

Reorganisations

Further Education Corporation Reorganisations and Rationalisation Fund Support

Summary

This circular confirms the arrangements for consideration by the Learning and Skills Council (the Council) of proposals for further education corporation reorganisations (including mergers), applications for support from the Council's Rationalisation Fund 1999-2002, in 2001/02, and applications for name changes. It confirms the criteria and procedures for the dissolution and establishment of further education corporations, arrangements for transfer of further education corporations to the higher education sector, and the criteria and procedures for applying for financial support from the Rationalisation Fund.

Supersedes

FEFC circular 98/36 *Mergers, Transfers and Incorporations*

FEFC circular 99/15 *Rationalisation Fund 1999-02*



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Further information

For further information, please contact the appropriate Learning and Skills Council local office, or write to:

The Learning and Skills Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT

Summary

This circular confirms the arrangements for consideration by the Learning and Skills Council (the Council) of proposals for further education corporation reorganisations (including mergers), applications for support from the Council's Rationalisation Fund 1999-2002, in 2001/02, and applications for name changes. It confirms the criteria and procedures for the dissolution and establishment of further education corporations, arrangements for transfer of further education corporations to the higher education sector, and the criteria and procedures for applying for financial support from the Rationalisation Fund.

Further Education Corporation Reorganisations and Rationalisation Fund Support

Introduction

This circular confirms the Council's transitional and interim approach to considering applications from further education corporations for the dissolution and establishment of further education corporations, including mergers between further education corporations and transfers of further education corporations to the higher education sector. It also confirms arrangements for the third year of the Rationalisation Fund 1999-02.

Background

1 The current approach to considering proposals for reorganisation involving the dissolution and establishment (including merger) of further education corporations was set out in the Further Education Funding Council (FEFC) circular 98/36 *Mergers, Transfers and Incorporations* circulated in October 1998 to colleges and others with an interest. This circular made revisions to FEFC circular 97/11 *Mergers, Transfers and New Incorporations* arising from the consultative FEFC circular 98/19 *Revised Approach to Considering Merger Proposals*.

2 Arrangements for the consideration of applications for financial support for projects aimed at increasing the cost-effectiveness of provision and value for money within the further education sector were set out in FEFC circular 99/15 *Rationalisation Fund 1999-02*

circulated in April 1999 to colleges and others with an interest.

3 From 1 April 2001 the Council has taken over responsibility for considering and recommending proposals for the dissolution and establishment (including merger) of further education corporations to the Secretary of State for Education and Skills (the Secretary of State), who has the power to approve or reject such proposals. The Council, together with the Higher Education Funding Council for England (HEFCE), will consider and comment on applications for transfer of institutions between the further and higher education sectors. From 1 April 2001 the Council has also become responsible for the administration of the Rationalisation Fund, including the determination of new applications, and for the continuation of payments for projects previously approved by the FEFC, which become eligible for payment after 1 April 2001.

4 For 2001/02, transitional arrangements will operate as set out in this circular, pending consultation on any changes to the current arrangements.

Reorganisations Involving Further Education Corporations

Introduction

5 In 2001/02, the Council will continue to use the criteria for further education corporation reorganisations (including mergers) as set out in FEFC circular 98/36 *Mergers, Transfers and Incorporations* and its supplement 98/36S *Guidance on Mergers, Transfers and Incorporations*. The Council will also expect proponents to address the additional issues contained in points a to g in paragraph 8.

6 The Council will continue to use the procedures set out in FEFC circular 98/36 with regard to the Council's consideration of an initial outline proposal, consultation and consideration of a final full proposal. The local Learning and Skills Councils (local Councils) will consider both the initial outline proposal and final full proposal and make recommendations directly to the Secretary of State, where they consider appropriate.

Background

7 The statutory framework for the change in status of existing further education corporations and for the establishment of new further education corporations is provided by the *Further and Higher Education Act 1992* (the 1992 Act) and by regulations made under the provisions of the 1992 Act as amended by the *Learning and Skills Act 2000* (the 2000 Act) and by regulations made under the provisions of the 2000 Act. The 2000 Act does not substantially amend the 1992 Act in relation to changes in the status of existing further education corporations.

Criteria

8 The criteria against which the Council will consider proposals are as set out in FEFC circular 98/36 *Mergers, Transfers and Incorporations*, and these criteria will continue to apply for the current period. These criteria are set out at annex A. However, local Councils will also take the following into account:

- a. how and to what extent the proposal reflects the priorities set out in the Secretary of State's statement published as *Colleges for Excellence and Innovation*;
- b. the findings and recommendations of any area inspections (led by the Office for Standards in Education (OFSTED)) or area reviews (commissioned by the Council) relevant to the proposal;
- c. the extent of consultation with the relevant local learning partnership(s);
- d. the outcome of any national and/or local Council mapping of provision (that is, matching demand against supply of education and training);
- e. the Council's Corporate Plan 2001-04 and strategic plan/targets of the local Council(s) and national Council;
- f. the Council's duties under the *Learning and Skills Act 2000* to ensure proper and reasonable facilities for education and training;
- g. priorities outlined in the Secretary of State's letter of guidance to the Council of 9 November 2000.

Procedures

9 The procedures to be adopted in 2001/02 pending consultation are substantially those outlined in FEFC circular 98/36 *Mergers, Transfers and Incorporations* and its supplement 98/36S. The appropriate local Council will undertake the functions previously undertaken by the FEFC regional office and the local Council will also undertake those functions previously undertaken by the FEFC regional committee. College principals should make early contact with the appropriate local Council Executive Director to discuss their proposals. In addition, the proposal should be discussed with the appropriate local learning partnership at an early stage. Proponents should forward their initial outline proposal to the appropriate local Council office for consideration. This will be the local Council responsible for the area within which the college is located.

10 In the case of a proposal for reorganisation involving colleges in more than one local Council area, arrangements for joint local Council consideration will be made.

11 The local Council will consider the initial outline proposal, undertake consultation and consider the final full proposal, before deciding whether a recommendation should be forwarded to the Secretary of State.

12 The Council, at its meeting of 1 March 2001, confirmed that it would wish, wherever practical, to delegate decision-making on local issues to local Councils. Therefore, it is expected that most of the proposals considered and supported by local Councils are to be forwarded by them to the Secretary of State without further consideration by the national Council.

13 The Council has also agreed that there should be a national forum for consideration of such proposals in the event that a proposal

might have a material impact outside one local Council area, and to act as a second stage in the event of a dispute. The Council has established a sub-committee, the Infrastructure Committee, to help fulfil this function. Its terms of reference are to:

- a. consider, and provide advice to the local Councils on proposals for the incorporation or dissolution (including merger) of further education corporations and other matters referred to it by the Chief Executive or local Councils;
- b. consider, and provide advice to local Councils on applications for the transfer of further education institutions to the higher education sector and higher education institutions to the further education sector, referred to it by the Chief Executive or local Councils;
- c. consider, and provide advice to local Councils and the Chief Executive on proposals for school reorganisations or those involving local authority maintained provision referred to it by the Chief Executive or local Councils; and
- d. consider, and provide advice to the Council on proposals for future material changes to policy or administrative arrangements for the reorganisation function (including mergers).

14 The criteria for considering reorganisation proposals are provided at annex A; a summary of the procedures is provided at annex B; an initial outline proposal form is provided at annex C and an example of an executive summary of a full proposal is provided at annex D.

Transfers to and from the higher education sector

15 Applications to transfer to and from the higher education sector are made by colleges directly to the Secretary of State, who would normally consult both the Council and the Higher Education Funding Council for England (HEFCE) on the application. Paragraphs 16-19 below refer to further education corporations applying to transfer to the higher education sector.

16 Section 122A of the *Education Reform Act 1988* (the 1988 Act) as amended by section 74 of the 1992 Act states that the Secretary of State may by order provide for the transfer of a further education corporation to the higher education sector. Applicants must be able to demonstrate that the full-time equivalent enrolment number of the institution for courses of higher education exceeds 55 per cent of its total full-time equivalent enrolment number, as determined by schedule 9 of the 1988 Act.

17 Applications from colleges should be addressed to the Secretary of State rather than the Council. A copy should be forwarded to the Executive Director of the appropriate local Council. The Council's role is to provide advice and comments on the application when requested to do so by the Secretary of State.

18 Local Councils will consider transfer applications against the criteria set out for reorganisations in annex A and an additional criterion. The additional criterion is that the institution referred to in the application meets the requirement whereby 55% of its total full-time student enrolments are on courses of higher education as determined by schedule 9 of the 1988 Act. The institution should have exceeded the 55% threshold for at least two

recruitment cycles and show that its balance of HE and FE will be stable in the long term.

19 The Secretary of State would normally ask the Council and HEFCE for comments and advice on the application. The local Council's advice and comments and HEFCE's advice and comments will be provided as a joint response to the Secretary of State.

Proposals for a Change of Name

Procedures

20 A change of name of a further education corporation is approved by the Secretary of State in response to a request from the corporation. The application should be made to the Department for Education and Skills (DfES) and correspondence should, therefore, be between the corporation and the DfES. However, correspondence should also be copied to the local Council.

21 The request for a change of name should be sent to the DfES at:

**Governance and Organisation
Team Leader
Raising Standards Division
Department for Education and Skills
N3
Moorfoot
Sheffield
S1 4PQ.**

22 In order to inform the Secretary of State's decision, the DfES will expect corporations to provide evidence of consultation with local further education providers and other educational institutions, which might have an interest in the proposal, together with the results of that consultation. In particular, the

DfES will wish to be assured that the emergency services (fire, ambulance, police) are content with the proposed name change.

23 Where the change of name is proposed in conjunction with a reorganisation proposal, the reorganisation consultation document should contain details of the proposed change of name and should provide an opportunity for interested parties to provide comments. The Secretary of State will consider the request for a change of name as part of the overall reorganisation process.

24 The Secretary of State looks to the local Council for advice on a proposed change of name of further education corporations.

Criteria

25 In formulating that advice, the local Council will wish to be satisfied that the proposed name:

- is not confusing or misleading
- is not the same as that of another institution
- does not give a false impression of the type of provision on offer.

Guidance

26 The DfES has advised that:

- the words 'College of Higher Education' will only be available to be used by an institution which has been designated by the Secretary of State under section 72 of the *Further and Higher Education Act 1992* as eligible to receive funds administered by the Higher Education Funding Council

- the words 'College of Further and Higher Education' will only be available in future to institutions providing at least 30% higher education. The figure of 30% relates to the full-time equivalent enrolment number calculated in accordance with Schedule 9 to the *Education Reform Act 1998*, and does not include higher education provided by the institution under a collaborative arrangement
- the word 'University' should not be used unless the institution has received authorisation by Act or Royal Charter or has been approved by the Privy Council
- the words 'University College' should not be used unless the title has been approved by the Privy Council. Current policy is not to approve such a title unless the institution has degree awarding powers or is part of a university.

The Rationalisation Fund

Introduction

27 For 2001/02 the Council will continue to adopt the criteria and procedures for considering applications for financial support from the Rationalisation Fund as set out in FEFC circular 99/15 *Rationalisation Fund 1999-02*. The Council would expect proponents to address the additional issues contained in paragraph 30.

Background

28 The purpose of the Rationalisation Fund in 1999-02 is to support projects aimed at increasing the cost-effectiveness of provision and value for money within the further

education sector. In 1999/00, 2000/01 and 2001/02 £8.9 million, £7.01 million and £7.7 million revenue funding respectively was made available.

Eligible projects, financial support and prioritisation

29 For 2001/02, projects eligible for support from the Rationalisation Fund are those set out in FEFC circular 99/15 *Rationalisation Fund 1999-02*. The maximum levels of funding available and the way in which applications are prioritised will remain unchanged in 2001/02. The application rounds for category two projects have now been completed.

Criteria

30 The selection criteria set out in FEFC circular 99/15 *Rationalisation Fund 1999-02* will continue to apply during 2001/02. These criteria are set out at annex E. However, in considering proposals against them local Councils are also asked to take the following into account:

- a. how and to what extent the proposal reflects the priorities set out in the Secretary of State's statement published as *Colleges for Excellence and Innovation*;
- b. the findings and recommendations of any area inspections (led by the Office for Standards in Education (OFSTED)) or area reviews (commissioned by the Council) relevant to the proposal;
- c. the extent of consultation with the relevant local learning partnership(s);
- d. the outcome of any national and/or local Council mapping of provision (that is, matching demand against supply of education and training);

- e. the Council's Corporate Plan 2001-04 and strategic plans/targets of the local Council(s) and national Council;
- f. the Council's duties under the Learning and Skills Act 2000 to ensure proper and reasonable facilities for education and training;
- g. priorities outlined in the Secretary of State's letter of guidance to the Council of 9 November 2000.

Procedures

31 In 2001/02 funds will be held centrally by the national Council but administered locally by the local Councils. Given the number of local Councils that are likely to require funds it would not be appropriate to distribute funds on a formula basis.

32 The procedures for 2001/02 are substantially those outlined in FEFC circular 99/15 *Rationalisation Fund 1999-02*. The appropriate local Council office will undertake the functions previously undertaken by the FEFC regional office and the local Council will undertake those functions previously undertaken by the FEFC regional committee.

33 Applications by colleges for support from the Rationalisation Fund should be made to the relevant local Council. An application form is attached at annex G. The local Council will decide whether to support an application and if so the amounts it recommends at each stage of the project proposal.

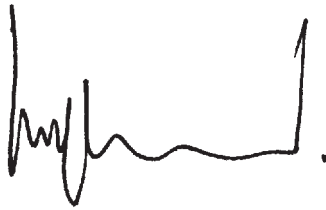
34 In the case of a proposal involving colleges in more than one local Council area, arrangements for joint local Council consideration will be made.

35 The local Council's recommendation will be considered and determined by the Chief Executive in light of national priorities and the availability of funds.

36 Applications for category 1 projects (mergers) may be made at any time during the year, as was the practice in 1999-2001.

Consultation on arrangements for 2002 onwards

37 The national Council will consult with interested parties on any future arrangements for further education corporation reorganisations and financial support for rationalisation.

A handwritten signature in black ink, appearing to read 'John Harwood', followed by a period.

John Harwood, Chief Executive

Annex A: The Council's Criteria for Considering Proposals for Reorganisations and Underpinning Factors

Criterion (a) – the educational benefits of the proposed reorganisation to students, particularly in terms of access and choice

Criterion (b) – the implications of the proposal for the future development of post-16 provision in the area, including the potential impact of the proposal on other further education providers

All proposals:

- an indication of plans for rationalisation of provision, including details of any additional provision to be offered or withdrawal of provision
- the impact of the proposal on participation, including plans for widening participation, proposals for greater inclusion of students with learning difficulties and/or disabilities and potential improvements to retention and achievement rates
- details of additional benefits to students which would arise from the proposal, including enhancement to facilities for learning, student support and quality assurance.

Additional factors for proposals involving higher education institutions:

- how the Council would be assured that the further education provision in the area would remain proper and reasonable
- the steps to be taken to ensure that there would not be 'academic drift' and that the institution would continue to offer entry, foundation and intermediate level provision, including adult/basic education and programmes for students with learning difficulties and/or disabilities
- the higher education institution's history as a provider of further education and in working collaboratively with other further education institutions should be taken into account, with particular reference to the institution's mission statement and strategic plan. In particular, the Council would not, save in exceptional circumstances, be supportive of a proposal where the reorganised institution's higher education status would give an unfair competitive advantage in recruitment to its general further education provision

- an assurance that students at the reorganised institution would have access to impartial information on progression routes in other institutions.
- evidence that alternative arrangements (for example, collaborative activity or merger) with alternative institutions have been thoroughly examined, and the reasons for their rejection.

Criterion (c) – the financial benefits of the proposed reorganisation, particularly in terms of the proposed institution's viability

All proposals:

- the impact of the reorganisation on the cost-efficiency of provision, together with details of how any cost-efficiencies would be reinvested in the institution
- the potential effect on the institution(s) of the reorganisation not proceeding
- an outline of an accommodation strategy for the reorganised institution, including proposals for the removal/replacement of facilities and for new developments.

Criterion (d) – the extent of consultation and the consideration which has been given to alternative options

All proposals:

- the extent and results of local consultation, including consultation with other providers and users of further education in the area and with those responsible for schools which have links with the colleges affected

Additional factor for proposals involving higher education institutions:

- evidence that the further education college(s) involved has undertaken a comprehensive consideration of alternatives to reorganisation with a higher education institution.

Criterion (e) – the likelihood of the proposed reorganisation being successfully implemented

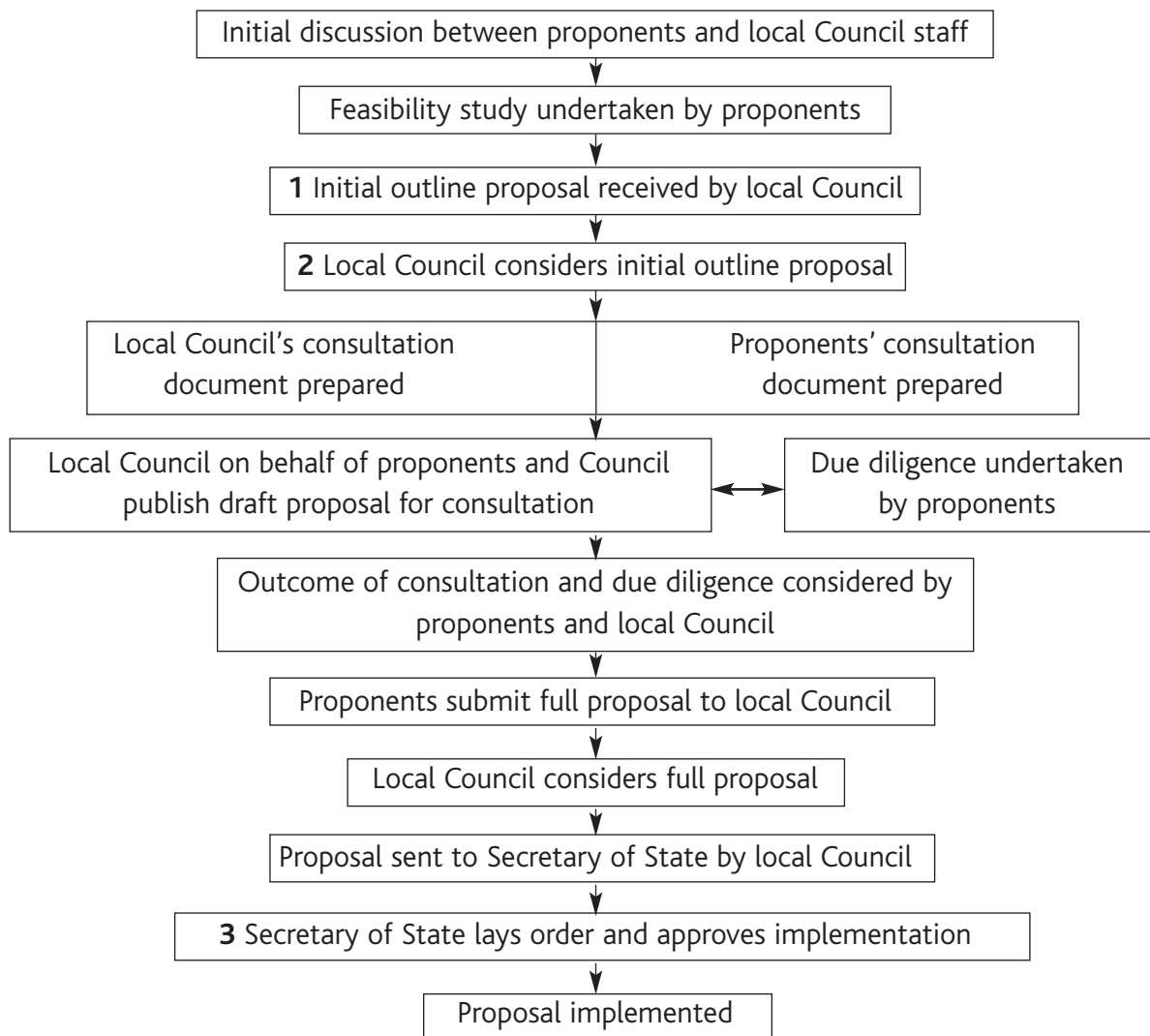
All proposals:

- the steps taken to reflect in the governing body the changed nature of the institution in terms of area and interests served
- the proposed governance structure for the institution, including plans for sub-committees and advisory groups
- the proposed management structure for the institution, including details of arrangements for financial management and quality assurance
- an indication of a work plan for the implementation of the proposal, including timescales for the harmonisation of systems
- each partner's history of collaboration prior to the proposal, including any with each other.

In considering proposals against the above criteria, local Councils are asked to take the following into account:

- how and to what extent the proposal reflects the priorities set out in the Secretary of State's statement published as *Colleges for Excellence and Innovation*
- the findings and recommendations of any area inspections (led by the Office for Standards in Education (OFSTED)) or area reviews (commissioned by the Council) relevant to the proposal
- the extent of consultation with the relevant local learning partnership(s)
- the outcome of any national and/or local Council mapping of provision
- the Council's Corporate Plan 2001-04 and the strategic plans/targets of the local Council(s) and national Council
- the Council's duties under the *Learning and Skills Act 2000* to ensure proper and reasonable facilities for education and training
- priorities outlined in the Secretary of State's letter of guidance to the Council of 9 November 2000.

Annex B: Summary of the Council's Procedures for Considering Proposals Involving Dissolution or Incorporation of Further Education Colleges (including mergers)



A The above procedure assumes that the proposal is supported at each stage of the process; the local Council may request additional information at any time from the colleges.

B The numbers 1, 2 & 3 above correspond with the numbers in annex F, 'Summary of the Procedures for the Administration of the Rationalisation Fund'. They show where both sets of procedures need to be completed at the same time.

Annex C: Initial Outline Proposal Form for Merger

101 Lockhurst Lane
Foleshill, Coventry
CV6 5SF
T 024 7658 2761
F 024 7658 2738

www.lsc.gov.uk
info@lsc.gov.uk

(Reference Circular 01/10)

Please amend this form as appropriate for other types of reorganisations.

Please return two copies of this form to your local Learning and Skills Council office. Before completion, proponents should agree with the local Council office an appropriate timescale for consideration of the initial outline proposal by the local Council.



Learning+Skills Council

Section A – Identification of Merger Partners and Implementation Details

1 Merger partners

Please identify all partners by name, using a separate line for each institution.

2 Type of merger

Please circle either A or B to indicate whether the merger is to be achieved by model A or B.

A – each of the existing corporations to be dissolved and their property, rights and liabilities to be transferred to a new corporation; or

B – one or more of the corporations to be dissolved and it's/ their property, rights and liabilities to be transferred to an existing corporation.

If model B please indicate the name(s) of the institution(s) to be dissolved:

3 Target implementation date

Please indicate the proposed date for implementation of the merger. If a model A merger is proposed, please indicate separately the target date for (i) establishment of new corporation, and (ii) dissolution of existing corporations.
Please consult the local Council office for confirmation of achievable dates.

Section B – Post-16 Provision in the Locality

4 Other post-16 providers

Please attach a list of all post-16 providers serving the general area (in categories by schools, FE colleges, HE institutions and other FE providers, where relevant to your college provision, including LEA provision and private training providers). If extensive, the list may be attached as a separate document.

5 Map and description of area served by the proponents

Please attach a map illustrating the area in which your colleges operate, where possible, highlighting locations of other key institutions in the area. In addition, please provide a commentary below on the area (for example, geographical parameters, identification of sole/unique providers and any other significant characteristics).

Section C – Existing Provision of Each Merger Partner

6 Curriculum offer

Please provide a brief indication of the type of provision currently offered by each partner, including any significant characteristics, for example, unique/sole provision. (For example, 'The college provides a wide range of GCE A levels (30), a number of GNVQ courses (6) at intermediate and advanced level, and some higher education courses, predominantly in the areas of business, technology and sciences. The college is the sole provider in the area for marine sciences at HND level. The college has no provision in the agriculture programme area'). Please complete one of the boxes below (or on the continuation sheet) for each of the merger partners, if necessary photocopying either sheet beforehand to provide additional boxes.

Merger partner (name of college)

Type of provision

Merger partner (name of college)

Type of provision

Section C – Existing Provision of Each Merger Partner

6 Curriculum offer [continuation sheet]

Merger partner (name of college)

Type of provision

Merger partner (name of college)

Type of provision

Section D – Rationale for Merger

7 Outcome of the feasibility study

Please provide the reasons, agreed by each institution's governing body, for pursuing this merger proposal, referring to the outcome of the feasibility study undertaken. **Please attach a copy of the feasibility study.**

[illegible]

Please attach additional sheets if you need extra space.

Section E – Initial Evaluation of Proposal Against the Council's Criteria

Guidance notes for completion of Section E

- a. the Council would expect to receive not more than one side of A4 for each criterion;
- b. the initial evaluation against the criteria should take account of all of the underpinning factors to these criteria (please refer to annex A);
- c. the initial evaluation should be undertaken in light of the findings of the proponents' feasibility study and any statements should be based on evidence;
- d. the Council would expect the following issues to be addressed in the evaluation:
 - plans for provision for students with learning difficulties and/or disabilities, together with plans for widening participation and improving the quality of provision at the merged institution and any planned withdrawal of programmes
 - identification of other providers which are likely to be affected adversely by the proposal, together with an initial assessment of how the merger will address this concern
 - the forecast financial health category of the merged institution and an indication of forecast savings or increased expenditure resulting from the merger
 - an indication of the consideration which has been given to alternative options
 - an indication of the proposed arrangements for chairing the merged institution's governing body, together with arrangements for the principalship and senior post holders at that institution
 - an indication of any significant changes to the colleges' individual strategic plans and accommodation strategies.

8 Please provide, against each of the Council's criteria an initial evaluation of the proposed merger. Please attach a separate sheet for each criterion.

Criterion (a) – the educational benefits of the proposed reorganisation to students, particularly in terms of access and choice

Criterion (b) – the implications of the proposal for the future development of post-16 provision in the area, including the potential impact of the proposal on other further education providers

Criterion (c) – the financial benefits of the proposed reorganisation, particularly in terms of the proposed merged institution's viability

Criterion (d) – the extent of consultation and the consideration which has been given to alternative options.

Please note, proponents should outline the extent of any early consultation with other providers, learning partnerships etc.

Criterion (e) – the likelihood of the proposed reorganisation being successfully implemented

Declaration

Please complete one of the boxes below for each of the merger partners, if necessary photocopying the sheet beforehand to provide additional boxes. Please return two copies of the completed form(s).

I confirm that the details contained in this form have been agreed by the governing body of this college.

Principal <i>(please print)</i>
College
Signed
Date

Principal <i>(please print)</i>
College
Signed
Date

Principal <i>(please print)</i>
College
Signed
Date

Principal <i>(please print)</i>
College
Signed
Date

Annex D: Example of an Executive Summary for a Full Proposal

Please follow the same format for other forms of reorganisation. The example given is of a Model B merger.

The list of headings and sub-headings below provide the structure of an executive summary which can be applied to either a model A or model B merger proposal. The list is not exhaustive but aims to provide an idea of what information is likely to be required. Following the list is an example of an executive summary.

- **Introduction**
Outline of the proposal
- **Background to the proposal**
Overview of the situation and events leading up to the proposal
- **The colleges and their local communities**
Overview of the colleges and how they serve their local communities
- **Curriculum provision**
Present curriculum provision at the colleges (general and vocational by area/level, number of enrolments, age range of students etc. . .)
Comparison of curriculum provision between colleges
Curriculum opportunities arising from the proposal

- **Financial position**
Present funding and units of colleges
Present financial health of colleges
- **The proposal**
Main reasons for proposal
- **Assessment of the proposal against the Council's criteria**
Criterion (a); Criterion (b); Criterion (c); Criterion (d); Criterion (e)
- **Supporting documents**
List of supporting documents provided to the Council

Executive Summary

Introduction

The governing bodies of the further education corporations of College YY and College ZZ have agreed to propose to the Council that the two colleges should merge.

To give effect to the merger, the governing body of the further education corporation of College ZZ proposes that the corporation is dissolved and its property, rights and liabilities are transferred to the further education corporation of College YY.

The governing body of the corporation of College YY is making a separate application to the Secretary of State for the name of the college to be changed to Casterbridge College, to reflect the changed nature of the college.

Supporting documents have been provided to the Council. Those documents are identified in this executive summary by (*).

Background to the proposal

The governing bodies of the two colleges met in June 2000 and agreed to investigate the viability of a merger.

The governing bodies commissioned consultants to undertake a due diligence study (*) of the proposal.

The governing bodies distributed a consultation document (*) during September 2000 to a wide range of interested parties (*).

The governing bodies met in November 2000 to consider the result of the due diligence study and the responses to the consultation (*).

The governing bodies agreed, in the light of the due diligence study and the response to the public consultation, that certain minor changes should be made to the proposal. The governing

bodies agreed that the proposal, as amended, should be sent to the Council.

The colleges and their local communities

College YY is a general further education college. The college is located in South Moonshire local education authority (LEA) and in the area of Casterbridge local LSC. It has a main site at Casterbridge and three other major sites at Lockhurst, Quinton and Westwood. In August 1999, the College took over the adult provision provided previously by South Moonshire LEA as an external institution, which is delivered in schools and community centres around the LEA area.

As shown in the table below, in 2001-02, the college had around 2,300 full-time students, mainly in the age range 16 to 19 years, and 7,500 part-time students, of all ages from 16 to 70, but mainly in the age range 19 to 40 years:

Age	16-19	20-25	26-40	41-60	61+	Total
Full-time	1,850	320	70	40	20	2,300
Part-time	950	2,980	2,290	870	410	7,500

College ZZ is a tertiary college. The college is located in South Moonshire LEA and in the area of Casterbridge local LSC. It is based on a single site at Sunville.

As shown in the table below, in 2001-02, the college had around 1,800 full-time students, mainly in the age range 16 to 19 years, and 6,200 part-time students, spread across the age range of 16 to 70 years:

Age	16-19	20-25	26-40	41-60	61+	Total
Full-time	1,530	240	30	0	0	1,800
Part-time	550	2,350	2,680	480	140	6,200

Other providers of post-16 education in the locality are:

Name	Type of institution
College AA	Further education agriculture and horticulture college
College BB	General further education college
College CC	General further education college
College DD	Sixth form college
Sixth Form College EE	Sixth form college
University FF	Higher education institution
College of Art and Design GG	Higher education institution
School HH	11-18 secondary school
School II	11-18 secondary school
School JJ	11-18 secondary school
School KK	11-18 secondary school
School LL	11-18 secondary school

Curriculum provision

College YY offers an extensive programme of academic and vocational provision at National Vocational Qualification (NVQ) levels 1 to 4 or equivalent. The college offers 19 General Certificate of Education (GCE) Advanced level subjects, mainly in the evening.

College YY has particular strengths in business and health and community care.

The college makes some higher education provision in health and community care as an affiliated college of University FF.

In the three-year period from 2001-02 to 2004-05, the college's enrolments for students with learning difficulties and/or disabilities have increased by 25%. Student numbers on higher education courses have remained broadly constant over this period. The college's delivery of collaborative provision has increased by approximately 50%, mainly in part-time enrolments.

College ZZ offers a range of academic and vocational programmes at GCE Advanced level, General National Vocational Qualifications (GNVQ) at intermediate and advanced levels and a wide range of adult basic education courses.

The college does not make any higher education provision.

College ZZ has particular strengths in adult and community provision.

In the three-year period from 2001-02 to 2004-05, the college's enrolments for students with learning difficulties and/or disabilities have decreased by 10%. The college's delivery of collaborative provision has increased by approximately 25%, mainly in part-time enrolments.

The balance of provision made by the two colleges across the Council's programme areas is as follows:

Programme area	College YY		College ZZ	
	Full-time students	Part-time students	Full-time students	Part-time students
	2001-02	2001-02	2001-02	2001-02
Sciences	230	310	250	—
Construction	120	420	—	—
Engineering	210	550	250	—
Business	350	1,790	100	—
Hotel & catering	260	480	120	—
Health & community care	550	970	220	—
Art & design	150	270	220	340
Humanities	390	1,910	640	2,560
Basic education	40	800	—	3,300
Totals	2,300	7,500	1,800	6,200

Financial position

College YY has an income of approximately £11 million and College ZZ has an income of approximately £8 million. The colleges derive 75% and 85% of their income, respectively, from the Council.

For 2001-02, the colleges' average level of funding are:

- to enhance facilities through course rationalisation, particularly in construction and engineering, hotel and catering and outreach programmes
- to achieve significant management savings which can be channelled into education provision.

	College YY	College ZZ
Funded ALF	£16.75	£17.53

The proposal

The main reasons for merger are as follows:

- to extend the range of vocational and non-vocational courses available to students in the area and to provide a wider range of programmes at foundation level

Assessment of the proposal against the Council's criteria listed in annex A

Criterion (a) – the educational benefits of the proposed reorganisation to students, particularly in terms of access and choice

The colleges have undertaken a needs analysis in respect of the area which would be served by the merged college (*). This indicates that the combined college could offer students, business and industry a greater range of programmes and a richer curriculum within existing programmes, particularly:

- the development of construction and engineering. The colleges believe that there is scope for further development in these programme areas in South Moonshire
- the development of hotel and catering provision in a rural location with residential facilities
- the development of rural outreach programmes.

The needs analysis suggests that the following benefits will accrue from the merger:

- development of new provision presently constrained by accommodation
- wider opportunities for students with learning difficulties
- a responsive and flexible transport system
- improved sports facilities.

The scope for students to transfer to alternative courses within one college, rather than leave and join another college, is seen as likely to improve retention rates in real terms.

The colleges consider that students' learning programmes will be enriched by access to a wider range of staff expertise and specialist equipment and facilities.

Significant advantages which are confidently anticipated to arise from the merger are:

- the ability to widen participation in the area by offering a more extensive range of provision
- greater opportunities for staff development
- the ability to offer a broader range of courses/services to industry through full-cost work
- the opportunity to pool expertise to offer a more co-ordinated approach in marketing and recruitment.

For College YY the main advantages are seen as:

- the opportunity to develop the site at Sunville and withdraw from the site at Lockhurst
- an opportunity to expand existing provision in construction and engineering
- the ability to develop leisure and tourism provision in a rural location.

For College ZZ the main advantages are seen as:

- an opportunity to expand existing provision in construction

- the ability to deliver further adult education provision through outreach centres
- the ability to support capital expansion from a greater resource base.

Criterion (b) – the implications of the proposal for the future development of post-16 provision in the area, including the potential impact of the proposal on other further education providers

The colleges have undertaken an analysis of post-16 provision in the area (*). This indicates that the proposed merger is unlikely to have significant impact on other further education providers as:

- the two colleges' recruitment areas, which overlap, are distinct from those of other providers
- the colleges are working collaboratively with the five other local sector colleges as part of a strategic partnership to widen participation. It is intended that this partnership should continue to develop following merger
- the responses to the consultation exercise indicate that there is no opposition to the merger from other providers in the area.

The colleges consider that there is an opportunity for the merged institution to develop a local strategy for the development of post-16 provision, together with the other stakeholders in the area, including the local education authority, local learning partnerships and the local Council. Further details are provided at (*).

Criterion (c) – the financial benefits of the proposed reorganisation, particularly in terms of the proposed merged institution's viability

The proposal incorporates the latest financial forecasts for the constituent colleges and a forecast for the merged institution for the three financial years following the merger. The forecasts demonstrate that the merged institution is financially viable and this is endorsed by the due diligence report commissioned by the constituent colleges and incorporated in the merger proposal.

The merger presents a number of financial opportunities which could not be achieved by the partners as separate colleges. In particular, curriculum rationalisation will enable the merged institution to achieve modest growth of 5% in Council-funded activity, resulting in £100,000 additional income. Savings of up to £150,000 could be achieved by removing duplication of management and corporate services.

Greater financial benefits will be achieved by rationalising the property portfolio of the merged institution. The existing ten sites for the constituent colleges will be reduced to three main sites. This will produce one-off sale proceeds of £500,000 and savings in lease costs of £100,000 per annum. Other associated running cost and ancillary savings of £120,000 per annum will also be made. The three remaining sites will require extensive remodelling costing £500,000 to be financed by the sale proceeds. A draft investment appraisal is included in the outline accommodation strategy for the merged institution, which demonstrates that the above proposals yield a positive net present value at a discount rate of 6% over twenty years.

The financial benefits set out above are considered to be achievable and the detailed strategies for their implementation are incorporated into the outline strategic plan for the merged institution. The proposal also includes a detailed sensitivity analysis and contingency plan. For each of the key planning assumptions, it highlights the risks faced by the merged institution, the financial impact of adverse changes and the actions that could be taken to maintain financial viability in the event of less favourable circumstances.

The key risk faced by the merged institution is a significant delay in implementing the property rationalisation referred to above. If the merged institution is unable to dispose of some or all of the seven smaller sites the planned curriculum rationalisation will have to be scaled down, limiting the opportunity to achieve even modest growth. Furthermore, the associated running cost and ancillary cost savings will not be achieved and by the third year after the merger the college's financial position would be considerably weaker. In such an event, the college would take action to maintain the financial position set out in the forecast. In particular staff costs would have to be reduced by 10% across all curriculum areas, saving £500,000 per annum. It is anticipated that this prudent but painful action could be achieved voluntarily, without too much disruption to the delivery of the college's provision.

Criterion (d) – the extent of consultation and the consideration which has been given to alternative options

The colleges undertook a joint consultation during September 2000. A consultation document (*) was sent to:

- local further education colleges and higher education institutions
- local and national staff associations
- national college associations
- local and national students' associations
- local education authorities, borough councils, county councils
- local secondary schools
- Members of Parliament, Members of the European Parliament
- local employers, chambers of commerce
- emergency services
- community groups.

Fifty-five responses were received to the consultation. All but two of these were supportive of the merger.

College AA, which is approximately 12 miles from the main sites of both colleges, raised the following issues:

- new course provision would be limited and could be offered by independent colleges in co-operation
- the proposal to offer extended hotel and catering courses ignored existing provision made by the College AA.

College BB, which is approximately six miles from Casterbridge and eight miles from Sunville, raised the following issues:

- the merger did not facilitate any better links with partners than those already in existence
- any growth would be at the expense of existing colleges.

The governing bodies of College YY and College ZZ have, separately, considered merger with other general further education colleges or sixth form colleges. Potential partners were visited for discussion.

A report on these discussions was presented to both governing bodies (*).

In respect of College YY, merger with other general further education colleges was rejected as these colleges were considered to be too small and too distant. The governors did not consider that merger with a local sixth form college would enable the merged college to provide a more diverse curriculum offer, which they considered essential if the college was to continue to grow.

The governing body of College ZZ had considered merger with two general further education colleges. In both cases the governors had rejected the options on the grounds of there being limited potential for development of the curriculum or services for students.

The governors of College ZZ initiated discussion of merger with another tertiary college. The governors of that college did not wish to pursue the discussions.

The governors of both colleges have discussed their plans with University FF. In the course of those discussions, the option of merger with the University was raised. However, neither the colleges nor the University considered that a merger would be consistent with the missions of the institutions.

A report on these discussions was presented to the full governing body (*).

Change of name

The board of governors of College YY has made a concurrent application to the Secretary of State for Education and Skills for the name of the college to be changed to 'Casterbridge

College'. The main sites of the college would be referred to as campuses of the college, as follows:

- Casterbridge College, YY campus
- Casterbridge College, ZZ campus
- Casterbridge College, Westwood campus
- Casterbridge College, Quinton campus
- Casterbridge College, Sunville campus.

The governors of both colleges established a working group, comprising governors, staff and students of each college, to consider alternative formulations. The working group consulted widely on alternatives. The working group provided a report to each governing body, which concluded that the proposed change of name:

- was instantly recognisable in those areas from which both colleges have traditionally recruited
- would minimise confusion for present and future students
- did not suggest any pre-eminence of either of the existing colleges.

Results of consultation

The college has received written support for the proposed change of name from all further education colleges in South Moonshire, from University FF, from South Moonshire County Council and from all local secondary schools (*).

The fire, police and ambulance services have all indicated that they are content with the proposal for the name of the college and its sites.

Criterion (e) – the likelihood of the proposed reorganisation being successfully implemented

The inspection report for College ZZ was published in June. Governance and management received a grade two (more strengths than weaknesses). College YY's inspection report was published in October 1999; a grade one was received for governance and management.

Both colleges have received unqualified audit reports. Neither the management letter nor the internal auditors' annual report has raised significant concerns.

Whilst the existing governing body of College YY will remain, arrangements have been made to reflect the changed nature of the merged institution. There are currently three vacancies on the governing body that will be filled by three governors from College ZZ, including the latter college's chair of corporation. As further vacancies arise, appointments will be made to reflect the wider community of the merged institution.

The proposed management structure is a development of the existing structure of College YY. The structure has been developed by a working group comprising senior staff from both colleges and representatives of each staff association. The structure was shared with all staff and received full support.

In summary, the senior management of the merged college would comprise a chief executive, the director of finance and five directors, representing the following curriculum structure:

- sixth form centre
- adult, community and outreach
- construction and engineering

- business and communication
- leisure and tourism.

The senior management of the new structure would comprise the current principal, current director of finance and two of the current assistant principals of College YY, together with the current vice-principal of College ZZ. Two of the current assistant principals of College YY have indicated that they would wish to retire at the time of the merger, as has the current principal of College ZZ. There would, therefore, be two vacancies, which would be advertised nationally.

The personnel, financial and administrative structures of the two colleges differ, as do the bankers, internal and external auditors and solicitors. The colleges' catering and cleaning contracts are with the same contractor.

The way in which these functions will be harmonised, together with an assessment of the likely costs of harmonisation, is set out in the due diligence study (*).

The colleges have a history of collaboration with each other and the five other local sector colleges. Most recently this has included a strategic partnership to widen participation in the area. Details of the progress of this strategic partnership is set out in (*), together with an indication of how the partnership will develop post-merger.

Annex E: The Council's Criteria for Consideration of Applications for Support from the Rationalisation Fund (underpinning factors)

Criterion (a) – the implications of the project for the future development of post-16 provision in the area

- as these become established, the extent to which the project is consistent with the lifelong learning partnership(s) local learning plan(s)
- reduction of wasteful competition and duplication of provision
- consideration of impact on other providers in the area.

Criterion (b) – the level of long-term sustainable cost-efficiencies and quality improvement for the further education sector which can reasonably be expected to result from the project

- generation of financial efficiency savings and release of resources from other college activities
- likely quality improvements
- impact on financial health of college(s)
- improvement to space utilisation and/or quality of premises
- changes in distribution of pay expenditure between premises, management, teaching and support.

Criterion (c) – the extent to which the project is consistent with the strategic plan and accommodation strategy of the college(s) involved

- contribution to the strategic aims of the colleges.

Criterion (d) – the extent to which the project will enhance the student experience

- improvements to specialist, support and leisure facilities
- provision of wider and more coherent curriculum offer
- contribution to wider and increased participation
- improvements to retention and achievement rates.

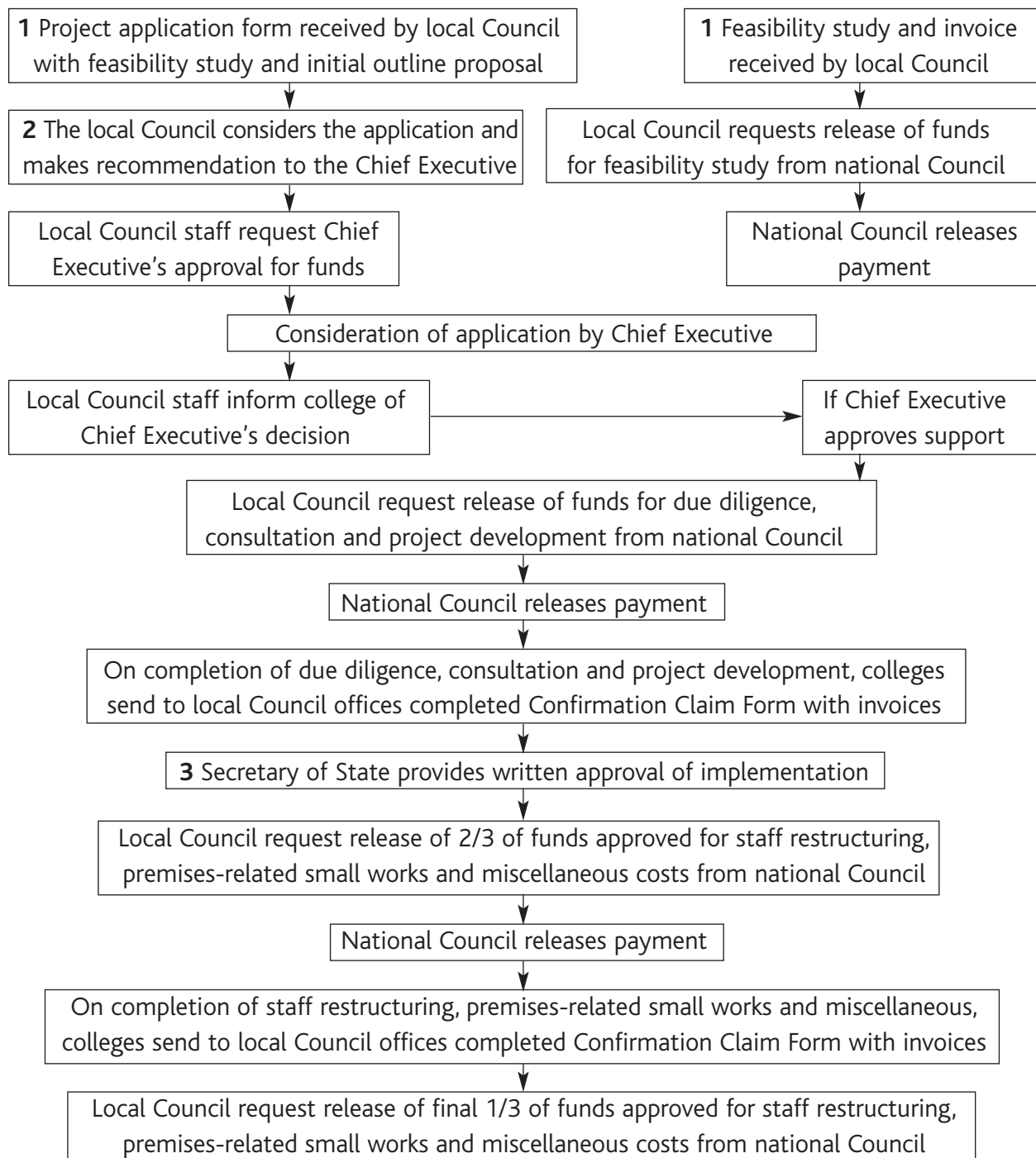
In considering proposals against the above criteria, local Councils are asked to take the following into account:

- how and to what extent the proposal reflects the priorities set out in the Secretary of State's statement published as *Colleges for Excellence and Innovation*

- the findings and recommendations of any area inspections (led by the Office for Standards in Education (OFSTED)) or area reviews (commissioned by the Council) relevant to the proposal
- the extent of consultation with the relevant local learning partnership(s)
- the outcome of any national and/or local Council mapping of provision
- the Council's Corporate Plan 2001-04 and the strategic plans/targets of the local Council(s) and the national Council
- the Council's duties under the *Learning and Skills Act 2000* to ensure proper and reasonable facilities for education and training
- priorities outlined in the Secretary of State's letter of guidance to the Council of 9 November 2000.

Annex F: Summary of the Procedures for the Administration of the Rationalisation Fund

How funds are approved and released



Annex G: Rationalisation Fund Application Form – Category 1

101 Lockhurst Lane
Foleshill, Coventry
CV6 5SF
T 024 7658 2761
F 024 7658 2738

www.lsc.gov.uk
info@lsc.gov.uk

(Reference Circular 01/09)

Please complete and return this form to your local Council office, together with a copy of the initial outline proposal for merger and feasibility study.



Learning+Skills Council

Section One – Lead College Details

Lead college name (<i>acting as budget holder</i>)
Project contact
Telephone no.
Fax no.
E-mail address
Other institution involved

Section Two – Application for Support

Amount of support applied for (please complete as appropriate):

Stage	Maximum funding available	Amount applied for	Target start date	Target end date
Revenue funds				
1 Feasibility	£10,000*			
2a Due diligence	£40,000			
2b Consultation	£10,000			
2c Project development	£40,000			
3a Staff restructuring	£300,000			
3b Premises-related small works	£50,000			
3c Miscellaneous	£300,000			

**Where there are more than two partners, the maximum amount available will increase by £5,000 for each partner involved up to the maximum of amount £20,000.*

Section Three – Declaration

For completion by lead college

As principal of

College, I confirm that:

- a. the project will be subject to the College's accounting and auditing arrangements;
- b. funds will be repaid if required by the Council following a decision by all partners or any individual partner to withdraw from the project;
- c. the Council may publish and disseminate information on the project.

Name of principal
Signed

For completion by other college(s) involved

I confirm that this college is content to be a full partner in this project:

College (2)

College	
Name of principal	
Signed	Date

College (3)

College	
Name of principal	
Signed	Date

College (4)

College	
Name of principal	
Signed	Date

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Reference CIRC/0019/01