

Reviewing post-16 Education and Training Institutions

Contents

	Page number
1 Introduction – policy context	2
2 A national programme of area-based reviews	3
3 Carrying out area-based reviews	3
4 Early action on financial stability	7
5 Next steps	8

Reviewing post-16 education and training institutions

1 Introduction – policy context

The post-16 education sector is critical to our strategy of raising productivity and economic growth. In the last Parliament we made substantial progress in driving up the quality and rigour of the post-16 offer, including introducing reforms to apprenticeships, reforming ‘A’ levels, improving and simplifying the national funding formula for 16-19, and removing 6,000 low-value qualifications from performance tables and public funding.

But, we must go much further. As set out in the Government’s productivity plan, *Fixing the Foundations – creating a more prosperous nation*,¹ improving productivity is a key national challenge. In addition to the expansion of the Apprenticeship programme, two major planks of reform will be critical to achieving our objectives:

- Clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers; and
- Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements in the years ahead, building on the agreements with Greater Manchester, London and Sheffield.

These objectives can only be delivered by strong institutions, which have the high status and specialism required to deliver credible routes to employment, either directly or via further study. These will include a new network of prestigious Institutes of Technology and National Colleges to deliver high standard provision at levels 3, 4 and 5.

While we already have many excellent further education (FE) colleges, substantial change is required to deliver these objectives while maintaining tight fiscal discipline. The work of the FE and Sixth Form College Commissioners has identified there is significant scope for greater efficiency in the sector, in a way that frees up resources to deliver high quality education and training which supports economic growth.

¹ <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>

2 A national programme of area-based reviews

This policy context means that major reform of post-16 education and training institutions is now necessary, in a way which also addresses the significant financial pressures on institutions including a declining 16-19 population and the need to maintain very tight fiscal discipline in order to tackle the deficit.

We will need to move towards fewer, often larger, more resilient and efficient providers. We expect this to enable greater specialisation, creating institutions that are genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines, while also supporting institutions that achieve excellence in teaching essential basic skills – such as English and maths. This will need to be done while maintaining broad universal access to high quality education and training from age 16 upwards for students of all abilities including those with special educational needs and disabilities.

We know from experience of Structure and Prospects Appraisals and early area-based reviews that restructuring can help to improve opportunities and outcomes for students and secure operational and financial efficiencies.

We are therefore announcing that the Departments for Education and Business, Innovation and Skills will facilitate a programme of area-based reviews to review 16+ provision in every area, and do so quickly. These reviews will provide an opportunity for institutions and localities to restructure their provision to ensure it is tailored to the changing context and designed to achieve maximum impact.

Our focus will be on FE and sixth-form colleges, although the availability and quality of all post-16 academic and work-based provision in each area will also be taken into account.

3. Carrying out area-based reviews

The aim of these reviews is to ensure that we have the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision.

Areas will be asked to take forward reviews according to a national framework, which will help ensure that they are conducted on a broadly consistent basis, reflecting our experience from the early reviews already conducted, including part of Norfolk and Suffolk and in the City of Nottingham.²

Reviews may either be proactively initiated by a group of institutions in a local area, or by Government where it sees a need to progress rapidly, in particular where there

² Current models of collaboration: post-14 further education, FE Commissioner letter June 2015 (<https://www.gov.uk/government/publications/current-models-of-collaboration-post-14-further-education-fe-commissioner-letter>). The Norfolk and Suffolk review is set out as a case study below.

are concerns about some or much of the quality of the provision, capacity, or financial sustainability of individual institutions.

We will shortly issue detailed guidance on carrying out these reviews following a period of consultation. In the meantime, the rest of this document sets out the proposed high level approach.

Scope of reviews

Each review will usually cover both FE and Sixth-Form Colleges and will be able to include other providers where they agree; the availability and quality of wider 16+ provision including school sixth forms and HEIs will also be considered during the analysis phase.

Area-based reviews should take into account factors including:

- (i) Local economic objectives and labour market needs and any local outcome agreements in place;

- (ii) National government policy, including the national expansion of the Apprenticeship programme; creation of clear high quality professional and technical routes to employment; the desire for specialisation, including the identification and establishment of centres of excellence such as Institutes of Technology; and the need for high quality English and maths provision;

- (iii) Access to appropriate good quality provision within reasonable travel distances, particularly for 16-19 year olds and students with special educational needs and disabilities;

- (iv) Funding, including the need for 16+ providers to operate as efficiently as possible within a tight fiscal environment;

- (v) Effective support for the unemployed to return to work;

- (vi) Legal duties relating to the provision of education, including but not limited to section 15A of the Education Act 1996 and section 86 of the Apprenticeships, Skills, Children and Learning Act 2009.

Government will work with individual institutions and local authorities / combined local authorities and LEAs in defining the areas to be covered by each review and how the review will be carried out, within a national framework. In some areas there will be natural boundaries (for example for provision within individual cities or LEA areas). In others it may be necessary to take a more pragmatic approach to reflect travel routes, and effective local economic regions.

Area review steering groups

Each review will be led by a steering group composed of a range of stakeholders within the area; likely members include the chairs of governors of each institution, the FE and Sixth Form College Commissioners, local authorities, Local Enterprise Partnerships (LEPs) and Regional Schools Commissioners. A differentiated approach to local involvement will be adopted which will enable areas with the strongest governance and levers to take a leading role, building on the skills flexibilities agreed with Greater Manchester, London and Sheffield. The Department for Business, Innovation and Skills and the Department for Education will also be represented, either through or alongside the funding agencies, reflecting Government's responsibility for protecting students. Steering group membership should take account of local devolution arrangements, for instance including a leading role for combined authorities where devolution arrangements are in place.

The steering group will oversee and steer the review's work, including analysis and consideration of options. However, it will be for the governing bodies of each individual institution to decide whether to accept the recommendations – reflecting their status as independent bodies. Governing bodies will therefore be expected to engage actively in the review process, and in particular to ensure that the analysis of the reviews covers the options they would wish to be considered.

The steering group will also be asked to consider the establishment of Institutes of Technology to provide specialist higher level professional and technical education. Where the review process identifies an existing institution as a candidate to become an Institute of Technology, careful consideration and quality assurances will be required. Criteria for the establishment of the ongoing operation of Institutes of Technology will be included in the detailed guidance to be published ahead of the new academic year.

Government involvement

The Government retains a strong interest in the sector's success; it is critical to our ambitions on productivity, and 16+ providers receive substantial levels of public funding. The Government has responsibility for protecting the interests of students when colleges fail.

We already have some very strong providers, others who are already proactively making changes to strengthen their institutions, and still more who are able and willing to do so but have not started yet. There are also providers who will find transformation challenging, including the increasing number of institutions entering intervention for financial reasons.

For that reason, Government involvement in these reviews will be proportionate to the level of risk and the ambition to establish access to higher skills and specialised learning. The college sector is and should remain independent, and our approach will reflect that. Local areas – particularly in the context of devolution deals – also have responsibility for influencing the structure of provision to ensure it meets the economic and educational needs of their areas. The role of local authorities and LEPs on the review steering groups reflects this responsibility, and we also expect

them to engage in driving the review's analysis and developing solutions which best meet the needs of young people, adults and local economies.

We will introduce arrangements to ensure that the proposed reviews are undertaken within a national framework to ensure consistency across boundaries, and that the final outcome will deliver on the Government's wider economic and educational objectives and ensure best value for taxpayers money. The approach will consider the current and future needs of learners and employers taking account of demographic changes and financial implications.

At a national level, we will work with representative bodies to ensure that proposed reviews are comprehensive and that we share learning from each review as we go. The risk assessment will consider financial health as well as the projected impact of demographic changes in an area.

Options analysis

In each case we expect the review to start from an analysis of local economic and educational need in the context of a tight fiscal environment, and then evaluate a range of institutional options to meet that need, guided by the steering group. This analysis will look at the implications of each option for delivering effective curricula including provision for new routes to higher level and specialised skills, local accessibility of the 16-19 offer, and for financial sustainability. Further guidance on the recommended approach will be published shortly.

Case study

In Norfolk and Suffolk, five colleges which had been adversely affected by demographic trends and increased competition, agreed to engage in a pilot area review facilitated by the FE and Sixth Form College Commissioners. This started from an analysis of area need, and considered seven different structural options, based on the scope for rationalising curricula, sharing costs, and achieving greater specialisation. Following the review's final steering group, three institutions are actively considering merger within a group structure that preserves individual identity, while two other institutions are currently considering options for formal collaboration.

Implementing changes

Governing bodies will be responsible for deciding whether to accept recommendations relating to their institutions. If recommendations are accepted, individual institutions will be responsible for implementing changes following a period of consultation.

Effective implementation will be critical, and can require a different skill set and resources to those required to effectively run an institution which is in a 'steady state'. We will therefore work with relevant organisations to ensure that the right support is available to institutions that are going through a process of structural change. We would also expect support from other key players at both national and local level such as LEPs, Ofsted, Education and Training Foundation and Jisc.

In considering the outcomes of reviews it is important that college governors give careful weight to the long term stability of their institution and to their broader duty

under charity law to comply with their legal obligations as charity trustees in exercising control and management of the administration of the college as a charity. The Secretary of State retains powers to intervene in college governance where there are substantial concerns that it is being mismanaged or significantly under-performing.

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

4. Early action on financial stability

In addition to this area-based review process, we propose to work with colleges to address financial or quality issues where they need to be tackled much sooner. The Education and Skills Funding Agencies (EFA/SFA) will identify these colleges through an examination of a range of their financial and quality data.

Governing bodies have a critical responsibility in identifying where there are significant risks. The Further Education Commissioner's letter to the sector in March 2015 identified a range of critical warning signs which governors should pay careful attention to.³ The Skills and Education Funding Agencies have also supported governors in making financial dashboards available to them, which should facilitate more effective scrutiny of the information provided by executive teams.

Where the funding agencies identify through their risk assessment process that there are significant potential financial risks, they may explicitly propose to the college that it should consider a range of actions, including:

- increasing financial or quality expertise on the Board of Governors or informal twinning with another college which has proven strengths in the relevant areas;
- demonstrating how they are planning to tackle financial health decline, which may include undertaking a cost scrutiny exercise to identify how costs can be reduce and / or brought within sector norms;
- requesting additional key data such as monthly management accounts;
- asking the college to review its position in the market – which may be done through an area review, and to take account of its findings;
- scheduled meetings with the EFA / SFA with the Chair of Governors, Chair of Audit Committee, Principal and Finance Director.

³ Organisational improvement in colleges, FE Commissioner letter March 2015 (<https://www.gov.uk/government/publications/organisational-improvement-in-colleges-fe-commissioner-letter>)

5. Next steps

We have already completed a number of early area-based reviews, and have announced a new review in Birmingham.

We will issue further guidance on carrying out area-based reviews in time for the start of the 2015-16 academic year. The guidance will be shaped by the experience of the trial reviews in Norfolk, Suffolk and Nottingham and will take account of the views of principals and representative bodies working with the FE Commissioner.

Timeline	Action
July 2015	Policy statement published; area review launched in Birmingham City
August 2015	Publication of guidance on carrying out area reviews
September 2015	Wave 1 reviews begin, with five further waves beginning every 3 months until December 2016
March 2017	All area reviews complete
Ongoing	Continuing support for areas with implementing review recommendations

We recognise that some colleges will already be thinking about restructuring and ask that, until guidance has been issued and processes are in place, colleges contact the funding agencies before proceeding with restructuring.

In the meantime we would welcome views about the approach set out here. If you would like to feed in your views please send them to howard.bines@bis.gsi.gov.uk

We hope that local areas will see this as a great opportunity to shape provision in a way that meets the skills needs of the country, both now and in the future. We look forward to working together to develop, and then take forward, these areas based reviews.



© Crown copyright 2015

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication available from www.gov.uk/bis

Contact us if you have any enquiries about this publication, including requests for alternative formats, at:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000
Email: enquiries@bis.gsi.gov.uk

BIS/15/433
