Further Education: Post-16 Area Reviews

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Summary

In July 2015, the then Skills Minister, Nick Boles, announced plans for “a restructuring of the post-16 education and training sector, through a series of area based reviews of provision.” The 37 post-16 area reviews were carried out over a two year period beginning in September 2015.

The reviews were intended to enable a transition towards fewer, larger, more resilient and efficient providers, which are more specialised and collaborate more effectively. They focused on further education (FE) colleges and sixth form colleges, but the Government stated that the quality and availability of all post-16 education and training provision in an area would be taken into account. Concerns were raised about whether the reviews could provide a sufficiently comprehensive look at provision in an area without focusing on all post-16 providers, including school sixth forms.

Each review was led and overseen by a ‘local steering group’ consisting of chairs of governors, Local Enterprise Partnerships (LEPs), local authorities, FE and Sixth-Form College Commissioners and Regional School Commissioners. Reviews started by assessing the educational and economic needs of the area before evaluating institutional options to meet that need. The options could include, among other things, greater specialisation, mergers or closures of institutions. Institutions were responsible for deciding whether to accept any recommendations arising from a review, but the Government expected them to take action in light of a review’s findings.

While colleges, local authorities and LEPs were responsible in the first instance for funding any changes resulting from the reviews, the Government made some funding available in the form of transition grants and via a restructuring facility. The administrative process of the reviews themselves was funded by the Government.

Following some delays, the last of the area review reports were published in August 2017. The reports for each of the 37 reviews are available at: Further education area reviews: policy and reports. It has been suggested that the number of college mergers arising from the reviews is fewer than the 50-80 expected. In January 2017, the then Minister was reported as saying that over half of the 93 sixth form colleges had expressed an interest in converting to academy status; 20 had done so by April 2018.

The Chief Executive of the Association of Colleges has stated that the experience of colleges participating in the reviews was varied. In most cases, he said they served as a “useful prompt” for colleges to think about their strategy and relationship to other colleges, and in some places they were a “stimulus for working collaboratively after many years of being urged to compete”. There was also “no doubt”, he said, that the reviews triggered some mergers “which will lead to the rationalisation needed for longer term financial stability.”
1. The Area Review process

In July 2015, the then Skills Minister, Nick Boles, announced plans for “a restructuring of the post-16 education and training sector, through a series of area based reviews of provision.” The 37 reviews were carried out in five waves, with the first review beginning in September 2015 and the report of the final review published in August 2017:

- **Wave 1 (stated in September 2015):** Birmingham and Solihull; Greater Manchester; Sheffield city region; Tees Valley; Sussex; Solent; West Yorkshire.
- **Wave 2 (started in January 2016):** The Marches and Worcestershire; Thames Valley; West of England; Cheshire and Warrington; Stoke-on-Trent and Staffordshire; Surrey; London (west); London (central).
- **Wave 3 (started in April 2016):** Cumbria; Liverpool city region; London (south); Black Country; Coventry and Warwickshire; London (east); North and Mid-Hampshire.
- **Wave 4 (started in September 2016):** Leicester and Leicestershire; Gloucestershire, Swindon and Wiltshire; North East; Dorset; Greater Lincolnshire; Lancashire; York, North Yorkshire, East Riding and Hull.
- **Wave 5 (started in November 2016):** Essex; Derby, Derbyshire, Nottingham and Nottinghamshire; Somerset, Devon, Cornwall and Isles of Scilly; Hertfordshire; South East Midlands; Greater Cambridgeshire and Greater Peterborough; Norfolk and Suffolk; Kent.

**Box 1: Pilot review**

In January 2015 five colleges in Norfolk and Suffolk agreed to engage in a pilot area review facilitated by the FE and Sixth-Form College Commissioners. Following the review, three institutions are said to be considering a merger within a group structure, while two others considered options for formal collaboration. Further information is available in the summary report: [Review of post-16 provision in North East Norfolk and North Suffolk](#).

1.1 Rationale and purpose

The reviews were intended to enable a transition towards fewer, larger institutions, with more specialisation and greater collaboration across institutions types. Government guidance stated that each review should deliver:

- Institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment…
- An offer that meets each area’s educational and economic needs…

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1. [HCWS152, 20 July 2015](#).
3. [HCWS152, 20 July 2015](#).
• Providers with strong reputations and greater specialisation…
• Sufficient access to high quality and relevant education and training for all…
• Colleges well equipped to respond to the reform and expansion of the apprenticeship programme.4

A 2015 Government policy paper also emphasised that the area reviews needed to be done “in a way which addressed the significant financial pressures on institutions including a declining 16-19 population and the need to maintain very tight fiscal discipline in order to tackle the deficit.”5 The then FE Commissioner Sir David Collins, similarly stated in 2016 that the financial sustainability of the FE sector was a “key driver” of the reviews.6 The then Minister said in 2015 that while the purpose of the reviews was not to secure savings, evidence from the pilot reviews suggested that there was potential for efficiency savings to be made.7

Box 2: NAO report on financial sustainability in the FE sector

In July 2015, the National Audit Office (NAO) published a report on the oversight of financial sustainability in the FE sector. The report found that the “financial health of the…sector has been declining since 2010-11” and that “the number of colleges under strain is set to rise rapidly”. It further stated that “reductions and changing priorities in public funding”, along with a declining 16-18 population and increased competition from schools and colleges, had “combined to create a challenging educational and financial climate for many colleges”. The report recommended that decisions about whether to merge or close a college need to be “supported by good information on educational and skills needs in the area, and the capacity available to meet them”.8

1.2 Process

Areas

The areas to be covered by reviews were defined by reference to existing LEP boundaries, relevant functional economic areas, and population areas. London was divided into four reviews.

Institutions on the border of more than one review area were expected to take part in one review only, but be consulted about other reviews that it may be affected by.9

Institutions

The area reviews focused on further education (FE) colleges and sixth form colleges, but the Government stated that the quality and

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5 HM Government, Reviewing post-16 Education and Training Institutions, 20 July 2015, p3
6 Education Committee, Oral evidence: Area Reviews of Post-16 Education, HC 559, 26 October 2016, Q38.
7 PQ15484, 19 November 2015
8 National Audit Office, Overseeing financial sustainability in the further education sector, July 2015.
availability of all post-16 education and training provision in an area would be taken into account.10

Providers other than FE colleges and sixth form colleges, including higher education institutions and local authorities, could opt into the process if they wished.11 In addition, information on all post-16 providers in an area was included in the initial analysis phase (see below) and Regional Schools Commissioners were expected to feed into the review any issues with school sixth form and University Technology College provision in an area.12

Concerns were raised about school sixth forms, University Technical Colleges, 16-19 free schools and universities not being automatically included in the reviews.13 In its December 2015 report on the financial sustainability of the FE sector, the Public Accounts Committee discussed the issue:

The area-based reviews will cover FE colleges and sixth form colleges, but not school and academy sixth forms or other types of provider. The departments explained that this scoping decision had been made for two reasons: firstly to focus on the type of provision perceived to have the greatest need of restructuring; and secondly to keep the reviews manageable in scale. Therefore, while Regional Schools Commissioners will be involved in the reviews’ steering groups in order to inform them of any gaps or problems in school sixth form provision, no changes in school provision will be made as a result of the reviews. Furthermore, if a review concludes that there is over-provision for 16-19 year olds in a particular area, this will not influence the decisions made in response to any local schools or academies that might apply to expand their sixth form provision around the same time.

The Department for Education (DfE) needed to demonstrate, the report said, “that the area-based reviews are taking a sufficiently comprehensive look at local provision taking into account all FE providers and school sixth forms…”14

When questioned on the matter in September 2016, the then Minister, Robert Halfon, highlighted that other providers would be included in the analysis of provision in the area and could opt-in to the process if they wished.15 The FE Commissioner additionally argued that it would not be possible within the timescales of the area reviews to include all of the

10 HM Government, Reviewing post-16 Education and Training Institutions, 20 July 2015, p3
11 In April 2016, FE Week reported that a sixth form in Liverpool had been the first to opt-in to an area review: First sixth form school to opt in to post-16 area review, 22 April 2016.
12 HM Government, Reviewing post-16 Education and Training Institutions, 20 July 2015, p3
13 For example, see Survey reveals principals’ unease with area reviews, FE Week, 11 September 2015; Government publishes guidance on area reviews, Association of Colleges, 8 September 2015; and SFCA respond to announcement to review post-16 education, Sixth Form Colleges Association, 13 May 2015.
14 Public Accounts Committee, Overseeing financial sustainability in the further education sector, 16 December 2015, HC 414, pp6&12.
15 PQ 45053, 13 September 2016.
16-19 school sector because of the large number of institutions involved.16

1.3 Process

Government guidance set out the process for the area reviews. Further information was included in additional guidance for LEPs, combined authorities and local authorities, and in a statement of customer service to institutions, which set out what colleges could expect from the area review process.

Local steering group

Each review was led and overseen by a “local steering group” chaired by somebody independent from the providers involved (e.g. the FE Commissioner) and composed of:

- the chairs of governors of each institution;
- the FE and Sixth Form College Commissioners;
- local authorities;
- Local Enterprise Partnerships (LEPs);
- the funding agencies; and
- Regional Schools Commissioners.

The DfE was represented, either through or alongside the funding agencies.

Options analysis

Each review started with a series of analyses covering the needs of the area and the state of current provision. A range of structural options for the colleges involved were then tested, with the options considered including things such as rationalisation of curriculum, closures of institutions, mergers, looser forms of collaboration, and academisation of sixth form colleges.

Box 3: Academisation of sixth form colleges and VAT

Local authority maintained schools, academies and sixth form colleges all have to pay VAT on the taxable goods and services they purchase, but different arrangements apply. Local authority maintained schools and academies are subsequently reimbursed for these costs through VAT refund schemes; no refund scheme exists for sixth-form colleges. Sixth form colleges have argued that this places them at a disadvantage, especially since the introduction of a 16-19 national funding formula.

The Spending Review and Autumn Statement 2015 announced that sixth-form colleges in England would be given the opportunity to become academies as part of the area review process, allowing them to recover their VAT costs. The area review guidance additionally stated that academisation will enable sixth-form colleges which wish to do so to work in closer partnerships with schools.”17

Advice for sixth-form colleges on becoming a 16-19 academy, published by the Government in February 2016, provides more detail on the conversion process and highlights that for an application to be approved a sixth-form college will have to demonstrate that conversion will lead to “stronger partnership and collaboration with schools.” 18

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16 Education Committee, Oral evidence: Area Reviews of Post-16 Education, HC 559, 26 October 2016, Q54.
17 DfE, Further education area reviews, how they work, March 2016, p26.
18 DfE, Becoming a 16 to 19 academy: advice for sixth-form colleges, 19 February 2016, p15.
Recommendations
Following the ‘options analysis’ the local steering group met to consider recommendations. While governing bodies were responsible for deciding whether to accept the recommendations, the guidance on the review process stated that the Government expected public funding to only be provided to 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.”

1.4 Implementation
Guidance for colleges on the implementation of area review recommendations was published by the DfE in October 2016. The guidance provided an overview of the various phases of the implementation process and set out the “essential considerations” that colleges should take into account at each phase.

This stated that detailed monitoring of implementation would be undertaken by the funding agencies. In addition, the National Steering Group, which reports to the Minister and includes the FE and Sixth-Form College Commissioners alongside officials from Government departments and the funding agencies, would oversee how implementation is progressing. The Government also stated that it would undertake “a formal evaluation of the impact made by area reviews.”

1.5 Funding and cost
Colleges were in most cases expected to fund any short term investments required to implement area review recommendations. However, some Government funding was made available in the form of transition grants and a restructuring facility.

The restructuring facility
Colleges impacted by substantive area review recommendations but unable to fund the change themselves could apply for funding from a restructuring facility. £726 million was made available for this purpose.

In order to be eligible for funding from the restructuring facility, applications had to relate to substantive area review recommendations, and be submitted within six months of a review concluding. By default, funding took the form of loans and only covered a proportion

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20 DfE, Area reviews of post-16 education and training institutions: Implementation guidance, October 2016, p6.
21 HM Government, Reviewing post-16 education and training institutions: guidance on area reviews, March 2016, p27.
22 As above.
23 As above, p32.
24 HC Deb 14 May 2018, c12.
of the total costs identified. In exceptional cases, some non-repayable funding could be provided.

The guidance stated that “colleges will be expected to progress their planning for implementation quickly”, with no funding from the restructuring facility available after March 2019 and funding for waves 1 and 2 largely provided by March 2017.26

**Box 4: An insolvency regime for colleges**

The Government expects the area review process to “stabilise the financial position of the sector” and leave “each continuing college…in a financially resilient position.”27 However, it has additionally noted that the area review process does not remove the possibility of colleges failing financially in the future.28

With regards to what will happen in the event of future financial failure, the area review guidance set out the Government’s intention to introduce an insolvency regime, including a Special Administration Regime, for FE and sixth-form colleges, which would come into effect “around the end of the implementation of the area review process.”

A consultation on the proposed insolvency regime was published in July 2016 and legislation providing for it, *The Technical and Further Education Act 2017*, received Royal Assent on 27 April 2017. The area review guidance stated that the area reviews and the insolvency regime should be seen as a “coherent package to secure the future of a viable, sustainable and high quality college sector”. The area reviews and the restructuring facility, it said, “provide the time, space and resources to put the sector on a sustainable footing”, with the insolvency regime “intended “to provide part of a legal framework which ensures that the interests of learners and taxpayers are secured over the long term”.29

**Transition grants**

In a letter of March 2016, the then Minister, Nick Boles, announced that the Government would provide transition grants of between £50,000 and £100,000 “for each substantive area review recommendation to support colleges in accessing the change-management skills and capacity needed.”30

Grants of up to 75% of total eligible costs were provided, with a mandatory 25% contribution from the college.31 Applications for grants could only be made by colleges and had to be spent within one year of the area’s final steering group meeting. They could only be spent on relevant skills (for example, project management, legal, financial) or relevant services (for example, due diligence and asset valuation).

In August 2017, the Education and Skills Funding Agency published a document listing all the transition grants awarded up to 31 May 2017.32 A total of £5.5 million was provided up to this point. An article in the

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27 As above, p33.
28 DfE, *Developing an Insolvency Regime for the FE and Sixth Form College Sector*, October 2016, p3.
30 Letter from Nick Boles to college chairs and principles of independent learning providers, March 2016.
TES noted that a number of grants had been paid to support mergers that had subsequently fallen through.33

Cost of reviews
In response to a parliamentary question in September 2016 on the cost of the area review process to date, the Minister, Robert Halfon, stated that additional costs had “been minimal” as the DfE and its agencies had undertaken the work without any additional staffing. He further stated that where extra costs had arisen, they had been met by reprioritising existing resources.34

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33 Area reviews: Colleges receive £5.5m in transition grants, TES, 10 August 2017.
34 PQ 42685, 5 September 2016.
2. Committee inquiries

2.1 Public Accounts Committee report

On 16 December 2015, the Public Accounts Committee published a report, *Overseeing financial sustainability in the further education sector*.

As well as commenting on the scope of area reviews (see section 1.2 above), the report raised concerns that “with so many parties involved in running the reviews, there may be no clear process for making difficult decisions on the future of individual colleges.”

The departments explained that they expect steering groups— which include representatives of the community, local authorities and businesses—to present a consensus on the needs of the area, and to generate fully agreed recommendations. All parties should then work together to produce the desired outcome. However, if a college governing body disagrees with the steering group’s recommendations, ministers will need to decide whether that disagreement is reasonable. If the ministers conclude that the governing body is not being reasonable, the funding bodies could impose some additional funding conditions in an attempt to secure cooperation.

The report concluded that it was unclear how the area reviews would “deliver a more robust and sustainable further education sector”:

> It is unclear how area-based reviews of post-16 education, which are limited in scope, will deliver a more robust and sustainable further education sector. The departments appear to see the national programme of area-based reviews, which they announced in July 2015, as a fix-all solution to the sector’s problems. But the reviews have the potential to be haphazard, and it is too early to speculate on whether they will lead to significant improvements in local provision. Each review only covers further education and sixth form colleges, and does not include school and academy sixth forms or other types of provider. If a review concluded, for example, that there was over-provision of education for 16- to 19-year-olds in an area, it is not clear that this conclusion would have any influence over decisions regarding provision by local schools and academies. The departments also lack effective powers in cases where college governors do not accept, or will not implement, a review’s recommendations.

*Recommendation: The departments need to demonstrate that the area-based reviews are taking a sufficiently comprehensive look at local provision taking into account all FE providers and school sixth forms, that they are fair, and that they result in consensus on sustainable solutions to meet local needs* [emphasis in original].

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36 As above, p12.
37 As above, p6.
2.2 Education Committee inquiry

On 8 July 2016, the Education Committee launched an inquiry into the post-16 area review process. The Committee invited submissions on the following areas:

- The area review process so far and the impact of recommendations from local steering groups.
- The role of area reviews in mergers between institutions.
- The potential of area reviews to deliver savings and their likely impact on the financial sustainability of the further education sector.
- The role of Regional Schools Commissioners, local authorities and local enterprise partnerships in area reviews.
- The relationship between area reviews and other post-16 education providers such as university technical colleges and school sixth-forms.
- The extent to which area reviews and subsequent mergers take into account apprenticeship provision in the local area.38

The Committee held its first oral evidence session, with the FE Commissioner and representatives of college groups and local government from areas that have completed area reviews, on 26 October 2016. A further session, with representatives from college associations and the NUS was held on 30 November 2016.

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38 Post-16 education area reviews inquiry, Education Committee, last accessed 2 November 2016.
3. Outcome and evaluation of area reviews

3.1 Recommendations and outcomes

Following initial delays with the reviews in wave 1, the last of the area review reports were published in August 2017. The reports for each of the 37 reviews are available at: Further education area reviews: policy and reports.

It has been suggested by some that the reviews look like resulting in fewer college mergers than expected. In evidence to the Education Committee in October 2016, the FE Commissioner stated that he expected between 50 and 80 mergers in total to result from the area review process. He added that he expected “maybe just over half, maybe two-thirds” of sixth form colleges to go into the academisation programme. A summary of the review reports published by FE Week in August 2017 reported, however, that 52 mergers had been recommended, 15 of which had collapsed or been changed by August 2017.

A list of completed and planned college mergers in 2017 and 2018 is available on the website of the Association of Colleges at: College Mergers. This reports the situation as at 17 April 2018:

- 1 college-to-college merger took place in 2015
- 11 mergers took place in 2016
- 29 mergers took place in 2017 - 15 of them in August
- 6 mergers have taken place so far in 2018
- 8 mergers are planned to take effect in August 2018
- 2 university-college mergers are planned for 1 August 2018 implementation
- 20 sixth form colleges have converted to become 16-19 academies
- 6 more sixth form colleges have consulted on conversion or are in the process of making applications.

Issues had previously been raised, both within Parliament and outside, regarding the implications of a high number of college mergers, including the impact on teaching staff, the additional difficulties and costs for students, particularly in rural locations, who may have to travel.
further to college\textsuperscript{45}; and the financial penalties potentially faced by colleges which trigger break clauses in loan agreements with banks as a result of area review recommendations.\textsuperscript{46} On the other hand, there were also concerns reported about the area review process resulting in a “lack of change”.\textsuperscript{47}

In January 2017, \textit{Schools Week} reported that the then Minister, Lord Nash, had said that over half of sixth form colleges had expressed an interest in converting to academy status and a fifth had sent formal proposals to the DfE.\textsuperscript{48}

Reflecting on the area review process in August 2017, David Hughes, the Chief Executive of the Association of Colleges, stated that the experience of colleges participating in the reviews had been varied “with some finding them constructive and helpful, whilst others viewed them as distracting and irrelevant.” In most cases, he said, they served as a “useful prompt” for colleges to think about their strategy and relationship to other colleges, and in some places the area review “was stimulus for working collaboratively after many years of being urged to compete”. There was also “no doubt”, he added, “that some mergers were triggered which will lead to the rationalisation needed for longer term financial stability.”\textsuperscript{49}

3.2 DfE evaluation of area review process

In January 2018, the DfE published an \textit{evaluation} of the process for the Birmingham and Solihull, and Tess Valley area reviews. Both reviews took place in the first wave of reviews.

The evaluation report includes a table listing those elements of the area review process that worked well, along with the issues raised regarding the process. The report noted that changes to improve the area review process were made in the time after the research evaluation took place. The table lists those areas where improvements had already been implemented in response to issues raised.\textsuperscript{50}

\textsuperscript{45} PQ 36936, 12 May 2016; and HL Deb 4 February 2016, ccGC81-96.
\textsuperscript{46} PQ 24367, 10 February 2016.
\textsuperscript{47} For example see, \textit{Wave three of area reviews produced four merger proposals, FE Week}, 14 January 2017, and \textit{Delayed area reviews outcomes bring limited change, FE Week}, 2 December 2016.
\textsuperscript{48} \textit{1 in 5 sixth form colleges starts academy conversion process, Schools Week}, 18 January 2017.
\textsuperscript{49} \textit{With the end of area reviews, now colleges can get on with the real business, Association of Colleges}, 3 August 2017.
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