Further education sector reform case studies: area reviews

Research report

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Executive Summary

CFE research was commissioned by the Department for Education (DfE) to undertake a process evaluation of the Further Education (FE) area reviews that took place between 2015 and 2017. The evaluation will help DfE develop its understanding of the enablers and barriers, as well as perceptions of impact and effectiveness, of the area reviews.

Context

The area review programme was announced in the Reviewing Post-16 Education and Training Institutions policy statement in July 2015[1]. The principal aim of the area review process was to create financially stable FE institutions, which are able to deliver high quality provision to meet the needs of an area's learners and employers. The area review process was voluntary for FE colleges and the other key stakeholders. 37 locally led area reviews were conducted across five waves from September 2015 to March 2017.

Each area review was led by a local steering group composed of a range of stakeholders within the area, for example, FE and sixth-form colleges (SFCs), Local Enterprise Partnerships (LEPs), and Local Authorities (LAs). On average, five steering group meetings were facilitated to discuss and agree potential recommendations (i.e. mergers, academisation and/or greater collaborative working, curriculum planning, and/or shared services). Governing bodies of FE providers were responsible for deciding whether to accept recommendations proposed by the local steering group.

Focus of this report

This report provides an overview of steering group members' views on the area review process and perceptions of its impact, especially in relation to colleges' financial resilience and the quantity and quality of learning provision. In particular, the evaluation focused on:

- Gathering evidence to assess the success of the area reviews 'on the ground', from the viewpoint of those involved in shaping and responding to the recommendations.

- Identifying lessons learnt from successes and challenges, and what might be done differently if a similar exercise is undertaken in the future.

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[1] Reviewing post-16 Education and Training Institutions

- Understanding perceptions of how area reviews, and particularly the recommendations for restructuring FE providers, are affecting the quantity and quality of provision in local areas, and perceptions around how effective mergers and other forms of restructuring have been in improving the resilience of providers.

Method

The key aspects of the methodology included a survey and interviews with steering group members across seven case study areas.

An online survey was conducted with local area review steering group members drawn from across 35 of 37 area reviews. Birmingham and Solihull and Tees Valley area reviews were excluded as they had participated in a separate process evaluation in 2018[2]. The online survey sought to explore views on the area review process and perceptions around any resulting impact(s) of review recommendations on financial resilience, and quantity and quality of learning provision.

The core method consisted of qualitative in-depth interviews with steering group members from seven case study area reviews. Key sampling characteristics to assess the area reviews for inclusion were: wave, number of mergers, number and type of providers, cluster representativeness, access to the Restructuring Facility (RF), and other geographic criteria including region and rurality. Once areas were selected, CFE recruited steering group members by disseminating an invitation email. The fieldwork of each of the seven case study areas consisted of telephone interviews with steering group members to gain insight into their experiences and perceived impact of the area reviews. In particular, interviews with FE college principals focused on eliciting perspectives on their institutions' involvement in the review.

In total, across the seven case study areas, 88 interviews were conducted with steering group members, of which 34 were college or sixth-form principals.

Key Findings

The main findings are summarised below, presented under the key aims of the evaluation. The findings presented are based on the experiences of steering group members involved in the area review, who participated in the research. Considerations for subsequent policy developments are derived from each set of summarised findings below.

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[2] Evaluation of the area review process: Birmingham & Solihull and Tees Valley

Perceptions of the rationale for the policy

- All steering group members reported that the objective of financial stability was welcomed and needed in the sector, and survey data indicates financial stability of providers prior to area reviews as being one the most prevalent concerns of steering groups. However, there was a perception that too much focus was placed on financial efficiency at the cost of other key sector issues such as leadership, governance and learning provision. The reported result was a process described as a 'missed opportunity' by some colleges, in particular, by those that felt they did not need to consider merging as they were in good financial health.

- Nearly all steering group members agreed that the exclusion of school sixth-forms and private providers made it harder to develop recommendations that would improve provision across the defined geographic area.

- Some steering group members also said the geographical boundaries drawn for the purposes of the review process restricted the opportunity of more appropriate, cross-border mergers and collaboration. However, this appears to have been a misconception given that cross-area mergers have been delivered. In some cases, recommendations have been changed post the reviews, where a more favourable merger partner has been identified outside of the area review area.

Considerations for subsequent policy developments

- In the view of steering group members, a national review that predominantly focused on financial stability through restructuring i.e. mergers, neglected: a) the needs of those colleges that felt they were in good financial health and did not need to restructure; and, b) other key factors (e.g. governance and quality of learning provision) to sufficient depth. Therefore, the design of future interventions are likely to benefit from consideration of, or clear explanation regarding, the purpose of a national approach and how it can work in different local contexts meeting the sometimes unique needs of individual colleges and communities.

- Policy design should consider whether and how wider stakeholders (for example, school sixth-forms in this case) can more fully input into a wider process, even if not fully involved. To that end, future local reviews should engineer suitable communication methods (consultations via Citizen Space, events, workshops covering key themes) that allow contributions to be made from related parties.

- Given the misconceptions regarding cross-area mergers, and the frustration of excluding school sixth-forms among some steering group members, clarity in communication of the choices and design of the policy intervention would have assisted the process, including why interventions were structured in a particular way recognising opportunities and constraints of any given approach. This might facilitate greater understanding of and generate support amongst stakeholders for a given policy intervention.

Experiences of the process

- The majority of steering group members were positive about how their group was chaired. They mostly felt their chairperson effectively encouraged open discussions.

- Some steering group members reported that some of the meetings were attended by too many people. This depended on the size of the review area. However, members also reported that they valued a broad representation of different stakeholders; some felt wider representation of training providers and employers would have been beneficial. There was a difference in opinion between having wider representation, and the view that large steering groups could be unwieldy and ineffective.

- The data-driven economic and educational need analysis was perceived as the most impactful element of the area review for some steering group members. In their view, this data facilitated open and frank discussions between colleges, LEPs and LAs about recommendations. It also gave colleges a framework to identify priorities and work towards meeting the overall objectives of the area review.

- However, other steering group members felt the data collection process was burdensome as the same data was required for different processes, for example as evidence for the area review and applications to the restructuring facility. Also, data collection to inform the review process was costly because some providers had to appoint external resource to collate data to inform the review, due to a lack of internal capacity.

Considerations for subsequent policy developments

- Steering group evidence suggests that open and transparent leadership ultimately delivers better policy outcomes. For similar interventions, the Department[3] should continue to adopt clear meeting agendas, producing guidance to aid interactive and participatory elements of the policy process. This allows wider stakeholders in the steering group (e.g. LEPs, LAs, and college representatives) to contribute effectively to wider processes, and helps build trust through inclusivity, transparency and openness. The Department should offer training for those that will drive policy developments within the sector to ensure high quality delivery, for example managing structural change.

- If large steering groups are necessary, design processes to best manage the number of people involved. This could include additional meetings, convening sub-committee structures, or other support designed to involve organisations with less fundamental associations with policy. After initiating a policy, ensure the motive behind any subsequent policy changes are clearly expressed in terms of reference or guidance materials to help ensure transparency in the policy development process.

- Qualitative findings with steering group members suggest that an open forum environment such as steering groups may not be the most appropriate platform to foster discussions on particularly sensitive topics. For instance, governance issues pertaining to, for example, individual FE colleges can be hard to discuss where wider stakeholders are present in the steering group meetings. Alternative approaches such as specific committees, tiered levels of responsibility, and independent chairs may be useful in addressing potential contentious issues.

- Using data and evidence provides the rationale for decision-making of relevant issues affecting the whole group. Local areas should ensure all decisions are openly documented by contextualising recommendations with the evidence collected and publishing the balance of evidence used that supports the recommendation.

- Evidence from steering group members suggests that careful consideration should be given to the financial, human and time resources required by FE providers to generate and collate suitable data and evidence.

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[3] In this report the Department for Education is referred to as the Department or DfE interchangeably.

Meeting the area review recommendations

- Steering group members reported the area review primarily focused on financial stability and hence the resulting recommendations they made mostly considered related issues. The most prominent type of recommendations made were structural. Just under three-quarters of survey respondents (70%) were on steering groups that made merger recommendations, and just over half of respondents (53%) said their groups recommended stronger collaboration or partnerships between two or more existing providers.

- Ideally, recommendations were collective agreements from the steering group regarding changes that were needed in their area. However, steering group members said recommendations were made even though they felt they would not be implemented. Others felt they were merely "rubber-stamping" decisions already made outside of the group.

- Where recommendations were put forward by the governing bodies of colleges, most steering group members gave their support. In some cases, where discussions to merge were occurring prior to the review, the process was reportedly used to validate this decision. This led some steering group members to opine that changes would have happened without the area review process.

- Recommendations were not always fully implemented, or sometimes did not occur at all. Some colleges were expecting changes and/or had already laid groundwork for recommendations during or before the review, and as such these colleges were better prepared than their counter-parts for the implementation of recommendations. Other colleges reported many barriers to implementing recommendations including:
  - Low cooperation amongst the area's college stakeholders;
  - The financial cost of implementation, which was sometimes listed as an associated risk alongside the recommendation; and,
  - Risks associated with college mergers and perceived lack of desire between merging institutions. This dampened the motivation to implement recommendations.

Considerations for subsequent policy developments

- The perceived purpose of the policy will drive how stakeholders interact and work together to deliver it. Testimony from steering group members shows that those who were unclear or disagreed about the policy purpose were critical or resistant to the process. In comparison, individual steering group members who were clear about the purpose were more positive towards the process. This illustrates the importance of communicating "purpose", and, to that end, preparatory work such as informal interviews, consultation exercises, or case studies with stakeholders may help achieve early clarity and thus impact stakeholder participation. Such work needs a suitable timetable to implement.

- Where policy is purposefully designed to challenge the status quo, limit opportunities for stakeholders to circumvent the processes designed to deliver changes with which they disagree. For instance, in this study, some steering group members reported their intention was to simply make recommendations (i.e. follow the process) but not implement them (viewed as separate from the process).

- Some steering group members reported that recommendations were actioned without addressing in parallel any existing barriers, such as how a recommendation could be resourced. As such, barriers to implementation need to be fully understood prior to the start of interventions and an action plan developed to address them. Otherwise, barriers may form an impediment to delivering a recommendation.

Restructuring[4]

- The number of mergers that occurred as a result of the process were lower than the number of agreed recommendations, with 59% of the recommended mergers in the case studies completed or under progress. Interviews with steering group members indicated that how recommendations were perceived by stakeholders influenced their success. For example, those who felt the review consolidated decisions to merge were more likely to progress with mergers than those colleges who disagreed with the recommendations.

- Those colleges that have merged successfully found the process challenging due to the complexities involved in combining two or more large institutions. The main challenges cited in interviews were rearranging staffing structures, managing the cost of merging and reassessing the merged college's learning provision. The

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[4] Refers to aims two and three.

processes put in place to overcome these challenges were creating work groups to manage the merger process, keeping staff and learners well-informed about the process and having a clear strategic direction from the outset.

- Several reasons were given as to why mergers faltered. Alongside the barriers listed in the previous section, some merging institutions were unable to negotiate how to combine curriculum offers, structural systems, finances and campuses. Additionally, several interviewees said that colleges operate in a competitive market. These observers reported the market as a barrier to cooperation between provider senior management teams which reduced the motivation of senior management teams to merge colleges.

- Colleges that have merged reported the main benefits of merging to be increased efficiency and stability through sustainable student numbers. However, some steering group members indicated their concerns around financial resilience have not been resolved. In some cases, the expenses associated with a merger (examples given included changes to management systems, redundancy payments and restructuring campuses) were higher than expected. Most were also concerned about the long-term sustainability of the sector based on their uncertainty about future government funding.

- Merged colleges also identified the most significant initial impact of a merger to be reduced duplication of FE provision offered in their area. Typically, colleges also noted it was too early to identify tangible impacts on the quality of provision.

- While the financial support from the restructuring facility was welcomed and helped to facilitate the merger process, colleges found the associated application process strenuous, lengthy and expensive. The application form requested data that was not readily available and, as a result, increased workload for colleges using the facility. However, given that colleges were applying for (in some cases) tens of millions of pounds, a robust process was essential.

Conclusions for subsequent policy developments

- Documenting the challenges and benefits of prior mergers may be useful for future mergers. For example, this study found successful mergers employed working groups and communication strategies to deal with challenging processes which could form the basis of good practice examples. However, some respondents also reported merger costs were higher than expected which could hinder progression for some. Documenting enablers and barriers including unexpected factors hindering mergers could raise awareness and help develop future mitigation strategies.

- Although the application to the restructuring facility was described as a difficult process, providers were accessing significant sums of public money that requires the relevant audit trail and legal processes. The Department should consider providing access to financial and legal expertise which may help providers navigate challenging regulatory processes and reduce the burden of staff working in teams processing applications.

Perceptions on overall impact of area reviews[5]

- Most steering group members reported that, of all those affected by the area review process, colleges that underwent a merger had experienced the greatest positive impact from the area reviews. Although some mergers may have happened without a review, some interviewees suggested area reviews sped the merger process up. The significant increase in the number of mergers between 2016 and 2018 (53), compared to just 8 between 2013 and 2015 does suggest significant consolidation through mergers in the sector[6]. Additionally, for a minority of interviewees, a review proposed previously unconsidered mergers.

- Over three quarters (77%) of steering group members were uncertain that the area review would deliver improvements in the FE provision in their area. DfE states the purpose of area reviews was to deliver more sustainable institutions through a structural reform and indeed the area review resulted in an increase in the number of mergers. However, steering group members were not convinced this has resolved the concerns surrounding financial sustainability. Qualitative findings indicate a wider frustration of limited government funding overall for further education as a driver of this view, as opposed to any common perceived issue with the area review process.

- Colleges that did not merge typically reported little overall impact from an area review. Most of these colleges reported no need to merge as they were already successful and/or financially stable. The evidence shows several colleges believed a review in their area was an unnecessary exercise as they felt there were no issues in their area that would require structural reform. Some colleges that did not merge, despite a recommendation to do so, reported that the partnerships and collaborative strategies established during the process were sustained after the area review. For example, while some recognised that duplication of provision still existed, colleges spoke explicitly about the shared processes and collaborative

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[5] Refers to aims two and three.
[6] Association of Colleges statistics on college mergers. 2013: 2, 2014: 4, 2015: 2, 2016: 11, 2017: 29, 2018: 13.

initiatives which have been put in place to manage an area's provision as a result of the steering group meetings.

- Some colleges that merged or turned into academies said it was too early to comment on any impacts as too little time had elapsed for improvements (or challenges) to materialise.

- However, all those colleges that required urgent restructuring due to their failing financial position stressed the area review process provided them with an immediate solution of merging to avoid insolvency.

Conclusions for subsequent policy developments

- Further education policy changes occurred within a context of reduced government funding for the Adult Skills Budget[7], and 16 to 19 year-old provision[8]. FE providers have adapted and managed changes in funding and as such tend to view FE policy developments through the lens of reduced funding. Acknowledging the sector's financial constraints is a central consideration for successful communication of policy change to the sector.

- Most providers spoke positively about working collaboratively with others in their sector. A strength of some area reviews was the relationships and networks that resulted from the process. Policy developments that support partnership working may deliver unintended positive outcomes. Therefore, where possible collaboration between FE providers should be encouraged and facilitated through participatory policy development processes.

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[7] Foster, D (2019) Adult further education funding in England since 2010. Briefing Paper 7708, 20 March 2019. House of Commons Library. London.
[8] Belfield, C., Sibieta, L., and Farquharson, C. (2018) Severe squeeze on further education and sixth-form funding in England. Institute for Fiscal Studies website, 17 Sep 2018.

1 Introduction

CFE research was commissioned by the Department for Education (DfE) to undertake a process evaluation of the Further Education (FE) area reviews that took place between 2015 and 2017. The evaluation will help DfE develop its understanding of the enablers and barriers, as well as perceptions of impact and effectiveness, of the area reviews.

1.1 Policy context

Rationale and purpose

The area review programme was announced in the Reviewing Post-16 Education and Training Institutions policy statement in July 2015[9]. The area review process was voluntary for FE colleges and the other key stakeholders. 37 locally led area reviews were conducted across five waves between September 2015 to March 2017, to support and provide an opportunity for FE colleges to become more financially sustainable and meet local educational and economic needs.

The principal aim of the area review process was to create financially stable FE institutions, which are able to deliver high quality provision to meet the needs of an area's learners and employers. The then Minister of State for Skills, Nick Boles, confirmed the proposed arrangements for the delivery of the area review programme in July 2015[10]. In particular, the policy statement indicated the approach would enable a transition towards fewer, larger, more resilient and efficient providers, and more effective collaboration across institution types. The policy statement also emphasised this transition was necessary to help address the financial pressures on FE providers resulting from a declining 16-19 population and the need to maintain fiscal discipline to tackle the UK government's budget deficit[11]. Government guidance[12] specified five key deliverables of the area review process:

- 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;

- providers with strong reputations and greater specialisation;

[9] Reviewing post-16 Education and Training Institutions
[10] Further Education: Written statement made by the Minister of State and Skills
[11] Reviewing post-16 Education and Training Institutions
[12] HM Government (2016) Reviewing post-16 education and training institutions: Updated guidance on Area Reviews.

- sufficient access to high quality and relevant education and training for all; and,

- colleges well equipped to respond to the reform and expansion of the apprenticeship programme[13].

Area review process

The area review guidance (originally published in September 2015 and updated in March 2016) set out a national framework (see appendix 9.1) to ensure area reviews were consistently delivered against key criteria across the five waves, whilst also allowing for local flexibility[14]. With reference to the national framework, a summary of the process is provided below.

The 37 areas that were reviewed were defined by reference to existing Local Enterprise Partnership (LEP) boundaries, relevant functional economic areas[15], and population areas (particularly including travel to learn patterns[16]). The area review guidance also stated colleges should formally be part of one area review only, but where colleges were geographically affected by other area reviews, they were able to engage in those reviews. Each review was designed to cover general FE colleges, specialist colleges including land-based, and sixth-form colleges (SFCs) and could include other providers (e.g. Higher Education Institutions) where they opted in and this was agreed locally.

Each area review was led by a local steering group composed of a range of stakeholders within the area. Members included the chairs of governors of each FE institution (supported throughout the whole review process by their principals or chief executives), the FE and SFC Commissioners, local authorities (LAs), LEPs, the funding agencies and Regional Schools Commissioners (RSCs). A representative from the then Department for Business Innovation and Skills (BIS) also attended. The DfE/BIS Joint Area Review Delivery Unit (JARDU) was responsible for the facilitation and coordination of the area reviews. On average, five steering group meetings were facilitated to discuss the outcomes of colleges' option analysis. Option analysis involved reviewing local economic and educational needs and evaluating a range of institutional options to meet those needs. These options were subsequently put forward to the governing bodies of local FE providers as recommendations (for example, mergers, SFC academisation and/or greater collaborative working, curriculum planning, and shared services). Governing bodies of FE providers were responsible for deciding whether to accept

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[13] The government's English Apprenticeships 2020 vision outlines its plans to ensure apprenticeships will become the biggest part of the vocational market. From April 2017, a levy on large employers put funding for apprenticeships on a sustainable footing, and colleges need to be able to respond to the increased employer demand.
[14] Reviewing post-16 education and training institutions updated guidance on area reviews.
[15] Functional economic areas are not constrained by administrative boundaries but reflect the way the economy works; the relationships between where people live and work, the scope of service market areas and catchments.
[16] Time, distance and accessibility are taken into consideration when mapping out travel patterns.

recommendations proposed by the local steering group. Once agreed the individual institutions moved into the implementation phase for delivery of their recommendations.

Restructuring facility and transition grants

Colleges were generally required to fund the implementation of agreed recommendations. However, as part of the wider review process, eligible colleges could apply for government funding in the form of Restructuring Facility (RF) support and time-limited transition grants.

Colleges that were undergoing a substantive recommendation (such as a merger) and were unable to fund the restructuring themselves could apply for funding from RF. These colleges were generally required to submit their application within six months[17] of the dissolution of the area review steering group. Funding was available in the form of loans to cover some of the total costs identified. In exceptional cases, such as instances where colleges were at risk of insolvency, some non-repayable grant funding was provided. The closing date for bids for RF support was September 2018, and the facility as a funding mechanism closed in March 2019.

For each substantive area review recommendation, the government also provided transition grants of between £50,000 and £100,000 "to support colleges in accessing the change-management skills and capacity needed"[18] to implement a structural recommendation (for example, a single SFC conversion to a 16 to 19 academy). A condition of the transition grant funding was that colleges could only use it for accessing relevant skills (for example, project management, legal, and/or financial) or relevant services (for example, due diligence and asset valuation)[19]. Only one transition grant could be accessed for each significant change and colleges were required to spend the grant within one year of the final area review steering group meeting. Colleges were able to also apply for funding from the RF which was a loan.

Research evidence

There have been two process evaluations to date focusing on experiences and perceptions of stakeholders involved in the area reviews (Higton et al, 2018; Spours et al, 2018). However, by conducting this evaluation at the end of the area review process, it goes beyond exploring the perceptions of stakeholders on the process (Higton et al, 2018) and considers their perceptions on impacts of the reviews (Spours et al, 2018).

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[17] This was not always the case, particularly in instances where recommendations were changed and accepted.
[18] Letter from the Minister of State for Skills to all Chairs of FE and sixth-form College Corporations, College Principals and Chief Executives of Independent Training providers. (Pg.2)
[19] House of Commons briefing paper on the further education: post 16 Area reviews

Moreover, the previous evaluations were limited geographically and in terms of waves. One focused on the area reviews in London, while the other only covered two areas in the first wave. By conducting a survey with steering group members across 35 of the 37 area reviews and qualitative interviews from each wave, this evaluation is much more comprehensive and provides a breadth of views.

Aims and objectives of the evaluation

This evaluation sought to elicit views on the area review process and perceptions of its impact, especially in relation to colleges' financial resilience and the quantity and quality of learning provision. To achieve this aim, CFE were tasked with the following objectives:

- Gather micro-level insights about the experiences of a sample of institutions that were reviewed during the area review programme and their key stakeholders.

- Gather evidence to assess the success of the area reviews 'on the ground', from the viewpoint of those involved in shaping and responding to the recommendations.

- Identify lessons learnt from successes and challenges, and what might be done differently if repeated.

- To understand perceptions on how area reviews, and particularly the recommendations for restructuring FE providers, are affecting the quantity and quality of provision in local areas, and how effective mergers and other forms of restructuring have been in improving the resilience of providers.

1.2 Methodology

The evaluation methodology was designed in close partnership with DfE and involved both quantitative and qualitative methods. The key aspects of the methodology included a survey across 35 areas and interviews with steering group members across seven case study areas.

Survey with steering group members

An online survey was conducted with local area review steering group members drawn from across 35 of 37 area reviews between 12th September and 7th October 2018. Birmingham and Solihull and Tees Valley area reviews were excluded as they had participated in a separate process evaluation in 2018[20]. The online survey sought to

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[20] Department for Education, Evaluation of the area review process: Birmingham & Solihull and Tees Valley, January 2018

explore views on the area review process and perceptions around any resulting impact(s) on financial resilience, quantity and quality of learning provision from review recommendations.

The survey was designed and administered using online survey software, Confirmit. Survey links were distributed to potential respondents via email. Three separate reminder e-mails were sent at regular intervals to non-responders.

A total sample of 1,132 steering group members were sent an invitation email. However, 47 email addresses returned an undeliverable message, 11 respondents screened out (i.e. said they were not involved), and 13 respondents asked to be removed from the sample frame. Therefore, the total eligible sample was 1,074, resulting in an achieved sample of 232 actual participants or a 22% response rate. The achieved sample included at least two representatives from all 35 areas, with 43% from earlier and 57% from later waves. The largest type of stakeholders to respond were principals (38%), and college representatives (37%) such as members of governing bodies. Other representatives included local authority representatives (12%), LEP (5%), other representatives e.g. consultants that work in the education sector (5%) and chairs (3%). Case study findings illustrated the survey sample population broadly mirrored steering group structures.

Questions regarding review recommendations were developed through consultation with DfE. Categories of recommendation were devised by reviewing all of those listed in DfE internal documentation. Categorical groups were then created for two questions: one concerning structural recommendations (see Figure 5, p.41) and those covering quality of provision (Figure 6, p.42).

A note on reporting aggregated data

A significant proportion of the response items in the survey employed a five-point Likert scale[21] to measure the level of agreement/disagreement with given statements. The scale is useful to identify instances where respondents feel particularly strongly on a given statement. For ease of reading, this report often aggregates responses as follows:

- Agree = an aggregation of "strongly agree" and "tend to agree";
- Disagree = an aggregation of "strongly disagree" and "tend to disagree".

Seven case study areas

The core method consisted of qualitative in-depth interviews with steering group members from seven case study area reviews. While FE college principals were steering

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[21] A Likert scale is a rating scale used to measure attitudes or opinions.

group members, their interviews largely focused on discussing their experiences in relation to the context of their own college. As such, where any distinction exists between steering group members and FE providers (principals), these are highlighted in the report.

The sampling for this study was purposive. This means a variety of area reviews were selected to ensure coverage of a range of contexts which could influence the process (experiences) and outcomes (effectiveness) of area reviews. With reference to Table 1 below (see p.22), key sampling characteristics to assess the area reviews for inclusion were:

- **Mergers in the area based on original/revised recommendations.** To assess perceived impact, areas were selected that had completed mergers as well as those in the process of merging.

- **Number of providers and type.** The areas selected have diversity in terms of FE colleges, SFCs and other providers. It was essential to ensure a wide variety of provision was incorporated into the sample to allow for a range of perspectives and experiences. In addition, the number of organisations involved in the Area Review process varies greatly and thus both smaller and larger area reviews were considered.

- **Cluster representativeness**. DfE has created a six-cluster provider typology based on a range of provider characteristics, and these were represented in the selected case study areas.

- **Access to the restructuring facility.** To gather and compare evidence on the experiences of stakeholders in accessing the restructuring facility, areas were selected where providers have received this financial support and areas that have not.

- Other **geographic criteria** included: region and rurality.

Table 1: Key sampling characteristics

Case study area	Wave	Urban	Mergers		All institutions involved	RF	Cluster
			Within areas	Between areas			
1	1	More urban			>15		1,2,3,4,6
2	1	Less urban	X		>15	Yes	1,4,5
3	2	Less urban	X	X	>15	Yes	1,4,5,6
4	3	More urban	X		>15	Yes	1,4,5,6
5	3	Less urban			6 to 15	Yes	4,5,6
6	4	Less urban			6 to 15		4,5,6
7	5	More urban	X		6 to 15		5

Originally, the intention was to recruit 20 steering group members across **five** case study areas (one case study area drawn from each wave). However, despite repeated efforts to recruit steering group members for interviews, there was a shortfall in respondents. This may have been influenced by the fact that two to three years have passed since some reviews were conducted, and consequently some stakeholders were no longer in the same role held during the area review(s) and others - in particular in the first wave of reviews, may have found it difficult to recall their experience with any clarity. As a result, CFE widened the scope of the evaluation to **seven** case study areas. Fieldwork for each case study consisted of:

- In-depth telephone interviews with steering group members lasting approximately 45 minutes. Interviews sought to elicit perspectives on the steering group process, perceptions of successes and challenges of implementing recommendations, and on if, how and why the area reviews helped improve providers' financial resilience.

- In-depth interviews with FE principals lasting approximately 45 minutes to understand their perspective on their institutions' involvement in the review, the successes and challenges of the process, and if the area review helped improve their financial resilience.

In total across the seven case study areas, 88 interviews were conducted with steering group members, of which, 34 were principals of FE colleges and SFCs.[22]

1.3   Limitations of the findings

The case studies were qualitative in nature and sought to explore a range of area reviews based on the sampling criteria and from the perspectives of respondents (steering group members, including college principals). The report makes no attempt to quantify findings which cannot be generalised beyond the sample. While the sample size was limited, the findings provide insight into a range of perspectives including similarities and differences between respondents. This constitutes an important contribution to the evidence base around stakeholder perceptions on area reviews.

Additionally, findings in this report have been presented carefully to ensure respondents' confidentiality is respected. Consequently, detailed examples of college specific experiences have been omitted. While this inhibits a detailed presentation of evidence, information has been summarised appropriately. Similarly, given the number of responses for the survey, analysis has been split by earlier (waves 1 and 2) and later waves (3, 4 and 5) rather than referring to individual waves.

1.4   Report structure

The remainder of this report presents findings from the research, ordered chronologically by the key elements of the area review process. As such, chapter two summarises the steering group members' perceptions of the rationale for the policy and attitudes towards the area review objectives. Chapter three describes in more depth the overall experiences of the area review process, highlighting aspects that worked well and those that were comparatively more challenging. Thereafter, chapter four and five provide an exploration of enablers and barriers for meeting the recommendations and restructuring. Chapter six considers perceptions of the impacts of the area reviews on financial resilience, the quantity and quality of learning provision, and on staff and learners, and chapter seven concludes the report

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[22] Interviews with principals of FE colleges and SFCs focused on gaining a provider perspective, i.e. discussing experiences in the context of their college, while interviews with other steering group members (e.g. local authorities) explored wider experiences of the area review.

2 Perceptions of the rationale for the policy

According to the area review policy statement, the principal aim of the process was to create financially stable further education institutions which are able to deliver high quality provision to meet the needs of an area's learners and employers. By considering the survey and interview data together, this chapter reports on steering group members' understanding of the objectives, attitudes towards the aims and how suitable the reviews were for their respective areas by considering challenges prior to a review.

2.1 Understanding of the objectives

The majority of steering group members across the case study areas reported that from their early interpretation of the policy and guidance documents, they felt the objectives of the review were multi-faceted and aimed to focus on wider efficiencies of FE provision. Thus, the review was perceived to be a process to ensure post-16 provision was not only financially sustainable, but also focused on reducing duplication, improving the quality of learning provision and addressing the needs of learners and local employers.

> "It was an opportunity to bring together further education and to have a proper area review about what provision is on offer, to take out some unnecessary competition and to avoid duplication, and to do some proper, genuine travel-to-learn patterns to make sure all the right provision was on offer in an area in the right place at the right quality."

(Sixth-form college principal, Wave 2)

However, all interviewees stressed after embarking on the process it became clear the overarching focus of the reviews was to address financial sustainability by means of restructuring and improving economies of scale.

> "Although the review was billed as a wide piece of work, in relation to curriculum […], it very quickly came down to financial health and potential for merger or collaborative working."

(LEP representative, Wave 2)

The majority of steering group members across all case study areas agreed that such a prioritisation was the right decision given the economic constraints facing the FE sector. This finding is also highlighted in the steering group survey. Figure 1 below, shows the top five concerns before and during the area review were financial, 83% (n=193) of respondents reported they were concerned about the financial health of one or more providers in their area.

Figure 1: All concerns listed prior to or during an area review

Concern	Percentage
Financial health of one or more providers	83%
Skills of a leadership team to plan effectively based on financial position	63%
Skills of a leadership team to accurately forecast financial position	59%
Arrangements in place for monitoring finances	55%
Financial planning skills of a leadership team	49%
Strategic planning skills of leadership team to manage curriculum	43%
The quality of governing bodies	43%
Arrangements in place for monitoring governing body performance	42%
The quality of leadership	41%
Quality of the leadership team to manage the quality of provision	40%
Arrangements in place for monitoring leadership performance	39%
Arrangements in place for monitoring the quality of learning provision	37%
Arrangements in place to support improvement of learning provision	36%
No concerns listed	11%

Base: n=232

2.2   Attitudes towards the overall objectives

School sixth-forms

Typically, steering group members agreed with the importance placed on improving the overall financial health of the FE sector in their areas. However, they were less convinced by the prioritisation of restructuring placed on institutions involved in the area reviews. Most steering group members across all case study areas criticised the incompleteness of the reviews. For example, the lack of involvement of school sixth-forms in the reviews reportedly meant potential collaboration with FE colleges could not be considered. For a few college principals the decision to exclude school sixth-forms in the reviews not only resulted in a review skewed towards provision offered by FE colleges e.g. technical and vocational qualifications, but subsequently side-lined classroom based courses offered by school sixth-forms and the needs of a large proportion of learners.

> "[The review] didn't include school sixteen-to-nineteen which [teach] a considerable number of students. From the outset it felt like [the review] was very much aimed at technical vocational courses."

(College principal, Wave 1)

While school sixth-forms were not involved in the area reviews, the RSCs were invited to represent their provision. However, by not including school sixth-forms, some steering group members suggested some principals and governors were disengaged from the process. Spours et al. (2018)[23] found in their evaluation of the London area reviews, that principals and governors of colleges valued the consideration of school sixth-forms, albeit through the school commissioners.

Although the area reviews were voluntary and FE colleges did not have to take part, most providers felt compelled to take part because not taking part would mean excluding themselves from a national intervention that could have an impact on provision in their local area(s). There was consensus among FE principals that they did not want to miss the opportunity of participating in a national process that involved all FE colleges and government investment in the sector.

Restructuring

Additionally, most steering group members emphasised that by prioritising restructuring options, possibilities to improve quality of learning provision was neglected. Most interviewees said it was disappointing that the needs of learners were not considered in the same level of detail as financial issues. Spours et al. (2018) also found that by focusing predominantly on college finances, attention was drawn away from learners and employers.

> "Although the review was billed as a wide piece of work, in relation to curriculum and health of the state, it very quickly came down to financial health and potential for merger or collaborative working."

(LEP, Wave 2)

Several steering group members in this study and in Spours et al. (2018) referred to this as a missed opportunity. They felt the scope of the review was narrowly focused on

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[23] Spours et al., (2018) conducted a three-year long process evaluation of the London area review (which comprised of 4 separate reviews as part of a pan London review). The review consisted of documentary analysis, interviews with key policy authors (steering group members, DfE and the Greater London Authority) and seminar consultations with college staff responsible for the curriculum.

merging financially weak colleges with stronger colleges to reduce the overall financial risk and improve financial resilience in the sector.

> "It was interesting, because it changed. Originally, they said it was about providing the best results and outcomes for learners, but it became very obvious, very quickly, that it was actually about trying to reduce the financial risks to the sector, by getting the weak colleges financially tied up with the stronger colleges. The original objectives were good, but they never materialised. There was never any talk about what was good for the students. The idea of reducing financial risk was a good one."

(College CEO[24], Wave 3)

Similarly, some college principals questioned the suitability of creating larger colleges as a solution. Some principals argued that larger colleges are not necessarily more financially efficient as they felt bureaucracy can increase with college size and this can be costly. Typically, principals of smaller colleges that were financially sustainable felt they were required to address the debt of other colleges by merging rather than addressing their own concerns.

> "We were a £15 million college, we had a surplus of money in the bank, we made a surplus each year but we were told at the time we had to merge because of size. I'm not sure the focus in terms of stronger colleges are more sustainable because they're bigger is something principals [in the area] agree with. The feedback I constantly hear is the money spent [in the area review] could have been better spent investing in colleges themselves."

(College principal, Wave 3)

Area review boundaries

Furthermore, some steering group members across some case study areas outlined their frustration with the geographical boundaries of the area reviews. These were based on LEP areas. These concerns were particularly prevalent amongst respondents who were involved in area reviews in more rural geographies. For example, respondents in these areas reported the boundaries were unrealistic, since long distances between the colleges made the option to merge unfeasible. As demonstrated in the quotation below, one steering group member said that, due to the distance between the colleges within the same boundary, opportunities for collaboration were limited. This raises the issue of how rural colleges located within the same area review boundary can struggle to engage in

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[24] College CEOs, were chief executives of a multi-academy trust.

structural reforms with other colleges. Some college principals felt imposing standardised boundaries limited the consideration of local need and they would have liked the opportunity to discuss their priorities with other closer colleges located within other area review boundaries.

> "The real problem with the areas reviews for us is it's a geographic anomaly. […] We're out on a limb, we're a long way away from some of the other colleges [that were involved in our area review]. When we looked at the colleges we were going to be discussing our priorities with, they're miles away and irrelevant to anything relevant to us."

*(**Sixth-form chair of governors, Wave 3)***

However, it is important to note that colleges were able to merge with other providers outside of their area review, but they were required to raise this with DfE as a viable alternative option. Perhaps clearer communication regarding this aspect was needed prior to commencing the area reviews. Therefore, it may not have been the boundaries that restricted opportunities to collaborate for these colleges, but a lack of awareness of the possibility to merge with providers in other area reviews.

Separate waves and area boundaries were decided based on a number of considerations, including areas with a high number of struggling colleges, logistical factors and LEP boundaries. However, some colleges reported being constrained by this structure. For example, colleges were only able to be part of one area review. It was not always possible to identify prior to the area review, which college would be the most appropriate to merge with. In instances where the options were limited, a few providers acknowledged that they sought other merger options once their review was completed, where there were other, more viable, options outside of the area review area. Nevertheless, despite these colleges criticising the boundaries and suggesting they were not fit for purpose, no other alternative was put forward.

2.3   Challenges prior to the area review

As discussed earlier, the survey data suggests the most prevalent concerns in their local area were around the financial sustainability of their providers. Over three-quarters of respondents (77%) indicated that they had concerns about the financial health of one or more providers before the area review (see figure 2 below). In addition, figure 2 demonstrates over half of the respondents did not feel that the leadership teams in their local colleges could accurately forecast their financial position or plan effectively based on their current financial position (54% and 57% respectively).

Figure 2: Concerns surrounding financial management before area review

Base: n=232

	Very concerned	Fairly concerned	Not very concerned	Not at all concerned	Don't know
The financial health of one or more providers	42%	35%	17%	3%	
The skills of a leadership team/teams to accurately forecast their financial position	19%	35%	34%	9%	4%
Arrangements in place for monitoring finances	19%	32%	38%	9%	3%
The skills of a leadership team/teams to plan effectively based on their financial position	17%	40%	28%	10%	4%
The financial planning skills of a leadership team/teams	12%	34%	39%	11%	4%

Similarly, interviews with steering group members also confirmed financial health was a concern. When speaking about the factors that contributed to the financial difficulties of colleges, most providers reported concerns stemmed from a lack of funding, a drop in pupil numbers and the increased competition in the sector. Some perceived the competition for pupils from other FE providers such as school sixth-forms meant that FE colleges were suffering from a reduction in student numbers and thus funding. As discussed below, steering group members suggested an inherent tension between competition and collaboration.

Survey and case study findings indicate that financial concerns were not the only worries in the FE sector prior to area reviews. When respondents were asked about their concerns around the leadership or governance prior to the area review (see figure 3, p.30), two-fifths were concerned with the quality of governing bodies (40%) and just over a third were concerned about arrangements in place to monitor the performance of leadership or governance (36%).

Figure 3: Concerns surrounding leadership or governance prior to area review

Base: n=232

	Very concerned	Fairly concerned	Not very concerned	Not at all concerned	Don't know
The quality of governing bodies	12%	28%	44%	13%	3%
Arrangements in place for monitoring the performance of leadership or governance	10%	26%	47%	15%	3%
The quality of leadership	9%	28%	48%	13%	2%
Arrangements in place for monitoring the performance of governing bodies	9%	28%	47%	12%	4%

■ Very concerned ■ Fairly concerned ■ Not very concerned ■ Not at all concerned ■ Don't know

Moreover, there was consensus amongst steering group members that the area review also needed to address the quality and coverage of provision in their areas.

When asked about their concerns around the learning provision prior to the area review, figure 4 below indicates two-fifths of respondents did not feel that the leadership teams possessed the strategic planning skills to manage the curriculum (40%). In addition, over a third of respondents expressed concerns with the current arrangement in place to support learning provision in their area (36%) (see figure 4). The concern around issues of quality and quantity of learning provision may explain why the interviews revealed a perception of imbalance, namely an over focus on financial efficiency at the cost of other key challenges in the sector.

> "In terms of the principle and stated purpose it was focused on quality as well. Largely from my perspective it was a financial exercise, it was looking at the sustainability of the colleges moving forward. As a consequence, I think quality was an aside really, largely. Although quality was referenced in terms of information to present, the nuts and bolts of the area review process was about the financial efficacy moving forward as single entities or not, or to be part of a merged organisation or any form of different arrangement."

(College principal, Wave 1)

As such, some steering group members suggested that the area reviews would have been more effective if there had been more of a balanced approach when considering learning provision and finance. Nevertheless, the combination of figures 2, 3 and 4 demonstrate that, although steering group members saw a range of challenges to the FE sector, by far the most pressing concern was financial health (83%) and financial management (63%).

Figure 4: Concerns surrounding learning provision prior to area review

Base: n=232

	Very concerned	Fairly concerned	Not very concerned	Not at all concerned	Don't know
The strategic planning skills required by a leadership team/teams to manage the curriculum	10%	30%	44%	12%	4%
The quality of the leadership team/teams in place to manage the quality of learning provision	6%	31%	48%	11%	3%
Arrangements in place to support improvement of learning provision	8%	28%	51%	9%	3%
Arrangements in place for monitoring the quality of learning provision	7%	27%	47%	16%	3%

■ Very concerned ■ Fairly concerned ■ Not very concerned ■ Not at all concerned ■ Don't know

2.4 Chapter summary

All steering group members reported that the objective of financial stability was welcomed and needed in the sector, evidenced as the most pressing concern in the survey. However, the majority of steering group members felt the focus on financial efficiency came at the cost of other key concerns relating to leadership, governance and learning provision, which resulted in the process being described as a missed opportunity by some. The authors note, the varying financial position of colleges made it difficult to ensure all needs were fulfilled.

The largest criticism of the area review objectives was the exclusion of school sixth-forms. School sixth-form provision was included in the analysis of provision in an area, but including school viability and sustainability within the scope would have meant a very different review that would have had to be structured in a different way in order to be manageable. In future interventions, the Department should provide clear explanation of why processes have been designed in a particular way to increase transparency. This is also applicable to cross-boundary mergers. While colleges were able to merge with providers from other reviews, if this was a more viable option, this was not widely known and resulted in frustration with review boundaries among some steering group members. Steering group members needed to be better informed about cross-boundary mergers. That said, cross-boundary recommendations could not have been an output of the recommendation of an area review report because adjacent reviews could have occurred at different times. Consequently, overcoming these challenges was difficult because inevitably difficulties arose from enforcing boundaries.

3   Experiences of the area review process

This chapter provides an overview of respondents' experiences of the area review process. With reference to the national framework (see appendix 7.1), a chronological approach is taken to offer insights into the perceived strengths and weaknesses of the area review process. As the steering group survey aimed to focus on perceived impact, this chapter exclusively draws on the qualitative interviews from the case study areas.

3.1   Steering group process

Chairing of the steering group

Most area review steering groups were chaired by either the FE Commissioner or the SFC Commissioner. The exceptions were those area reviews in emerging Combined Authority areas, where a nominee from the Combined Authority chaired or co-chaired the steering group. The majority of respondent steering group members spoke positively about the chairing of the steering group during their area review. Interviewees emphasised that large steering groups presented challenges for the chair. Nonetheless, the majority reported that the chair was able to effectively encourage open discussions despite the size of the steering group. Some interviewees praised the chairs' ability to facilitate open discussion amongst those involved in the meetings and effectively manage conflict that arose during the meetings.

> "The chairing was impressive. The meetings were large and they were difficult, and they could get quite edgy. The chairing and the way that was handled was excellent, it was very good indeed. Having chaired difficult meetings at local government council meetings, there was real skill involved and they were well-executed."

> *(Sixth-form chair of governors, Wave 4)*

In contrast, other steering group members felt that the meetings chaired by the Combined Authority[25] did not encourage engagement or discussion. In particular, they dictated the agenda too strictly, so that some steering group members did not feel that they were given an opportunity to contribute.

> "They put people in charge of it who didn't have the skills to get underneath this set of issues, or the knowledge to do that. The more frustrated they got, the more they tried to drive things by coercion, force models through which

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[25] A combined authority is a legal set up that enables a group of two or more councils to collaborate and take collective decisions across council boundaries.

didn't work. The issue about local leadership is, it is great, but you've got to put people who have knowledge and skills to do that well."

3.2 Practicalities of the steering group

Organisation

There were clear differences in how steering group members perceived the organisation of the steering group meetings between the area review waves. Overall, respondents involved in the earlier review waves found the meetings to be less well organised than those in later waves. For example, one college principal found that the information presented during the steering group meetings was unclear and confusing. The principal reported mistakes around paper distribution where providers received sensitive information about other colleges, for example travel to learn patterns or financial circumstances. The overall impression that some members got from meetings was that the team responsible for gathering option analysis information for the recommendations seemed overstretched. For example, a college provider stated:

> "It felt like the team that were working on area reviews were all doing lots in a short period of time, there were mistakes around paper distribution, information not going out soon enough. It felt all just a bit too rushed."

(College principal, Wave 2)

For context, some of this may have been due to tighter timescales for setting up the earlier waves. For instance, there was a little over a month (August 2015) between the announcement of the intention to run the area review programme and the commencement of the programme (September 2015), in which to develop, test and establish processes and documentation, and to communicate internally and externally.

A number of respondents suggested that the steering group meetings lacked focus, and were therefore too long to be effective. This view was particularly prominent amongst respondents within the earlier waves, perhaps because lessons learnt were implemented in the later waves. Although, steering groups were made aware of cases where providers were already engaged in discussions about potential mergers (prior to an area review commencing), some steering group members still reported the meetings duplicated these discussions. In these occurrences, steering group meetings may have been inefficient, namely if a decision to merge was already agreed, this time could have been spend discussing other issues

Content

Some steering group members across some case study areas spoke positively about the content of the meetings, highlighting that they provided an opportunity for colleges and other providers to learn and understand more about other colleges in their area, to share common challenges and solutions, or to collaborate to identify solutions to address shared challenges.

> "The bringing-together of principals and chairs of governors worked well. The openness within which data was shared, and the very early data-sharing agreement put in place by verbal agreement, rather than having to go through a contractual document, that helped. That information was fed back and everybody was looking at the same information as part of the conversations that were happening."

(College executive principal, Wave 1)

In contrast, some college principals reported that the content of the meetings was not relevant to them and they could not contribute to the discussion. This led to a feeling that the meeting was not a good use of their time. This may have been the case for a range of reasons. It may be that there was a reluctance by some to participate, a lack of focus, the wrong representative at the steering group meetings, or meeting discussions were too narrowly focused on colleges that were potentially under risk of insolvency. Indeed, some financially strong and well preforming colleges may have felt that the problems faced by other colleges were not their concern.

> "Turning up to pointless ghastly long meetings, rubbish about things that had no concern. What knowledge or interest would I have in an agricultural college 60 miles away? I don't know about rural [areas] and how to run an agricultural college. Why was my chair of governors and me sat in a room listening about stuff about which we could contribute nothing?"

(Sixth-form college headteacher, Wave 3)

Structure

There was not a standard size across the area reviews, and the size of meetings depended on the number of colleges, local authorities and LEPs involved in the area review. For example, the Manchester area review was extremely large with 33 members compared to that for Dorset, which was relatively small with 7 members. As noted above, a large proportion of steering group members reported that a central weakness of the meetings was the size of the group and the number of individuals involved. Some steering group members reported that the size of the steering group limited its overall effectiveness because it did not offer sufficient opportunity to engage in in-depth discussions about the issues raised.

Some steering group members also commented that the sheer size of the steering group led to difficulties in ensuring that all representatives had the opportunity to contribute and share their views, and that meetings tended to be dominated by the loudest or strongest views and voices.

> "It was difficult as you ended up with a meeting of 50-odd people and it's almost impossible to get your voice heard unless you've got some strong views and are forceful."

(College vice chairman, Wave 1)

Consequently, interviewees from large area reviews suggested their meetings would have been more effective if they were smaller in scale. In particular, some steering group members suggested that those colleges facing significant financial challenges would have benefitted from separate meetings to discuss and try to resolve their particular challenges. In such circumstances, large steering group meetings were not an appropriate space to share sensitive information. This issue is also pertinent to discussing potential recommendations which will be further discussed in the subsequent chapter (see p.44).

3.3   Composition of steering groups

While steering group members in large areas reported that their meetings were attended by too many people, they also valued the broad representation of different stakeholders within the steering group. Emerging here is tension between having the opportunity to engage in discussions with a range of stakeholders, and ensuring all voices are heard in the context of a focused meeting.

The majority of steering group members highlighted the benefits of being able to speak to representatives of other FE colleges and sector stakeholders in the review area. For some, this was the first time they had met collectively. Steering group members valued the opportunity to engage in open and frank discussions between providers and the opportunity to encourage collaboration between providers. Respondents also emphasised the importance of the steering group being composed of professionals with first-hand FE sector experience.

> "Although the meetings were quite large and therefore at times a bit unwieldy, it was important to have representation from all the interested parties, the colleges, local authorities, experts and that kind of thing. I thought the process, given what it was trying to achieve and given the scope of it, worked well."

(Sixth-form chair of governors, Wave 5)

Despite some positive perceptions of the composition of the steering group, as discussed in chapter two, others reported the process would have been more effective and complete had it included representatives from school sixth-forms (see chapter two above for further detail). Furthermore, some steering group members suggested that they would have liked to have seen greater involvement of employers – to better match provision to the local labour market, and independent training providers – to address duplication of local provision. They highlighted that a lot of colleges' work, including curriculum design and delivery, involves collaboration with these external stakeholders. In particular, some steering group members felt that FE colleges would be unable to offer attractive courses without the involvement of employers - as the skills-need would drive delivery of provision. For example, a number of colleges situated in rural areas reported working with a range of employers from the agricultural sector as part of their specialist course curriculum offer. Some steering group members also highlighted an increasing need for collaboration between FE colleges and local employers in response to the drive to increase the number of apprenticeships. This is significant because a key objective of the area review process was for colleges to be well equipped to respond to the reform and expansion of the apprenticeship programme.[26]

Overall, there was some tension between the desire for input from wider FE representatives, and the view that larger steering groups could be unwieldy and ineffective. Some providers suggested the smaller steering group structure of the FE Commissioner-led structure and prospects appraisals (SPA) was individualised, making it a more effective method of reviewing colleges.[27] However, the underlying aim of the area review was to look at the needs of an area as a whole, rather than each institution. In which case, conducting several individualised SPAs would not have met the overall goal.

3.4 Effectiveness of the steering group working together

The majority of interviewees reported that members of the steering group generally worked successfully together, both during and following the area review process. When asked about their perceptions of the effectiveness of the steering group during the review, steering group members alluded to three key positive aspects. Firstly, there was agreement amongst some providers that the fundamental process of developing the recommendations in collaboration with the steering group worked well. Secondly, respondents particularly valued the role of the FE Commissioner in facilitating discussions amongst steering group members. Finally, steering group members suggested the process acted as a catalyst to encourage discussions between FE

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[26] Powell, A. (2019) Apprenticeships and Skills policy in England. Briefing paper

[27] SPA's approach involved reviewing colleges on an individual basis, where desk research and meetings with key representatives and stakeholders were undertaken to assess options for one specific college.

providers, LEPs and LAs in the area about shared concerns and issues. For example, as noted below, some colleges reported meetings held outside of the steering group to discuss shared challenges pertaining to finance or curriculum provision. However, as discussed previously, some steering group members felt the effectiveness of a larger group was limited at times because individual voices could not be heard.

The majority of interviewees spoke about the challenges faced by their area prior to the review. They reported that there had been a lack of collaboration in the sector, exacerbated in recent years due to reduced government funding, and competition for pupils between colleges – especially in areas were a number of general FE colleges were situated close together. Some interviewees highlighted that these issues created unnecessary duplication of provision in the sector, which in turn meant a reduction in student cohort and some colleges becoming financially unsustainable due to less income being generated. The majority elaborated that the steering group provided a forum for colleges to discuss the issues that they face in their area and collectively agree on possible solutions.

> "I think what worked well was getting the parties sitting around the table, those who were involved. Very good forum for talking, which we hadn't done before, about the kind of issues that sixteen-plus learners face in our areas. That, I thought, was actually very positive, and that did work well."

(Local 16 – 19 Lead, Wave 5)

As indicated above, some colleges across some case study areas also reported that they regularly held meetings with other college representatives outside of the steering group meetings throughout the area review. Colleges recognised commonalities in the issues they face with regard to finance, curriculum provision and pupil numbers, and took action to foster existing and new relationships to tackle these issues.

> "We ended up working outside of the meetings a bit because we wouldn't get anywhere if we didn't. It was talking shop in the actual area review meetings, and those are very structured. It was driven in a particular way and we felt we needed to talk. If we were going to come up with proposals, for example, it made sense to work in, sort of, small groups to test out those proposals before we actually got into a meeting, otherwise we'd never come to an end."

(College chairs of governors, Wave 5)

Similarly, a minority reported that the partnerships and collaborative strategies established during the process were sustained after the completion of the area review, for example, to create joint business ventures. While some recognised that duplication in the sector still exists, colleges spoke explicitly about the shared processes and

collaborative initiatives which have been put in place as a result of the discussions held during the steering group meetings.

> "What worked well was that it acted as a catalyst to get colleges to talk about how they could create more viable futures and reduce some of the duplication. That did work. In our case, one fewer college than there was before. What worked less well, that might well have happened anyway."

(College CEO, Wave 5)

Conversely, some steering group members interviewed reported that some colleges did not work well together. This was most commonly due to resistance to collaborate with other colleges due to strong competition in the area for students, or disagreement with recommendations, for example mergers – especially in cases where a stronger college was reluctant to merge with a weaker one. Some steering group members reported that some recommendations were unrealistic or inappropriate and that resistance or disagreements between colleges created tension within meetings.

3.5   Option analysis

FE colleges were required to undergo an economic and educational need analysis, map out current provision and curriculum delivery, and provide an estates (sites and facilities) and financial analysis. The collection of data was utilised to develop structural options to meet these needs and were subsequently put forward to the governing bodies of FE colleges as recommendations. The majority of steering group members spoke positively about the information and data that was shared during the steering group meetings. There was a collective view amongst steering group members that the openness of the data shared helped to increase transparency about FE provision in the area. Some colleges perceived the data gathering as the most impactful element of the area review as it facilitated discussions between colleges on an unprecedented scale.

Additionally, some steering group members felt that the data collection provided colleges with a framework to work within to meet the overall aims and objectives of the area review. As mentioned previously, data collection acted as a catalyst for collaboration between providers in identifying solutions to address the issues that the areas faced. Hence, for some college principals the data gathered helped to further legitimise the recommendations proposed by the steering group, particularly those focused on mergers between colleges.

However, some college principals reported that the time spent collecting data on the curriculum and the estates was duplicated and therefore frustrating. For example, a number of principals outlined that the same data needed to be presented in more detail as part of the application process to the RF but were unaware of this when data was

collected for the option analysis. Therefore, principals had to revisit the data collected as part of the option analysis and collect additional data as part of the RF. Consequently, some colleges highlighted that the process of data collection was costly. Although some colleges embraced the reviews and collected data in preparation for their area review, others needed to pay to obtain data and, further, appoint external resource to collate the data as they lacked the internal capacity or skills to do so. While the process may have been time-consuming and costly, thorough checks were required by the DfE before large sums of public money (in some cases tens of millions of pounds) were given to colleges. The process could be made more efficient in the future, if providers are made aware of what data will be required and when, to ensure colleges are given the opportunity to manage their approach and resources.

Chapter summary

Overall, perceptions of the area review process have been largely positive. Respondents particularly valued the opportunity to gather evidence, carry out options analysis and collaborate with other FE colleges in the area. In particular, the FE Commissioner was acknowledged for encouraging open discussions amongst steering group members. Steering group members of large areas found their meeting unwieldy, but also valued the varied representation. Some college principals across the larger case study areas suggested that they preferred the design of the SPAs and that it would have been more pragmatic to have an individualised approach that had input from all the relevant stakeholders to the college. This suggests a single model of the area reviews across the country may not be effective for all and, in some contexts, a different approach may need to be adopted to reach the same goal.

4 Meeting the area review recommendations

The steering group meetings resulted in a set of recommendations for colleges, LEPs and LAs. This chapter provides an overview of the types of recommendations proposed by the local area review steering groups, and their reactions towards these recommendations. Thereafter, barriers experienced by colleges when implementing recommendations are considered.

4.1 Types of recommendations

The survey data illustrates two main types of recommendations from the area review process. As illustrated in figure 5 below, these recommendations predominantly focused on structural change - namely mergers - and stronger collaboration or partnerships between two or more providers. Just under three-quarters of survey respondents (70%) reported recommendations involved a merger between two or more existing providers, and just over half of respondents (53%) said that recommendations pertained to achieving stronger collaboration or partnership between two or more existing providers (see figure 5 below). These recommendations relate back to one of the key objectives of the area reviews programme, one of which aimed at bringing about a transition towards fewer, larger, more resilient and efficient providers, and more effective collaboration across institution types[28].

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[28] Further Education: written statement by the Minister of State for Skills.

Figure 5: Types of recommendations made regarding the structure on further education learning provision

Base: n=232

Recommendation	Percentage
Merger between two or more existing providers	70%
Stronger collaboration or partnership between two or more existing providers	53%
Creation of a federated structure between two or more providers	14%
Retaining the current structure of provision	12%
Creation of new, specialist provision in the area (including Institutes of Technology)	10%
Creation of new, general further provision in the area	1%
Don't know	1%

These survey responses were consistent with responses from the qualitative interviews with steering group members. When asked about the type of recommendations that emerged from the area review, most respondents talked about college mergers and collaborations or partnerships. In most cases, mergers involved two colleges, with the emphasis on a financially weaker college merging with a college that was considered to be in a financially stronger position. As discussed earlier, steering group members felt the area reviews placed an imbalanced emphasis on restructuring. However, the number of structural recommendations did marginally reduce in later waves, 16 in wave one compared to 13 in wave 5. Perhaps because later waves included colleges experiencing fewer challenges, restructuring such as merging was not necessary and colleges could stand alone if they felt they were financially able to operate on that basis. In such instances, the DfE reports other, lighter, structural recommendations were discussed including collaborating or creating partnerships between colleges, and SFC academisation. The authors note, while fewer recommendations may have been made in later waves, the view of an over-emphasis on restructuring results from the increase in mergers that the sector witnessed during this time period comparative to prior area reviews commencing.

Respondents of the survey were also asked about recommendations relating to the quality of learning in their area. Figure 6 below shows that the just under two-fifths of respondents (39%) reported that their local steering group recommended the development of learning strategies (e.g. apprenticeship offer) in partnership with other bodies such as LEPs and LAs. This was followed by just over one-quarter of respondents (28%) reporting that their local steering group recommended improving the quality of existing learning provision, and one-quarter (25%) saying that recommendations focused on making apprenticeship provision more relevant to the needs of the local economy.

Figure 6: Types of recommendations made regarding the quality of learning provision

Base: n=232

Category	Percentage
Developing learning strategies in partnership with other bodies	39%
Improve the quality of existing learning provision	28%
Make apprenticeship provision more relevant to the needs of the local economy	25%
Specifically improve the quality of apprenticeship provision	9%
None of the above	37%
Don't know	3%

The findings from qualitative case studies also support the survey finding of fewer recommendations on the quality of learning provision, leadership and governance issues. Although this depended on the needs of the area and size. The majority of steering group members across the case study areas did not speak about recommendations relating to the quality of learning provision, but agreed there were concerns and challenges in this area. Only one steering group member explicitly reported that recommendations were made to improve learning provision in their area. Two reasons were put forward as to why quality of learning provision, leadership and governance were not addressed. Firstly, steering group members reported the primary objective of the review was to prioritise structural change, and that quality of learning provision would be addressed as a consequence of restructuring. Secondly, as illustrated in the quote below, one principal felt that quality of learning provision, leadership and governance were not addressed in the review because, as colleges are autonomous, principals and governing bodies did not want to have open discussions about quality of provision, leadership and governance.

> "The review didn't really tackle leadership and governance issues within colleges. There are certainly issues of the quality of provision and governance and of leadership, but when you are an independent organisation, there's not much you can do except look on, frankly, and the area review didn't really address governance."

(College principal, wave 1)

Qualitative findings with steering group members suggest that an open forum environment such as steering groups may not be the most appropriate to foster discussions on particularly sensitive topics. For instance, governance issues can be hard

to discuss where wider stakeholders are present in the steering group meetings. Alternative approaches such as specific committees, tiered levels of responsibility, independent / external chairs, may be useful forums for addressing potential contentious issues.

Only one college felt that quality of learning provision did not need to change in their area. This principal also felt that no mergers or changes were necessary in their area. It may have been that, while mergers could have eased financial issues, principals felt merging might jeopardise the positive work colleges were already doing.

> "In essence, no change at all. Everybody's provision was either good or outstanding. There was no basis on which to make any recommendations on quality. There was a possibility of some harmonisation, but not extensive."

> *(College principal, wave 3*

4.2 Reactions towards the recommendations

The survey with steering group members indicated four key reactions (see figure 7 below):

- Nearly all steering group members (92%) agreed that the exclusion of school sixth-forms and private providers made it harder to develop recommendations that would improve provision in the various areas.

- Over two-thirds of steering group members (69%) agreed that the recommendations had the support of all or nearly all of the steering group.

- Three-fifths of steering group members (62%) agreed that the changes recommended would have happened without the area review process taking place.

- Three-fifths of steering group members (62%) disagreed that the recommendations put forward addressed the most important issues facing the area.

Figure 7: Steering group members' attitudes towards the proposed recommendations

Base: n=232

	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
The exclusion of school sixth forms and private providers made it harder to develop comprehensive recommendations	70%	22%	3%	5%	
The recommendations had the support of all or nearly all of the steering group	13%	56%	20%	7%	4%
The changes recommended would have happened without the Area Review process taking place	21%	41%	21%	10%	7%
The recommendations address the most important issues facing the area	6%	31%	39%	23%	

■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

The qualitative interviews support these findings and provided some further explanation. As discussed in chapter two, typically steering group members were frustrated by the prioritisation of restructuring placed on institutions involved when school sixth-forms were not included in the reviews. Perhaps then, this also constrained the number of recommendations that were considered. Steering group members suggested that by incorporating school sixth-forms, more collaboration and mergers would have occurred.

That said, the majority of interviewees emphasised that steering group members agreed on the recommendations because they were responsible for agreeing which of the various options to publicise as recommendations. It may have been that the recommendations were also supported because in certain instances discussions regarding merging had taken place prior to the area review commencing. While in many cases, the area review process was reported as a mechanism for presenting options not previously considered, in some cases it was also reported as a mechanism that validated decisions.

> "We had already undertaken an assessing review, so there was a validation from the area-based review, which helped us to refine our thinking … The area-based review was the foundations for that to take place."

(College vice principal, Wave 3)

For that reason, some steering group members reported that some recommendations from the area review were likely to have happened without the local steering group's involvement. This was particularly the case where mergers between colleges were

underway or had been agreed before the local steering groups were set-up. This same issue was reported by a respondent in relation to a recommendation for two SFCs to become academies. The respondent felt that this would have happened without the area review.

> "The only other structural changes that happened within [Area A] were where sixth-form colleges became academies, for example in [Location A] and in [Location B]. My own view is that was a strategic direction those colleges may have taken anyway, once the legislation was there in order for sixth-form colleges to academies".

> *(College executive principal, Wave 1)*

While a few colleges indicated that some recommendations were discussed before the review, some steering group members acknowledged the whole process acted as a catalyst. The area review meetings gave proposed mergers direction, pace, and involved gathering important data which was useful to begin pragmatic discussions. The significant increase in the number of mergers between 2016 and 2018 (53), compared to just 8 between 2013 and 2015 does suggest significant consolidation through merger in the sector[29].

> "Without the area review, I don't think people's minds would have been as focussed. I don't think we would have actually been able to get everybody to take part in our own review, so I think it was important that the area review was there".

> *(College principal, Wave 3)*

Additionally, some steering group members indicated that the area review recommendations helped bring about options for positive change that had not previously been considered. For example, one provider reported that the merger of two colleges resulted from the area review recommendation. The respondent further explained that if the merger had not happened, one of the colleges would have struggled to survive on its own.

> "A significant change was the merger of [College A] and [College B], which was part of the recommendation. You could argue that [College A] would have struggled to survive on its own."

> *(College CEO, Wave 3)*

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[29] Association of Colleges statistics on college mergers. 2013: 2, 2014: 4, 2015: 2, 2016: 11, 2017: 29, 2018: 13.
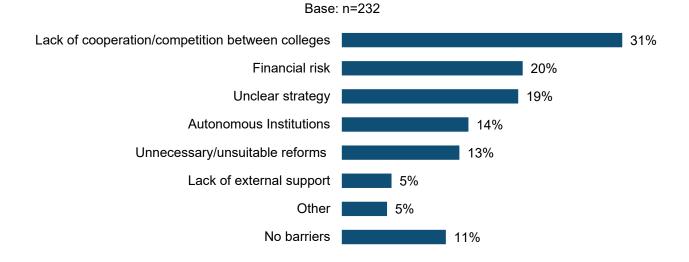
However, some steering group members felt that recommendations other than mergers were not substantial. While some steering group members felt there was an over-emphasis on restructuring, others who agreed on other non-structural recommendations, such as greater collaboration, shared services, and/or curriculum planning reported these measures would not result in tangible changes[30]. For example, one college principal said they were asked to continue collaborating with a nearby sixth-form college, which was reported as 'stating the obvious'; in the sense that informal collaboration would continue but no perceptible changes would occur. Another recommendation considered insignificant by a few steering group members was the continuation of the local steering group after the area review. The idea was to encourage further cross provider and stakeholder conversation around quality of learning provision, but some providers felt this approach was not sufficiently stringent to ensure continuation. However, other steering group members reported sustained collaboration from the steering group process has occurred in their area.

4.3 Barriers to implement recommendations

There were large disparities in implementing recommendations. Some colleges were better prepared for implementation, as the recommendations were not wholly unexpected, while others reported numerous barriers. Figure 8 below shows almost a third of survey respondents indicated that a lack of cooperation and having competition between colleges was a significant barrier to delivering the area review recommendations (31%). In addition, around one-fifth of respondents (20%) reported the financial risks associated with the recommendation, and just under one-fifth of respondents (19%) reported an unclear strategy were key barriers.

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[30] Most respondents viewed merger and academisation recommendations as structural, and others as non-structural.

Figure 8: Main barriers to delivering Area Review recommendations

Base: n=232

Barrier	Percentage
Lack of cooperation/competition between colleges	31%
Financial risk	20%
Unclear strategy	19%
Autonomous Institutions	14%
Unnecessary/unsuitable reforms	13%
Lack of external support	5%
Other	5%
No barriers	11%

These findings were echoed in interviews with steering group members. For instance, there was a general consensus amongst steering group members that college collaboration both during and after the area review was crucial to addressing the issues raised during the steering group meetings. Yet, several steering group members suggested that the current funding system does not help foster such co-operation between colleges because of the competition created by having funding aligned with pupil numbers. This raises a potential tension between the promotion of collaboration between individual colleges on the one hand, and the market-orientated (competition) context within which colleges operate on the other hand.

There were concerns expressed by some colleges around the financial risk associated with the recommendations, specifically relating to colleges restructuring as a result of the area review recommendations. The process of merging is complex and principals that were undergoing mergers stressed that their main challenge was the time taken to integrate two different college processes together (e.g. IT systems). They were particularly concerned with the cost arising from the lengthy process of merging and taking on the weaker colleges' financial debt, often viewed as a burden. Providers were also worried about the perceived lack of financial support available. With these challenges combined some principals suggested that they were apprehensive about the potential imminent negative impact that a merger could have on the financial resilience of their college.

> "One [challenge] is financial, it cost a great deal more than we thought to [merge]. [We had challenges with] creating capacity, creating time, creating systems, [and] aligning process which were not aligned. They take time and time is money. We don't have sufficient money and there's no additional

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support that we can find to help that." (**Sixth-form college principal, Wave 3**)

In addition, some steering group members indicated that some of the recommendations were not implemented because they were merely agreed during the steering groups without genuine intention to implement them. Two reasons were provided for this occurring. Firstly, some respondents alluded that recommendations were only agreed due to the pressure of the steering group environment. For example, a principal who attended a steering group meeting chaired by the combined authority expressed frustration around the politicisation[31] of the steering group. They felt that some of the recommendations did not meet the needs of the colleges involved and the local community, particularly because the combined authority was not as well informed as the FE commissioner about the sector. In this particular instance, the principal indicated that the colleges collectively agreed that the recommendations were not suitable and therefore they would not implement them, which was their prerogative.

Secondly, some principals struggled to understand the purpose of the review when their college was performing well, i.e. had a good Ofsted rating or were better placed financially compared to other colleges. Although the review was voluntary, they participated because it was a national policy and felt the review was imposed on them insofar as they did not want to be an anomaly and not participate in an intervention in which other FE colleges were taking part, and by doing so be unable to influence the outcomes of area reviews which could affect their FE provision. In such instances principals felt the overemphasis on restructuring did not meet their needs. Subsequently, their governing bodies lacked motivation to implement any structural recommendations because they struggled to understand how merging with financially weaker colleges would benefit their colleges. Steering group members that represented these colleges would have liked the opportunity to address other challenges, for example, the quality of learning provision.

Conversely, other steering group members noted their frustration around the lack of accountability for FE colleges in delivering the area review recommendations. They suggested that as colleges are autonomous institutions, the recommendations were essentially viewed as advisory, which resulted in colleges ignoring recommendations they did not want to implement. While, the government had no levers to ensure colleges implemented recommendations; by participating in an area review, colleges were likely aware of the impact not implementing recommendations would have on their viability, and this may have encouraged colleges to act where they did, namely enforce

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[31] The authors are uncertain of the intended meaning of 'politicisation' in this context, but could mean credibility of steering groups were questioned, since they were not chaired by FE experts.

recommendations. Nevertheless, some steering group members suggested a follow-up check may have aided accountability.

> "Very often, the FE commissioner data or information pointed to a very clear outcome which would've been the best outcome for students and learners, and they were unable to enforce that because of the sovereign nature of boards."

(College CEO, Wave 2)

Some colleges also discussed barriers outside of their control in implementing recommendations to become an academy. For example, Catholic sixth-form college providers agreed to keep their options open to become an academy, although the option to do so is not open to them at this time as a change in legislation is required if they wish to protect their religious character. Some Catholic colleges found this option attractive because as an academy they would not need to pay VAT. However, their principals found it disappointing this was not fully understood during the area review process. Consequently, some Catholic providers felt they were unable to contribute fully to the review and were limited to agreeing to softer recommendations already in existence, for example to continue standing alone as sixth-form colleges and work collaboratively with other colleges.

> "Unfortunately, we've not been able to progress the academisation option. There is a national problem for Catholic sixth-form colleges, where there's a need for change in primary legislation for protections to be assured. Had that been open, we would've already progressed down that route and academised."

(College principal Wave 2)

In contrast, some steering group members across the case study areas reported not having experienced any barriers to implementing recommendations. This was usually the case when colleges agreed the recommendation was the right strategic decision for their college, typically those who had mergers set in motion.

> "The two colleges wanted to merge, they already knew that, they'd already agreed that, so they just wanted to move the process along because they'd been delayed, and see if there was an opportunity to get some money to help them along."

(Chair of governors, Wave 3)

4.4 Chapter summary

Steering group members reported the area review primarily focused on financial stability and consequently the resulting recommendations steering groups made mostly considered related issues. Ideally, recommendations were collective agreements from the steering group regarding changes that were needed in their area, and this reportedly occurred most of the time. In a few cases, steering group members reported recommendations were made even though they felt they would not be implemented. Others felt they were merely "rubber-stamping" decisions already made outside of the group. Recommendations were not always fully implemented, and a lack of cooperation due to competition between providers was reported as a key barrier. This latter point suggests careful consideration needs to be given to the market-orientated context within which FE providers operate when seeking to achieve change involving co-operation between FE providers for the purposes of structural reform. For example, consideration of how barriers to co-operation as perceived by FE providers can be mitigated, and enablers operationalised for maximum impact.

5 Restructuring

As noted in the previous chapter, the most frequent recommendation across the area reviews was a merger between two or more existing providers aiming to achieve larger, more streamlined, financially resilient and efficient providers. This chapter provides insight into steering group members' attitudes towards and experiences of restructuring, accessing the restructuring facility, and any subsequent impact on financial resilience and quality of provision.

5.1 Attitudes towards restructuring

376 individual recommendations were agreed during the AR process, which included 55 intended mergers - involving 114 colleges. At the end of March 2019, given changes to some original recommendations[32] 57 mergers had completed (84%), and 9 (13%) are not being progressed. The seven case study areas explored in this research are not representative of the national picture: of 17 recommended mergers, 10 have been completed or are in progress (59%).

As illustrated in figure 9 below, steering group members reported mixed attitudes towards merger recommendations, regardless of whether their college merged or not. Almost three-fifths of steering group members (59%) felt most learning providers supported the recommendation to merge, while just under a third (31%) disagreed. Similarly, as shown in figure 9 below, just under three-fifths of respondents (57%) agreed that a recommendation to merge was supported by the evidence collected during the review, while just under two-fifths (39%) disagreed. Approximately a third disagreed with all of the statements in figure 9.

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[32] In some instances original recommendations were changed to mergers and as such the total number of merger recommendations and actual mergers increased.

Figure 9: Attitudes of steering group members whose area had a recommendation to merge between two or more providers

Base: n=163

	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
The exclusion of school sixth forms and private providers made it harder to develop…	71%	20%	3%	5%	
The recommendations had the support of all or nearly all of the steering group	12%	55%	20%	9%	
The changes recommended would have happened without the Area Review process taking place	19%	42%	17%	14%	
Most learning providers in the area support the recommendations made	10%	49%	23%	8%	

Legend: ■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

Interviews with steering group members indicated that how recommendations were perceived by stakeholders influenced their success. As discussed in the previous chapter, some colleges were motivated to implement their recommendations because the proposed mergers existed as part of discussions in advance of the area reviews. The majority of these steering group members have suggested that area reviews consolidated thinking and provided structure to the merger. However, one principle argued that although conversations started before the formal area review process, these conversations were likely to have been triggered by the prospect of the area review.

> "I became interim principal of both colleges with a view to a merger before area review, but those conversations were probably triggered by [the] area review. I went in wearing both hats into the area review process, with a recommendation that those two colleges formally merge, which was duly endorsed."

(College principal, Wave 5)

In contrast, for those who were apprehensive about merging because they disagreed with the recommendation, the possibility for a merger often came to a halt as soon as the review process was concluded. The main reason for providers disagreeing with mergers was a lack of desire to collaborate due to a perceived risk of future financial deterioration. For instance, stronger colleges feared dealing with the debt of weaker colleges, and some steering group members reported large structural changes would have been costly to implement and difficult to manage within proposed budgets. Both DfE and Spours et al., (2018) reported that personal tensions between leaders of colleges also was a barrier to mergers progressing. The authors note this was not a finding, but that may be an outcome of the research design. For example, it may have been unlikely steering group members would have been so forthcoming about such (internal) barriers themselves in

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the interviews that were conducted and consequently respondents might have focused on other (external) barriers such as wider funding cuts.

5.2 Experiences of restructuring

Successful mergers

Despite many colleges agreeing to mergers, the majority of steering group members across all case study areas reported experiencing the process as challenging and difficult. There were no differences in the attitudes of steering group members between the earlier and later waves, yet anecdotally the most challenging areas were selected first. Despite the later waves having more time to plan for a structural recommendation, the majority of respondents in all waves emphasised the complexity of merging institutions. One respondent stressed combining two systems, in particular management issues, was challenging and time-consuming.

> "There are big systems challenges around addressing different management information, student record systems, big people issues associated with harmonising terms and conditions of employment. Big geographical issues working across multiple sites. They take a long time to bed in. They're challenging, big projects to run."

(College CEO, Wave 1)

The most prominent challenge suggested, and where planned mergers reportedly have often since fallen through, was finding an appropriate arrangement for governance and staffing structures, in particular the senior leader roles. Merging colleges comes at the expense of fewer senior leader roles resulting in a loss of jobs. Successful mergers were often characterised by those colleges who came to an agreement about staffing early on in the process because it enabled them to progress with making other key strategic decisions with the governing body.

> "The most painful process that we went through with [college A] was sorting out who were going to be the leaders and for those people who didn't retain their jobs, what sort of settlement they should receive. So, I would say you need to sort that out early on, before you spend a whole lot of money on due diligence and then find that, actually, you haven't got agreement at governing body level on those key issues."

(College CEO, Wave 1)

Additionally, in most cases merger partnerships were agreed where typically one college was significantly smaller in size, and/or one college was struggling financially. Steering

group members stressed it was challenging managing how staff in each of the colleges felt, and this required attention to ensure both colleges were well informed of the reasons for merging.

> "What the challenge has been [is that] whenever you merge, you merge two cultures, two ways of doing everything. The smaller party to the merger always feels like they're being taken over. The larger party always feels like they're being distracted from the real job. We had to put a huge amount of effort into both of those things."

(College CEO, Wave 1)

However, colleges specified two circumstances where merger experiences were less difficult. Firstly, a new recommendation for merging was made as a result of a previous merger option collapsing; some of which were prior to the area review while others occurred after the review. Thus, processes that failed in the previous attempt resulted in lessons learnt for the new merger. Consequently, principals in this position reported approaching the second merger more informed about what the whole process required, in particular the changes their current structure required. As demonstrated in the quote below, one steering group member stated their college worked with the same consultant for both mergers which helped the process.

> "They are currently merging with a college that had been involved in an unsuccessful merger. The merger has gone very well, because they know the process as they have done it before with other providers. They have a good team of experienced people working on the merger: they also have a good consultant who has a proven track record with them in supporting successful mergers."

(Governing body, Wave 2)

Secondly, for some colleges, discussions of merging reportedly began prior to the area review process, in some cases prompted by the prospect of the area review. Merger experiences were less difficult because the area review was utilised as an opportunity to gain support and input from the FE Commissioner and other stakeholders on their plans.

> "The conversations between the two [merger] colleges carried on and were making good process [before the review]. The area review validated that process that was already ongoing, by creating a formal recommendation for the merger. It meant the stakeholders with an interest in the two colleges were able to hear about our plans prior to them happening."

(College CEO, Wave 1)

5.2.2 Overcoming challenges

Although the majority of colleges that merged reported the experience was difficult and challenging, some steering group members reported approaches that helped to deal with the difficulties encountered from the merger process. Steering group members emphasised it was crucial to ensure all staff and students were kept well-informed about the process; since the large-scale change can leave students, staff and other stakeholders feeling uncomfortable about the future of the college. As such, communication was important to manage staff morale through the change.

> "The key thing is the communication, making sure that staff, students and governors were kept informed of what was going on. There was a lot of work done, especially with governors, to make sure that that level of communication was there and there was a sign-up to an agreed joint plan. It does require quite a bit of thought on making sure that there's some degree of shared ownership of what you're trying to achieve. That's where we put our focus."

> *(College CEO, Wave 3)*

Some colleges also indicated having a dedicated working group for the merger helped to progress the process and make an informed decision about the strategic direction of the merged college. One college CEO thought it helped to view merging as an opportunity to review systems, rather than making smaller colleges feel they were being taken over.

> "Set up working groups around all the things that will have to be harmonised. For all the things you harmonise, look at the two systems that you already have, and also look at the ones that you don't have. It's an opportunity to overhaul everything you do. It's also about an opportunity to review what the larger partner does."

> *(College CEO, Wave 2)*

One college principal indicated that the success of their merger relied upon creating an environment that was inclusive of both colleges, rather than an 'us and them' attitude. Through setting up working groups and mixing teams together, staff from both colleges were reportedly able to communicate and work together to create systems that worked for both colleges.

5.2.3 Unsuccessful mergers

Some recommended mergers during the area reviews did not materialise. Some steering group members across some case study areas reported that this tended to occur when the institutions involved were unable to negotiate how to tackle combining curriculums,

structural systems, finances and campuses. Some steering group members suggested it was due to a lack of motivation among stronger colleges to tackle the financial burden of their struggling counterparts, which often resulted in the collapse of potential partnerships. Additionally, as discussed previously, steering group members found renegotiating the roles of senior leaders challenging. In some cases, an unwillingness to risk senior leaders' positions resulted in some mergers not progressing outside of the area review. In particular, some principals were protective of their roles and their vested interests acted as a barrier in considering or progressing with mergers. Similarly, Spours et al's (2018) process evaluation of the London area review (which comprised of 4 separate reviews as part of a pan London review), also found 'management personalities' dictated whether a merger proceeded. For instance, each college had its own particular agenda according to financial health; its Ofsted grade and relationships with stakeholders. Constructive dialogue was hindered by the competitive nature of college relationships and a desire from providers to protect their roles in their colleges (Spours et al, 2018).

Furthermore, the review lacked authority to enforce recommendations because the FE sector is autonomous, and the area review process was voluntary. As a result of not implementing structural recommendations, a few steering group members reported that a college in their area further deteriorated financially. This college underwent a Structure and Prospects Appraisal[33] to help with financial sustainability and subsequently found alternative merger partners. The afore-mentioned steering group members valued the flexible support from the government in this regard.

> "Other colleges just said they didn't want to engage, and they weren't forced to. [College A] said it wanted to stand alone. We knew it wouldn't be able to. Six months ago, there was a structure and prospects appraisal and that's now merged with another college."

(College Chief Executive, Wave 1)

A few principals from some areas indicated that while a merger was recommended and agreed by those involved, some SFCs decided to pursue academisation due to the financial benefits of exemption from paying VAT. This impacted on other colleges in the area because it removed the possibility of merging with closer colleges.

> "The recommendations were to merge with two other colleges, and we didn't merge with them. One went off and became a Multi Academy Trust of one, so we couldn't merge, and the other decided, after a long time, to

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[33] A process led by the FE commission to assess restructuring options for FE colleges.

merge with a different college. They became an academy during the review, so that they couldn't merge. That was their escape plan."

5.3   Accessing the restructuring facility

Colleges were in most cases expected to fund any short-term investments required to implement area review recommendations. However, colleges that were undergoing the biggest structural changes (e.g. merger) could apply for funding from the RF up to the end of September 2018. Generally, the funding was on a loan term basis. Drawing on interviews with providers and steering groups, this section discusses providers' experiences of accessing the restructuring facility.

All colleges that had a recommendation to restructure and had received RF support to do so stated the funding enabled them to proceed with the merger, and it would not have been possible without it.

> "The original concept was that the money would be a loan, but we will be given a grant…cash to support the cash flow of the college…there is backlog maintenance, work that hasn't been done on the estate...the funding package we think will be enough to make [college name] sustainable, because it's [part of] a rescue merger."

(Steering group member, Wave 2)

Those colleges that accessed funding from the RF stressed the application process was strenuous, lengthy and expensive. As demonstrated in the quotation below, one principal indicated they were frustrated that the information gathered during the option analysis was not utilised in the application. The lengthy and costly application process could explain why mergers often progressed slower than anticipated, or that the original timetables were over ambitious. Data collected as part of the option analysis, served to facilitate and inform discussions in the steering group meetings. However, detailed information was required to ensure the RF process was robust.

> "We were taking on a college that had significant financial issues. We had to apply for support from the restructuring fund. That was quite a lengthy process. None of the information we gathered for the area review was used for that. It's a costly process. As a result of that, we did get a grant and a loan and the college had to use some of its own reserves, so it was quite a difficult decision for governors. That package enabled the merger to happen".

In addition, some providers indicated that they found working with the team in DfE that dealt with applications to the RF. Despite the unit working closely with the colleges to develop their application forms, some providers did not feel they were provided enough clarity on the information required. One provider resorted to hiring an external consultant to remove the extensive burden of the workload associated with the application process. The provider indicated this helped them to navigate and successfully attain a grant through the RF process.

> "[It is] very difficult working with the transaction unit, difficult to understand what their requirements are and what is going to prove substantive enough to get money".

(College principal, Wave 1)

Attitudes towards RF differed somewhat for those colleges in the earlier waves compared with those in later waves. Earlier waves found accessing RF more difficult, since the conditions for receiving support were yet to be finalised and some changes occurred as the RF developed. For example, one college CEO felt unfairly disadvantaged by taking part in the first wave, as RF at that point was only offered in the form of loans. The CEO felt this inconsistency between the waves was unfair.

> "We were told that we could only apply for loans and there would be no grants made available and the terms of our deal were pretty bad. We had to pay that back within three years at a commercial rate of interest, because we were one of the first organisations to go through it. Since then, lots of organisations have been given lots of grant funding, rather than loan funding. That feels unfair and inconsistent and suggests we got a bad deal as a result of doing the right thing."

(College CEO, Wave 1)

Additionally, a common view among steering group members across these areas was that the financial support gained from the RF was not enough to cover the cost of merging and more support would have been helpful. While the long-term objective of cost saving was understood among steering group members, they would have liked more financial support to help with the imminent cost of merging.

> "Merger costs are expensive. Legal fees, cost of professional services around due diligence. You have to transfer your pension from the LGPS from one pension fund to another. Significant redundancy costs. You pick up all of those costs before you're able to deliver any savings. Less admin support but more financial support would have been really helpful."

As such, some colleges indicated drawing on the funds they accessed through the restructuring facility to help with legal fees and redundancy costs. Only one college stated that they have not yet used the money they have received, but the money has helped the college to develop a plan for financial sustainability by developing a payment plan.

> "Well, we're very early days, we've not actually drawn down any of that. So, it's planned over a seven-year period and the growth is all planned over seven years. The points at which the different payments happen [are] between now and next March. Nothing's changed at the moment, other than [college] no longer has that financial notice to improve."

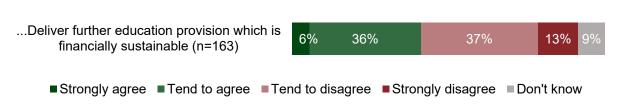*(College principal, Wave 3)*

5.4 Impact of restructuring

The evaluation aimed to explore steering group members' perceptions of impact in three areas relating to the aims of the area reviews: financial resilience, duplication, and quality of learning provision. Perceptions amongst those respondents who were required to merge are explored below.

5.4.1 Financial resilience

Survey findings found mixed attitudes towards whether mergers would result in financially resilient colleges. When asked whether the proposed mergers will or have already started to deliver further education provision which is financially sustainable, figure 10 below reveals half (50%) of respondents disagreed that the recommendation will deliver financially sustainable provision, while 42% agreed.

Figure 10: Attitudes of those steering group members whose area had a recommendation to merge between two or more providers on financial sustainability

Base: n=163

| ...Deliver further education provision which is financially sustainable (n=163) | 6% | 36% | 37% | 13% | 9% |

■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

Interviews with steering group members reflected the mixed attitudes shown in figure 10, and provided reasons why this may be the case. Colleges that merged felt the main financial benefit in doing so was related to better economies of scale. That is, they could

potentially become more efficient through having more students and combining resources. Some steering group members reported the immediate financial benefits of merging have been two-fold - solving the risk of insolvency and reducing duplication of courses that previously ran with small class sizes. Some steering group members also recognised that their colleges would benefit long-term with the reduction in competition.

However, other steering group members were less convinced that merging has had a positive effect on their immediate financial health. Some principals argued that implementing new systems of management, paying for staff redundancies including pensions, and managing physical campuses were all costly. They are yet to yield the benefits from their financial investment of merging. While other steering group members argued that while they acknowledge their college will make savings in the future, it will not be enough to make their organisations financially sustainable because the FE sector remains underfunded.

> "I think, overall, the process has gone as well as one might expect, but it hasn't resolved the fundamental objective, which is financial resilience. My college remains underfunded, even though we are now twice as big and we're making recurrent savings of about £1.5 million a year. That's still not enough to make it sustainable and finances are very tight."

(College Chief Executive, Wave 1)

Both this qualitative process evaluation and the London reviews (Spours et al., 2018)[34] conclude that it is not yet clear if there have been net financial gains from restructuring after taking into account the cost associated in the change process and the associated complexities. Respondents think some losses may be incurred before any benefits can be reaped. As such, it may still be too early to identify any tangible financial impacts from merging.

5.4.2 Duplication and quality of provision

Colleges that merged argued the largest initial impact had been on the types and duplication of FE provision offered in the area. Merging streamlined the number of FE providers in areas, with weaker performers supported by their stronger counterparts. By removing duplication, colleges also acknowledged it has improved the quality of specific provision e.g. vocational and A-level.

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[34] Both this evaluations and the one conducted by Spours et al (2018) did not examine financial data and conclusions are based on respondents' perceptions.

"It's taken us into a different world, but on a positive note, I suppose it's created a better provision for the area. It certainly rescued the A Level provision. It does make sense for the area."

(College Principal and Chief Executive, Wave 3)

Only one college in a case study area where mergers had occurred indicated that the challenges in duplication of provision have not been addressed as a result of the restructuring.

"Within our town, there was definitely an overlap, and still is an overlap, between what the sixth-form college does, which has become more and more vocational, and what the GFE College does."

(College principal and CEO, Wave 3)

The majority of the colleges that have undergone a merger indicated it was too early to identify impact on quality of learning provision. As discussed in chapter two, some colleges also felt improving quality of learning provision was perceived as a subsidiary outcome of merging by the government, and there has been limited reported impact amongst respondents on the quality of learning provision.

"The area review process and the steering group meetings never got to grips with [quality of learning provision]. The only big issue that was actually on the table was were there any mergers that needed to happen and what way would that go and what was going to happen about the colleges that were not financially sustainable."

(College principal, Wave 2)

5.5 Chapter summary

To summarise, fewer mergers have occurred than were recommended. The risk of financial deterioration or vested interests were reported as reasons why some of the original mergers collapsed. Successful mergers found the process challenging because of the complexities associated with combining two colleges such as implementing suitable governance and staffing structures. Colleges that have successfully merged indicated having a dedicated working group and open communication with their staff and students helped overcome ambiguities around the transition.

While the financial support from RF was welcomed and helped mergers to complete, providers found the application form lengthy and costly, requiring a considerable amount of work to generate the requested data. However, thorough checks were required by the

DfE to ensure the process was robust and fit for purpose before large sums of public money were given away. The majority of steering group members who represented organisations that merged, felt the mergers have had some positive financial impact such as reducing duplication in provision, but were less convinced by the merger improving quality of learning provision.
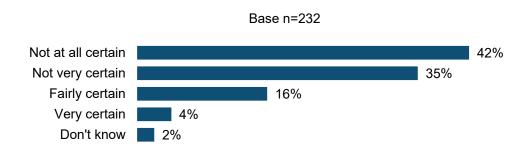
6 Perceived overall impact

This chapter provides insights into respondents' perceptions of the overall impact of the area reviews, and in particular on the financial resilience of FE providers and staff and learners. It is important to highlight that all the impacts presented in this chapter are self-reported and thus perceptions of impact are likely to differ among the areas, and relative to various experiences.

6.1 Perceptions on overall impact

Figure 11 shows over three-quarters (77%) of steering group members were uncertain that the area review would deliver improvements in FE provision compared to one-fifth (20%) who said they were certain. As such, the majority of respondents were unconvinced that area review process would improve their area's further education provision, but as evidenced below some have reported improvements.

Figure 11: How certain are you, if at all, that the area review process will deliver improvements in further education provision in [area]?

Base n=232

Not at all certain	42%
Not very certain	35%
Fairly certain	16%
Very certain	4%
Don't know	2%

The evidence derived from the 88 qualitative interviews with steering group members and providers support these findings. The majority of respondents who represented colleges that did not undergo merging or becoming an academy reported little overall impact from area reviews. For some, the narrow scope of the review (i.e. the exclusion of school sixth-forms and focus on financial sustainability) meant they did not fully engage in the process meaning their colleges have not undergone major structural changes and so have not witnessed any substantial impacts to their provision.

> "The [area review] limited scope, it would only deal with colleges. Schools [and adult providers] were not at the party. It wasn't really an area review at all. It was a review of colleges with failing school sixth-forms untouched."

That said, some colleges that had implemented structural changes (such as academisation or mergers) reported it was too early to comment on any impacts. These respondents emphasised the amount of time required to implement change as a reason why impacts had yet to materialise. In reality it may be a year or two before benefits are realised.

> "[It is] … too early to observe any impact; existing issues with quality of learning provision hasn't immediately changed. More could have changed, but because of the narrow focus of the area review it limited the extent of what it could do."

(College CEO, Wave 2)

However, all those colleges that required urgent restructuring due to their failing financial position stressed the area review process provided them with an immediate solution of merging and consequently avoiding insolvency. As demonstrated in the quotation below, these principals noted the area review provided opportunities to become part of larger sized provider that gave better employment, security and continued provision for local learners. As discussed in the previous chapter, colleges that merged resulted in redundancies for some, but for colleges that were struggling financially, staff were reported to be anxious about the future of their job roles. Those who are employed by the newly merged college have subsequently gone on to experience job security and longer-term stability.

> "If I was to credit area review with the merger, then it's yes, everything is better. We're part of a bigger provision, we're part of a building that we can invest in. We've got more security for staff, the local community is enhanced, and the offer is improved. So, for those reasons, it's all been positive."

(College vice principal, Wave 3)

Therefore, qualitative findings indicate self-reported impacts vary significantly dependent on the situation of colleges in the steering group as they entered the review process. Those who underwent successful mergers reported some positive impacts such as avoiding insolvency, streamlining provision, having funds to invest in estates and enhancing provision. However, as noted above, those who were involved in the area review process but were either not recommended to make structural changes or

recommendations were not acted on (reasons discussed in chapter four[35]) reported no or very little impact on their colleges since no structural change occurred. As demonstrated in the quote below, one principal stated that recommendations outside of structural changes were not stringent enough to enforce change or make long-lasting impact.

> "I think the recommendations were more about going away, and looking at, as opposed to actually implementing anything. I think they were very lightweight, in terms of what could be achieved."
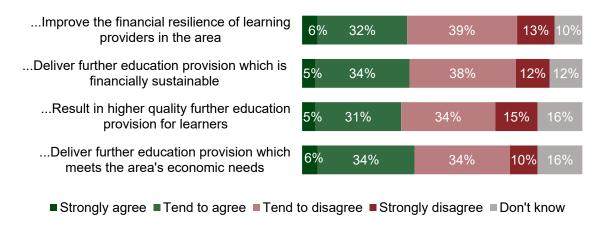
(College principal, Wave 3)

The shortfall in implementing some recommendations could possibly explain why some providers reported little impact. Nevertheless, despite some mergers collapsing, some steering group members suggested that informal collaboration continued in their area. Some areas even reported that providers went on to have quarterly meetings with each other. It may be plausible to assume that some steering group members focused on implementation of recommendations when considering impact as opposed to other changes inspired by the area review process.

The disparity in specific impacts of the recommendations was also found in the survey. Figure 12 below, indicates half of steering group members (50%) disagreed with the statement that review recommendations will deliver further education provision that is sustainable, whereas 39% agreed. Around two in five survey respondents (steering group members) agreed that the area review will: result in higher quality provision for learners (36%); deliver FE provision that meets the areas economic needs (40%); and, improve the financial resilience of learning providers in the area (38%). Approximately the same proportion of respondents disagreed with all statements.

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[35] Some of these reasons included colleges viewing merging as a financial risk, uncooperative senior leaders, disagreement that the recommendations were needed and an overall lack of accountability to enforce the recommendations.

Figure 12: To what extent do you agree or disagree that the Area Review recommendations for [area] will/have already started to…?

Base: n=232

Statement	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
...Improve the financial resilience of learning providers in the area	6%	32%	39%	13%	10%
...Deliver further education provision which is financially sustainable	5%	34%	38%	12%	12%
...Result in higher quality further education provision for learners	5%	31%	34%	15%	16%
...Deliver further education provision which meets the area's economic needs	6%	34%	34%	10%	16%

■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

A plausible explanation for the mixed perceptions on impacts could be that some colleges merged, and others did not. Despite the earlier waves having more time to implement their recommendations, there were no differences in any statement presented in figure 12 between earlier and later waves. This means the selection of areas for each review did not have a bearing on perceived impact, despite the areas facing greater challenges being covered in the earlier waves.

Findings from the qualitative interviewees show that a few steering group members did not directly attribute some recent changes in their area to the review process. For example, as discussed previously, some steering group members reported they were having discussions with other colleges regarding merging prior to their area reviews albeit in some instances triggered by the area review. For these steering group members, the area review process served as a means to consolidate the decisions previously made. That said, as previously discussed, some steering group members valued the strategic support from the FE Commissioner. For instance, data collection validated decisions made prior to the area review and gave stakeholders confidence to progress implementing recommendations. As illustrated in the quote below, one steering group member indicated for these colleges the area review process endorsed structural changes for which there was a prior consensus, and that enabled them to deal with financial and demographic changes in their area.

> "It goes back to the point that, actually, the management team and the governors were already on that page. The review probably gave a rubber stamp to the journey that they were on, and I think they've probably been vindicated. If they'd stayed as independent, separate colleges, then they wouldn't have survived the financial squeeze that's been taking place, and the demographic dip which has exacerbated that in our locality."

However, as discussed in the previous chapter, while qualitative findings show those colleges that were under risk of insolvency suggested the review supported them to improve their financial situation, for others the initial high cost of merging may have contributed to the perception that merging has caused financial deterioration.
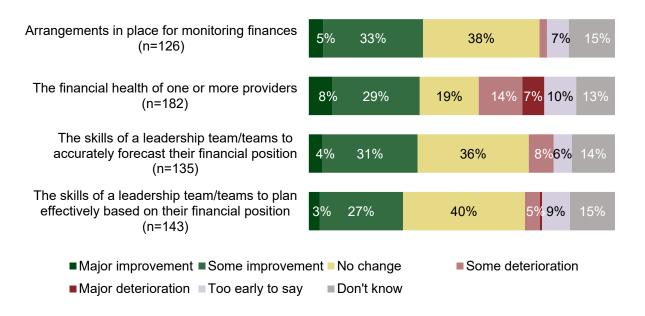
> "The funding package we think will be enough to make [college name] sustainable, because it's (part of) a rescue merger".

(College principal, Wave 2)

6.2 Overall perceived impact on financial resilience

Attitudes of steering group members towards the impact of the area review on financial resilience has also been varied. Figure 14 below shows that nearly two-fifths (38%) reported having seen an improvement in the arrangements in place for monitoring finance, and 30% reported an improvement in the skills of the leadership team to plan effectively based on current financial position. The highest reported level of deterioration was seen in the financial health of one or more providers in the area, with 21% reporting a negative impact as a result of the implementation of area review recommendations.

Figure 13: Perceived impact of area review recommendations

Arrangements in place for monitoring finances (n=126): Major improvement 5%, Some improvement 33%, No change 38%, Some deterioration 7%, Don't know 15%

The financial health of one or more providers (n=182): Major improvement 8%, Some improvement 29%, No change 19%, Some deterioration 14%, Major deterioration 7%, Too early to say 10%, Don't know 13%

The skills of a leadership team/teams to accurately forecast their financial position (n=135): Major improvement 4%, Some improvement 31%, No change 36%, Some deterioration 8%, Too early to say 6%, Don't know 14%

The skills of a leadership team/teams to plan effectively based on their financial position (n=143): Major improvement 3%, Some improvement 27%, No change 40%, Some deterioration 5%, Too early to say 9%, Don't know 15%

Legend: ■ Major improvement ■ Some improvement ■ No change ■ Some deterioration ■ Major deterioration ■ Too early to say ■ Don't know

Qualitative findings suggest that in most instances financial impact was yet to materialise, as the effects from mergers need time to be realised. Representatives from some colleges that underwent mergers reported the financial benefits from the economies of scale will take time to emerge. At present, they had not experienced financial rewards because the process of merging is expensive.
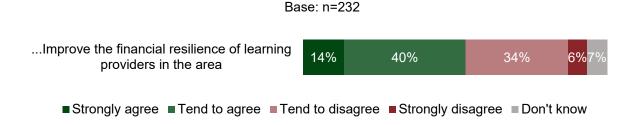
However, some representatives from financially weaker colleges acknowledged that a merger improved their immediate financial circumstances. Yet, similar to other colleges, these colleges were also concerned about their long-term sustainability, citing inadequate funding as a particular frustration. For these colleges, there was recognition that the area review has provided a short-term solution, but they felt their financial struggles would continue because they are not receiving enough government funding.

> "It succeeded in creating fewer colleges but failed when it came to ensuring financial stability. However, this is a wider funding issue that can't be solved through merger and acquisition."

(College CEO, Wave 1)

The mixed qualitative responses were reflected in the survey data (see figure 15 below). For those respondents that indicated a merger was recommended between providers in their area, over half of steering group members (54%) predicted it will improve the financial resilience of learning providers in the area, while two-fifths (40%) disagreed.
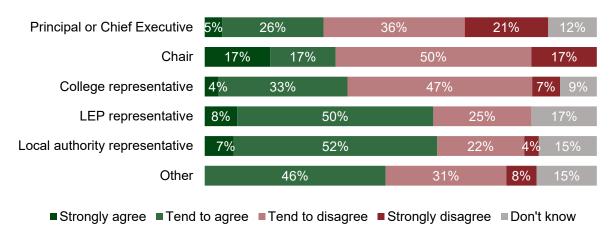
Figure 14: Perceptions of area reviews improving financial resilience for those that saw a recommendation for merger in their area

Base: n=232

| ...Improve the financial resilience of learning providers in the area | 14% | 40% | 34% | 6% | 7% |

■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

There were also variations between a survey respondent's role and their perceptions on financial impact. Typically, those individuals working directly for an FE college were less likely than other FE stakeholders (for example LEP or LA) to agree the area reviews have had a positive impact on the financial stability of their area. Figure 17 below, illustrates just under a third (31%) of principals and chief executives agreed that the area reviews will deliver FE provision that is financially stable compared to three-fifths of local authority and LEP representatives (59% and 58% respectively).

Figure 15: Perceptions of whether area reviews are delivering FE provision that is financially sustainable by role

Base: n=232

Role	Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know
Principal or Chief Executive	5%	26%	36%	21%	12%
Chair	17%	17%	50%	17%	
College representative	4%	33%	47%	7%	9%
LEP representative	8%	50%	25%		17%
Local authority representative	7%	52%	22%	4%	15%
Other		46%	31%	8%	15%

■ Strongly agree ■ Tend to agree ■ Tend to disagree ■ Strongly disagree ■ Don't know

Interview data found FE principals in particular reported feeling frustrated about the lack of funding the FE sector receives. Several principals spoke of the limits of efficiency savings arguing the key to improving financial resilience and stability in the sector is to ensure individual colleges receive adequate government funding.

> "It's all very well to have an Area Review to squeeze a little bit more efficiency out of the system, but then you end the next five to eight years hopelessly under-funding the sector and you then wonder why the Area Review hasn't worked".

(College principal, Wave 2)

6.3 Impact on staff and learners

Case study respondents were asked about the impacts of area reviews on staff and learners. Some steering group members reported that regardless of whether mergers progressed or not, the recommendation to merge caused apprehension among some staff. In particular, staff were concerned about the risk of losing their jobs. One steering group member reported that having the steering group meetings take place outside of their college reduced the extent to which staff were anxious, since the process did not interfere with their day-to-day work.

> "Not in a major way because it was off-site and out of sight, but for a time you could say it kept an element of uncertainty on people's minds. Once it was over, it was over, and people are getting on with the job."

While mergers did cause some job losses, one provider reported through the financial benefits of merging, their college was able to reward staff with a small pay rise.

> "I think as we have grown, this year for the first time in six years we made a pay rise of 3%, so staff are better rewarded."

(College principal, Wave 3)

Some steering group members suggested learners were generally unaware of the reviews in colleges where no merger recommendations were agreed by the steering group. However, where mergers had taken place, some steering group members reported it was too soon to recognise positive tangible impacts on learners, but in some cases learners were impacted by change in campuses and teachers. Where planned mergers had fallen through, learners were reportedly impacted by disruption caused to delivery of learning in the negotiating period and by the financial difficulties the provider continued to face.

> "Where mergers didn't happen – learners become affected: they become disenfranchised because provision is suffering from the financial difficulties. Students continue to travel out of the area whilst some learners don't and have no choice but to attend a college that is financially struggling which is impacting negatively on their educational experience."

(College CEO, Wave 1)

6.4   Chapter summary

Steering group members reported that merged colleges had experienced the greatest positive impact from the area reviews. Those colleges that required urgent restructuring due to their failing financial position stressed the area review process provided them with an immediate solution of merging and consequently avoiding insolvency. However, over three quarters (77%) of steering group members were uncertain that the area review would deliver desired improvements in FE provision. Qualitative findings indicate a wider frustration amongst respondents concerning perceived limited government funding overall for further education is a driver of this uncertainty, as opposed to any specific issue with the area review process itself. Colleges that did not merge reported little overall impact from participating in the area review. Some steering group members reported their college was financially healthy and did not need to merge. Some other colleges that did not merge despite a recommendation to do so reported that the partnerships and collaborative strategies established during the process were sustained after the completion of the area review.

7 Conclusions

This report concludes by considering the key findings to take forward for future interventions that review FE provision.

1. The overall aim of the area review focused on financial stability through the means of restructuring. Although, the findings in this study highlight finance as the most pressing concern, this was not the case for all colleges. Some reported they were in good financial health and would have liked for the process to focus on governance and quality of learning provision. Therefore, such interventions in the future would benefit from a pre-process screening to explore whether a national approach is required or whether providers need to be selected, given the parameters and aims of the process. If the right providers are involved in a review, they are more likely to be engaged with the process because they recognise the need for change. The authors note a national approach towards a local issue may not always deliver efficient results. Providers and stakeholders are more likely to engage positively in policy if they clearly understand its aims and agree on the importance of being involved.

2. The principal strength of the review was providing a platform for a wide range of FE stakeholders to collaborate, for example FE college principals, LEPs and LAs. For some areas, it was the first time such a diverse group had come together to discuss FE provision in their area. The largest criticism of the area review process was the exclusion of school sixth-forms and independent providers since it caused the review to be incomplete and restricted additional potential collaborations. The review of London areas (Spours et al, 2018) found that principals and governors of colleges valued the consideration of school sixth-forms, albeit through the school commissioners. The authors acknowledge the government made an informed, practical decision to exclude school sixth-forms as resulting steering groups would have become unwieldy and including school viability and sustainability within the scope would have meant a very different review. While variations in attitudes exist, government should consider how input from such providers can be directly captured in such reviews.

3. The chairperson of steering group meetings was highly valued for their ability to encourage open discussions. However, the size of steering group meetings varied considerably across the country. The larger-sized meetings did not always provide the right platform to discuss sensitive issues. For example, it was difficult to address governance of FE colleges where stakeholders responsible for management were present in the meetings. Consequently, pros and cons of intervention design need to be set out, and where necessary processes should be altered to facilitate activities, for example sensitive discussions, that are central to achieving policy aims.

4. Both this study and the evaluation conducted by Spours et al (2018) found that recommendations were not implemented because of a range of barriers including lack of cooperation between providers and financial cost proceeding with mergers. Additionally, unwillingness to collaborate among providers needs to be understood within a wider context of providers competing for student numbers to increase their income. Therefore, barriers to implementation need to be identified prior to recommendations being implemented and on an on-going basis to adequately support colleges overcome these when they arise. That said, there was also evidence to suggest that providers were not implementing recommendations because there was no formal requirement to proceed with advisory recommendations. Some steering group members suggested a follow-up check by the DfE may have aided accountability, yet if providers do not recognise the need for change or the importance of their involvement, change is less likely to occur.

5. The area review process should be accredited for the number of mergers that have occurred since the introduction of the process. The significant increase in the number of mergers between 2016 and 2018 (53), compared to just 8 between 2013 and 2015 suggests significant consolidation through mergers in the sector[36]. Although, some steering group members in this study felt the process validated decisions made prior to the review, the meetings provided mergers with direction and the data-driven economic and educational need analysis was reported as useful. Consequently, sharing examples (whether in person or written) with steering group members of how previous mergers tackled challenges may be useful for future mergers. For example, this study found successful mergers employed working groups and communication strategies to deal with the challenging process of structural reform. This also highlights how steering meetings can successfully be utilised to create positive outcomes.

6. FE providers have adapted and managed changes in government funding and as such tend to view FE policy developments and interventions through the lens of reduced funding *overall*. Acknowledging the sector's financial constraints is a central consideration for successful communication of policy change to the sector. Furthermore, the authors agree with Spours et al. (2018) in that the area reviews need to be considered within the historical context of FE colleges being independent and autonomous organisations. In this regard, the area review could be viewed as a mechanism that has started to introduce a more cohesive and collaborative approach to FE provision by bringing several stakeholders together. Although, a joined-up and collaborative FE sector remains at best partial, the findings from both this evaluation and Spours et al. (2018) indicate a willingness

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[36] Association of Colleges statistics on college mergers. 2013: 2, 2014: 4, 2015: 2, 2016: 11, 2017: 29, 2018: 13.

among some stakeholders to work together. Future policy developments relating to area reviews could build on this.

8 References

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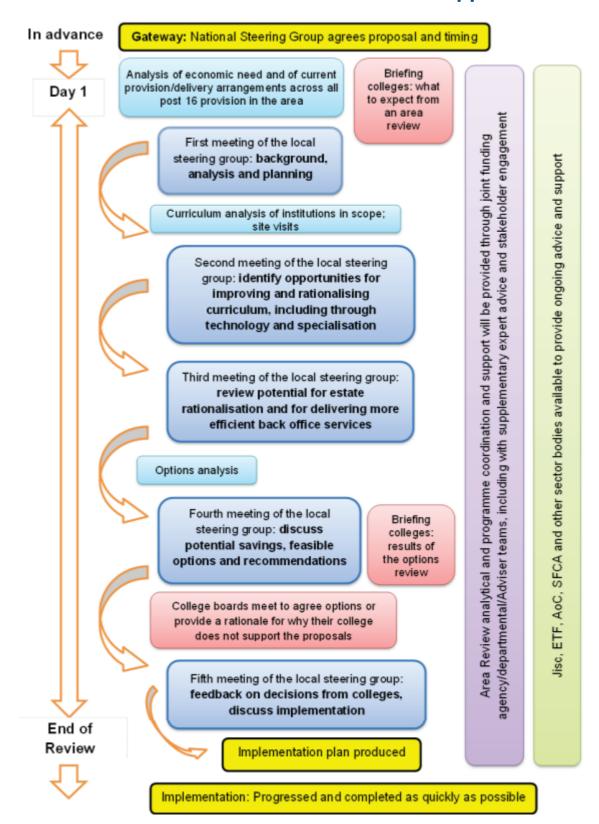
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9 Appendices

9.1 National framework of the area review approach

For any enquiries regarding this publication, contact us at: earlkehoe@education.gov.uk or www.education.gov.uk/contactus

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