roles; and promote and embed professional standards, to protect high quality education and training through periods of turbulence.

Through the completely refreshed and renewed Staff Individualised Record (SIR) data collection process, ETF will provide a free service to Colleges which allows more sophisticated benchmarking and analysis of their workforce than ever before.

For governors, including clerks, support is available through the ETF's Excellence in leadership and management (ELMAG) portal.¹⁴ This includes courses on financial support for governors, recognising the need for fiscal discipline and building on feedback from the FE Commissioner.

The national governance development programme, delivered in partnership with the AoC, is set up to meet sector demand for support across a range of current priorities. The programme of National Leaders of Governance webinars and regional events will be adapted to ensure they address the needs arising from Area Reviews.

The ETF's leadership programme also includes a key strand of activity on localism¹⁵ and will continue its new seminar series with a focus on Area Reviews, mergers & collaboration, and the implications for leaders.

ETF will offer more support, commissioned through ELMAG, in the Autumn and will host a leadership summit this year where Area Reviews and remodelled leadership

¹⁴see www.elmag.org.uk

¹⁵ reports published here <http://www.et-foundation.co.uk/supporting/support-leaders-managers/>

approaches will be a focus, building on the outputs and resources from current local leadership exchanges.

Jisc

Jisc (a registered charity owned by the HE and FE sectors) champions the use of digital technologies in UK education. BIS provides grant funding to enable Jisc to offer a wide range of organisational consultancy, advice, and guidance that enables colleges and providers to make best use of technology to improve delivery of teaching, assessment and administrative systems, in order to drive down costs. Jisc provides a range of services that support and accelerate transformational change, enhance digital capabilities and deliver network and business resilience, including through its direct work on the Further Education Learning Technology Action Group (FELTAG)¹⁶. Jisc advised and assisted colleges in Scotland and Wales to reorganise and is able to offer this experience to area review teams in England.

Jisc is therefore well placed to support area reviews and their implementation by offering advice, guidance and consultancy services tailored to the needs of institutions. In particular, given its knowledge and skills, Jisc will be able to support effective implementation of review outcomes, particularly where they relate to creating new infrastructure and delivery models based on use of technology.

There is clear evidence of potential for improved services and savings from an approach that considers technology:

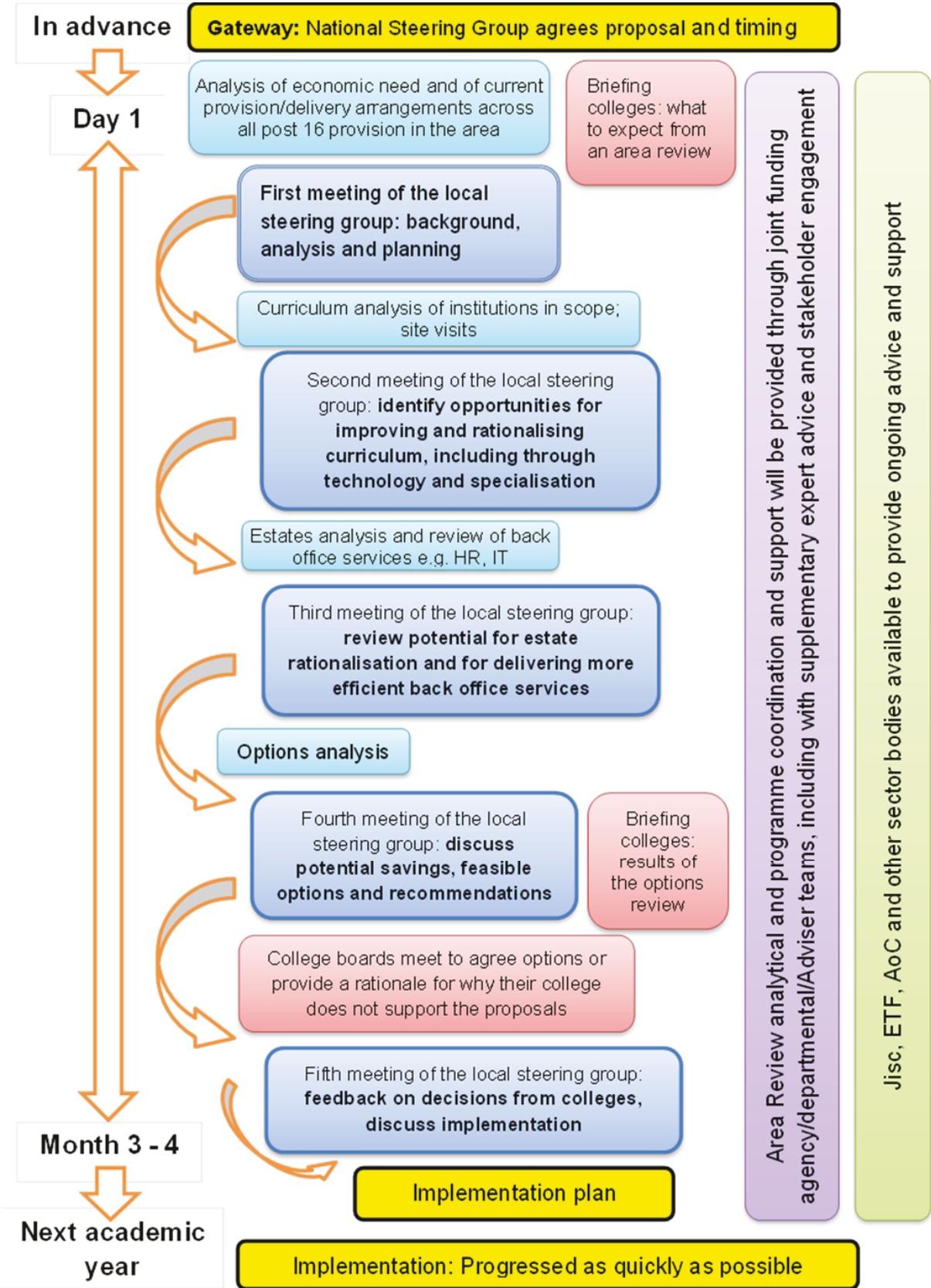
- By transforming the delivery of their provision to incorporate blended learning Heart of Worcestershire College has achieved an 11% increase in achievement rates and efficiency savings of £250,000 p.a. over four years.
- Bedford College has seen an increase in achievement rates of 5.5% over three years since the implementation of an electronic tracking system, which is now being used by other colleges.
- City of Liverpool College Group project 12-20% of non-curriculum budget savings by shared service model (equates to recurrent circa £3-£5m savings). Also saved circa £50K in investment costs of taking up storage space within Jisc Infinity data centre compared to commercial equivalents.

¹⁶see www.feltag.org.uk

- University of West of England calculate that a move of student email into the cloud generates circa £30K/year savings compared to hosting themselves (for 30,000 students). Similarly, moving to cloud served infrastructure and storage generates a further £1.3m of recurrent savings.
- Centrally negotiated frameworks and procurement, such as Telephony framework, enables mini-competitions to be run quickly and effectively, reducing procurement timeframes, as well as delivering cost savings on delivery – Bishop Auckland College saves £2k/month through negotiations delivered through the Telephony framework
- Jisc will shortly publish a paper on mergers and resilience in FE¹⁷ which shows the significant potential of technology in improving the curriculum offer and securing back office savings e.g. Glasgow College Group identified £255K investment savings during their merger as part of Scotland's Regionalisation agenda.

¹⁷ See: www.jisc.ac.uk

Annex F: Area review high level flowchart





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