

Open Report on behalf of Richard Wills, Executive Director for Environment and Economy

Report to:	Economic Scrutiny Committee
Date:	12 July 2016
Subject:	Area Review of Post 16 Provision and FE College Institutions

Summary

The Economic Scrutiny Committee will recall previous discussions about the forthcoming Area Review – an appendix to this report provides a summary of Government guidance that details the reasons for and the anticipated outcomes of Area Reviews.

This particular report seeks the views of the Economic Scrutiny Committee on the economic aspects of the Area Review, in light of Government's wish to ensure a business perspective is reflected. The Children and Young People Scrutiny Committee also has a vital role to play in preparing a Lincolnshire County Council (LCC) response to the Area Review, focusing on opportunities for individuals.

Actions Required:

It is recommended that members of the Economic Scrutiny Committee:

1. Identify the economic development matters that should be communicated to the Area Review of post 16 Provision and FE College Institutions Members.
2. Recommends that the Executive Councillors for Development and for Children's Services agree a joint LCC input to the Area Review.

1. Background

An Appendix to this report provides a summary of the 60-page Government review guidance and details the purpose and intended outcomes of the Area Review.

The Area Review aim to (amongst other things) deliver:

- **Institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment** - This is likely to result in rationalised curriculum; fewer, larger and more financially

resilient organisations; and, where practicable, shared back office functions and curriculum delivery systems.

- **Sufficient access to high quality and relevant education and training for all**, including 16-19 year olds, adults and learners with Special Educational Needs and Disabilities (SEND).

In contrast to the formal guidance, this report highlights the challenges that businesses have told us about and want to see reflected in the review process.

Several organisations will be formally invited to participate in the review that is described by Government as a collaborative process. A full list of contributing bodies can be found in the Appendix. The list includes:

Local Enterprise Partnerships: Contributing to the analysis of the current and future economic and educational needs of their area. Engaging in and supporting the review process including through setting out their vision of the skills system in sufficient detail within their wider strategic economic development role and through use of their potential resource leverage including capital funding and other related funding streams like European Social Funding. Being impartial and economically driven, LEP involvement allows the business voice to feature largely in the discussions and ensure there is a full understanding of employer demand and how the system needs to change to better meet that demand.

Local Authorities: engaging in and supporting the review process including through setting out their vision of the education and skills system and their expectations on the role of colleges and other post-16 providers within their wider strategic role. Engaging with school sixth forms in maintained schools and taking account of the analysis produced by the review to inform their future deliberations about schools provision.

Combined or lead authorities (with devolution deals): taking a role, overseeing the process and chairing the local steering group where they choose to do so.

Scope of institutions to be covered:

The institutions that are in the scope for the Area Review are General Further Education (GFE) colleges and Sixth Form colleges (SFCs), listed below.

Information on all post 16 provision, including schools and academies, will be included in the initial analysis phase. Arrangements will be put in place to communicate with all providers and give them the opportunity to engage.

- Boston College
- Franklin College
- Grantham College
- Grimsby Institute for Further and Higher Education
- John Leggott Sixth Form College
- Lincoln College
- New College Stamford
- North Lindsey College

Financial support for restructuring as well as consultancy, analysis and advice may be available for institutions implementing recommendations following the review. Government has made clear that this support is time limited and that once the process and restructuring is complete there will be no further financial support. A new insolvency regime is being considered and a consultation about this is expected in July. It is anticipated that GFE colleges will be allowed to fail. Government expects funding agencies and local areas with devolution powers to 'only fund institutions that are taking action to ensure they can provide a good quality offer to learners and employers, which is financially sustainable for the long term'.

The Children and Young People Scrutiny Committee is preparing a LCC response to the area review, focusing on opportunities for 16-18 year olds.

They note that there has been little change in the total curriculum offer for 16 – 18 year olds over the last 5 years or any significant increase in programmes that reflect the priorities identified in the Greater Lincolnshire Local Enterprise Partnership (GLLEP) strategic plan.

There is over sufficiency of school sixth form A-level provision, with many small sixth forms and an increasing proportion of small classes giving cause for concern about the viability of some sixth form provision. The reducing size of the cohort means that there is increasing competition for students. Participation of 16 – 18 year olds overall in Lincolnshire is good, and is above the national average, however 18% of young people commencing A-level courses in school sixth forms do not continue into the second year of the course and complete full A-levels

In Lincolnshire young people aged 18 – 24 make up a consistently higher proportion of total unemployed residents than nationally. One hypothesis could be that they are not undertaking the right courses (including in higher education) to prepare them adequately to meet the skills requirements locally, regionally or nationally.

Developing a Business and Economic Perspective

The Employment and Skills Board is holding additional meetings to focus on Area Reviews and a Greater Lincolnshire LEP working group will meet before the review begins, to refine the vision taking into account the views of business and the Board. Volunteers include: Andy Orrey (Ongo Housing), Cllr Bob Adams (both LEP Board Directors), Herman Kok (Lindum Group), Heather Lee (Lincolnshire Co-op), Jeanette Dawson (Bishop Burton College) and James Pinchbeck (Streets and Co). Clare Hughes and Maggie Freeman (LCC Children's Services) will also be involved.

A view from the Economic Scrutiny Committee would be valuable so that LCC's input to the Review is jointly agreed by Children and Young People Scrutiny Committee (CYPSC) and Economic Scrutiny Committee.

The Economic Challenge

As discussed at previous Committee meetings many times, the challenge for local businesses is to ensure there are sufficiently skilled people to fill the 200,000 job vacancies that are predicted to be available over the next ten years. There are around 128,000 young people leaving school (at 18 years old) within that timeframe.

This means that a significant proportion of the vacancies that are predicted to be available will need to be filled by adults. Some will be filled by people who are unemployed and actively seeking work, however the vast majority will be filled by the existing workforce who will need to re-train and upskill, because the available jobs will require higher skills levels than they currently possess.

Large businesses are already planning for the future, some are developing the training themselves, some purchase the training outside of the county. Medium sized businesses also tell us they want to train their staff, but sometimes they struggle to find the right training at local institutions. Smaller businesses have greater barriers, particularly in terms of letting their staff attend training during normal working hours.

It should be noted that 90,000 employees (22% of total employment in Greater Lincolnshire) are employed by businesses with less than 10 members of staff.

It is therefore extremely important to the future prosperity of Greater Lincolnshire that our training institutions consider the training needs of adults and the existing workforce, whether through public funding (Adult Education Budgets, European Social Fund (ESF)) or developing commercial courses that employers will invest in.

Business Statements

Following a series of meetings it has been agreed that the business perspective can be delivered to best effect through a number of value statements.

The following statements or values are a starting point for discussion and development – they are NOT the final product. Some of the statements have an example linked to them to help the discussion.

Greater Lincolnshire business owners are not against training for trainings sake, however where the training is less obviously linked to a job – not likely to be a job available locally - the provider must ensure that truly effective pathways to employability are in place through the development of transferable skills - Example: 14 year old Abigail wants to study PE after she has completed her GCSEs. There is already an over-supply of young people with PE qualification in the Greater Lincolnshire area and the evidence shows there are few job vacancies available.

Greater Lincolnshire business owners would like to see providers of training taking greater risks in areas (location and/or subject) that support local businesses to grow, particularly businesses in priority sectors - Example:

textile manufacturing business, Hypothetical Ltd is based in East Lindsey and requires sewing machine training for around twenty members of staff. The training isn't available, free or chargeable.

The proportion of training available should be appropriate to the number of vacancies within the local/Greater Lincolnshire economy. Evidence suggests that many adults take up training that is not linked to local jobs.

There are not enough people leaving school to fill the predicted job vacancies over the next ten years. It is vital that the existing workforce, those already in work, receive new skills. Training the workforce should be seen as an important priority by Colleges, and just as important as 16-18 education. Currently training the workforce is a much lower priority because there is a much smaller budget attached to it. Training should be as appropriate for 50 year olds as it is for 18 year olds.

It is important to employers of all sizes that they have access to good quality training, in terms of location, ability to navigate the organisation, and awareness that it exists. Example: Bill owns a farm and has 3 employees. His day starts at 4am and finishes at 3.30pm. He needs to find training to help him set up a computer system and excel package. He doesn't know who to contact and is worried he will need to take a day off work.

Local businesses would like to see greater collaboration between Colleges and more College-employer collaborations – the collaborations already seen have been really powerful.

The statements above do not currently reflect views about careers advice, 16-18 Sixth Form provision versus College provision, or adult unemployment. It is highly likely that others around the table will include some of this within their evidence; however it is important that where similar views are held the LEP endorses or provides a view.

Members are asked to:

- Discuss this 'value statement' approach for the Area Review
- Discuss the existing individual statements
- Provide additional or replacement statements

2. Conclusion

The Area Review will have a significant impact on post-16 training. Providing a strong input from an economic development perspective will be beneficial.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Review of Post 16 Provision and FE College Institutions
Appendix B	Area Review – A Summary

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Clare Hughes, who can be contacted on 01522 550545 or clare.hughes@lincolnshire.gov.uk.

Review of Post 16 Provision and FE College Institutions

It is essential that the business voice features largely in area review discussions and that there is full understanding of local employer demand.

It is also important that the FE Commissioner, leading the review process, understands Greater Lincolnshire's size and range of sectors and that this exercise results in change that is of benefit to the local economy.

Government see the LEP role as crucial within the process and wants to ensure that the focus of the review is clearly on the economic and educational needs of the area.

Greater Lincolnshire's area review has been timetabled to start in September 2016 and the jobs and skills analysis that the LEP will use to inform the area review will be undertaken between now and then.

Government expects that in the short to medium term LEPs may want to consider using their capital funding on non-site specific improvements, for example use of technology to improve on-line curriculum or shared services; and equipment which supports improved vocational education and training.

Once reviews are complete it is expected that LEPs will only fund institutions that have taken action to ensure that they provide a high quality offer to learners and employers.

Position Statement

- A LEP representative will sit on the area review steering group and ensure that the focus remains clearly on local economic benefit.
- Greater Lincolnshire is the preferred option for the geography of the area review.
- The LEP will ensure that national organisations, involved with the review, understand the coastal, rural and sparsity challenges to delivery as well as the range of sectors and skills needs that are not clustered in one geography.
- The Area review should result in increased levels and quality of engagement between Colleges and employers, and particularly a better response to employers in terms of specific delivery.
- The review should take into account that large training organisation can be impenetrable even to large employers.
- The LEP should challenge the view that one or two Institutes of Technology could deliver all technical and higher level training for the whole LEP area in an accessible way.
- The review should make recommendation for sixth form schools as well as FE Colleges

LEP Board members are asked to consider these points, and to discuss the role that it will take within the Area review.

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Area Review – A Summary

Snapshot

Why the Review?

- The post-16 education sector is critical to Government strategy of raising productivity and economic growth. In order to deliver its objectives, Government believe that substantial change is required within the Further Education (FE) College sector and has triggered reviews of post-16 training institutions or "Area Reviews" as they have become known.

Who, How and What

- Reviews will be undertaken by representatives from local and national organisations working together through a series of 5 meetings that will take place over a few months to agree a series of recommendations about the local structure, quantity of and quality of provision. A national framework of how reviews will operate has been produced. See flowchart at the end of this paper.

Outcomes

Reviews should deliver:

- **Institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment** - This is likely to result in rationalised curriculum; fewer, larger and more financially resilient organisations; and, where practicable, shared back office functions and curriculum delivery systems.
- **An offer that meets each area's educational and economic needs.** This will mean (a) Local Enterprise Partnerships (LEPs) and local authorities setting out their economic vision for the area and the skills base it will require to succeed; and (b) each area considering how existing provision and delivery structures can be adapted to deliver provision more effectively and efficiently.
- **Providers with strong reputations and greater specialisation** - Providers should focus on what they can deliver effectively and to a high standard. An important outcome of each review will be the establishment of clear progression routes to higher level skills. In a number of areas, there is work being undertaken to look at the potential role of Institutes of Technology (IoTs).
- **Sufficient access to high quality and relevant education and training for all**, including 16-19 year olds, adults and learners with Special Educational Needs and Disabilities (SEND).
- **Colleges well equipped to respond to the reform and expansion of the apprenticeship programme** - Colleges and other providers need to be ready to respond to demand and re-work their business model to operate competitively in a more market-style environment, moving away from the current allocations-based funding system for apprenticeships.

How will the review happen?

- A review delivery team will be established, normally led by a Deputy FE Commissioner, supported by a team comprising FE and SFC Advisers and officials from the *Joint Area Review Delivery Unit (JARDU)*
- At the commencement of each review the FE and SFC Commissioners write to the institutions, local authorities and other key partners involved. The review team will then set up initial meetings with the Governors, Principals, and stakeholders involved including proposed dates of local steering group meetings.
- The local steering group will be chaired by someone who is independent from the providers involved in the review. In the cases of areas with agreed devolution deals, the chair is likely to be a representative from the combined or lead authority; in other cases we would expect the chair to be either the FE Commissioner or the SFC Commissioner.
- The local steering group will oversee and steer the review's work within the national framework. They will be able to call on wider expertise such as the Commissioners' advisers in curriculum and financial matters, as well as experts in areas such as special educational needs and disabilities.
- A flowchart setting out the review process at a high level is at the bottom of this document.
- Each review's considerations and recommendations will be based on robust evidence, taking account of analysis and mapping data, following an agreed national framework to ensure neutrality and consistency.

Who will be involved in the review?

Area reviews are a collaborative process. Experience shows the importance of having the right level of skills and resources in place to support the reviews in terms of knowledge and expertise.

The Further Education and Sixth Form College Commissioners

Responsible for ensuring consistency, quality and neutrality across all area reviews, ensuring boundary issues are addressed appropriately and ensuring reviews' recommendations are clear and deliverable. It is the role of the commissioners to take responsibility for presenting the review recommendations to the steering group, and to ensure that the full range of options has been considered.

Deputy FE Commissioners, FE Advisers SFC Advisers and the Joint Area Review Delivery Unit

Deputy FE Commissioners provide oversight and direction of the review, supported by an enhanced team of FE Advisers and SFC Advisers. The Deputy Commissioners work closely with institutions engaged in the review and stakeholders throughout the review period as different options and models of delivery are identified and tested.

This group also work together to ensure that there are accurate and detailed records kept of all the evidence, analysis and activities captured and actioned during the review.

Local Enterprise Partnerships

Contributing to the analysis of the current and future economic and educational needs of their area
Engaging in and supporting the review process including through setting out their vision of the skills system in sufficient detail within their wider strategic economic development role and through use of their potential resource leverage including capital funding and other related funding streams like European Social Funding.

Being impartial and economically driven, LEP involvement allows the business voice to feature largely in the discussions and ensure there is a full understanding of employer demand and how the system needs to change to better meet that demand.

Local authorities

Contributing to the analysis of the current and future economic and educational needs of their area
Engaging in and supporting the review process including through setting out their vision of the education and skills system and their expectations on the role of colleges and other post-16 providers within their wider strategic role.

Engaging with school sixth forms in maintained schools and taking account of the analysis produced by the review to inform their future deliberations about schools provision. In addition, we expect combined or lead authorities (with devolution deals) to take a leading role, overseeing the process and chairing the local steering group where they choose to do so.

Governing bodies

Ensuring that all relevant options are considered for their institution informed by their chairs who are members of the local steering group. Taking decisions on the institutional recommendations and leading implementation.

As institutions are independent, each will need to make its own decision on its future where necessary relying on its own independent advice on financial and legal matters. We expect chairs of governors to be members of the steering group, supported by their principal or chief executive who will also attend, and throughout the process.

Regional Schools Commissioners

Engaging with post-16 academies, free schools and university technical colleges (UTCs) at the beginning and end of the process, and feeding in any relevant local knowledge of issues or opportunities relating to provision into local steering group discussions. Answering questions in the context of the review about post-16 academies, free schools and UTCs opening in the region that are within RSCs' remit.

It will be particularly important for the RSC to attend the meetings where school and academy provision and emerging options are discussed. RSCs and local authorities will take account of the

evidence gathered and the analysis undertaken during the review process in their future decision-making about future post-16 provision in academies, free schools and UTCs.

The Education and Skills Funding Agencies

Facilitating the work and delivery of the review, including by undertaking, informing and presentation of data and analysis and using their funding levers to support the process and implementation of recommendations.

To directly support restructuring, a Transaction Unit is being established. The Transaction Unit staff will engage during the latter stages of the area review to provide specialist input, ensure that a full range of options are considered and provide an initial view on the viability of options which may lead to restructuring applications.

BIS and DfE, and wider government including BIS Local

Setting the national framework for the reviews and their implementation, facilitating access to delivery resources and guidance, and undertaking a formal evaluation of impact. The Departments have also set up a national advisory group involving a wide range of stakeholders and partners including LEPs, local authorities, business, learners and providers to help shape the approach to area reviews.

Ofsted

Providing local steering groups with a summary and analysis of inspection findings in relation to colleges and all other post-16 providers in the area covered by the review.

Other supporting organisations

A range of bodies will support institutions in going through the review, and in implementation, and feeding in views: This will include the Education and Training Foundation (ETF) and Jisc, the Association of Colleges (AoC), the Sixth Form Colleges Association, workforce unions and the National Union of Students; feeding in views and support.

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

There are some other key players who will have a critical role in the process. Banks, as main creditors of colleges are important in order to provide access to continued finance, and because their approval will in some cases be required for structural change to proceed. Government has initiated national level discussions with the major lenders to the sector.

Participation

All parties participating in the review are expected to adopt a number of principles. A full list is shown in the guidance. They include: an open-mindedness to change for the greater good, irrespective of vested interests and personal preferences, a willingness to seek best value in the use of resources for

the benefit of learners and employers and a strong commitment to collaboration and relationship building across local steering group members and other local stakeholders.

Timescales

Early review experiences have indicated that a typical timescale for a review is around 4-6 months.

Indicative start date set out by Government is September 2016. This is wave 4 of 5 waves of reviews.

Boundaries

Colleges should be formal members of only one area review steering group. However it is important that the process is pragmatic and flexible to ensure boundary issues can be accommodated.

Where an institution has a significant interest in multiple reviews, we would expect to see it formally take part in one review, but also to be fully engaged in any other review where it has an interest without being a primary member.

This will ensure institutions have the opportunity to feed in their views, and its interests are taken into account in other reviews that could also affect it. As part of this, steering groups could consider inviting bordering institutions to attend steering group meetings where the options being discussed are of particular relevance to them.

Note also that: LEPs, and Local and combined authorities with an interest in a neighbouring area review where they are not steering group members will also be fully engaged and will have direct access to the relevant Deputy FE Commissioners to ensure their views are understood and taken into account. If appropriate, this engagement can also include meetings with the FE Commissioner and/or SFC Commissioner.

Other training organisations opting into the review process

Information on all post-16 providers and provision will be included in the initial analysis phase.

But only FE Colleges are required around the Review table.

- Other providers, including Higher Education Institutions, local authorities in receipt of education funding, and independent training providers can seek to opt in to the review process *if they wish and the local steering group agrees*. In particular, large providers of further education (with budgets of over £5m) whether community learning, basic skills or professional and technical skills up to level 5 may wish to consider participating.
- Any organisation opting in to the review must recognise that their participation means that there is potential for the outcomes of the reviews, including restructuring options and delivery models, to impact on them directly.
- Effective arrangements will be put in place to communicate with all providers in an area about the review, giving them the opportunity to engage. The RSCs and local authorities will have a role in engaging with school sixth forms.

Skills Needs Analysis and Preparation

- A range of data will be made available by Government in preparation for the review, and members of the review steering group will provide further analysis and information.
- An important part of preparation is for the local authorities and LEPs in an area to ensure they are clear that they have a full and coherent picture of the skills needs and any local challenges, and to ensure that data is available to provide the economic and educational context for the review and the vision for what is needed going forward.
 - Local authorities will have key data on participation issues, cohort decline and increases and the needs and aspirations of SEND learners coming through the system that is vital to ensuring that we have a clear picture of need.
 - LEPs will be able to provide a picture of the potential for economic development and job creation in the area and what that means for the skills system in their area.
- At the same time, colleges will want to work together and with the local authorities and LEPs to establish a shared understanding of their current offer and its impact; secure an understanding of their relative financial positions and the potential options for securing higher quality; greater specialisation and/or efficiency.
- The review will look at the college estates across the area; this will include sites and facilities available, potential surplus space, building condition, running costs and utilisation.

The Greater Lincolnshire LEP produced a position statement about Area Reviews in 2015. Through its Employment and Skills Board, it is creating an evidence base using the framework supplied by Government. Contact Clare Hughes/James Baty

Lincolnshire County Council, Education Services, is creating evidence in relation to 16-18 and SEND, working with North and North East Lincolnshire, and their statutory duties. Contact Maggie Freeman.

What will the review do?

- The review will test a range of long term structural options for the colleges involved which have the best prospect of delivering the overall objectives.
- The options will be evaluated by the FE Commissioner and SFC Commissioner and adviser team, which will lead to a set of recommendations for the steering group to consider.
- Governing bodies will be responsible for deciding whether to accept the Steering Group's recommendations in relation to their institutions. College governors will need to give careful weight to the long term sustainability of their institution and take account their legal duties, including under charity law and their legal obligations as charity trustees.
- The Secretary of State retains powers to intervene in colleges where there are substantial concerns that the institution is being mismanaged or significantly underperforming.

- The steering group will also be asked to consider the establishment of **Institutes of Technology** to provide specialist higher level professional and technical education

Institutes of Technology (IoT)

To address the shortage of professional and technical skills, Government is considering a new system of technical and professional education: a network of prestigious Institutes of Technology that will provide the higher level skills that employers demand, primarily at levels 3-5. It is envisaged that, in most areas, there will be 1 per LEP with strong employer ownership of proposals.

Other considerations

The local steering group will need to develop and implement a strategy for engaging with, and taking account of the views of, local stakeholders. Stakeholder engagement is supported through the Joint Area Review Delivery Unit. It is important that disadvantaged and under-represented groups are actively involved in reviews.

Consideration will also be given to the views of any Higher Education providers who have an interest in the review to ensure that these are taken in to account.

The Restructuring facility

Area reviews will support colleges in identifying options to ensure that all institutions are financially viable and meet the local educational and economic needs. Colleges are independent institutions and given the objectives of the area review process, implementation of area review recommendations will deliver long term savings to them. Therefore, they should in most cases be able to fund, through private lending or asset sales where relevant, any short term investment required. In cases where the required funding cannot otherwise be secured, there is a restructuring facility available to support the implementation of the recommendations of area reviews.

Outcome Published

Following the final local steering group meeting, a summary of the review's analysis and recommendations will be published on gov.uk

All Government area review information here:

<https://www.gov.uk/government/collections/post-16-education-and-training-area-reviews>

Full guidance document:

<https://www.gov.uk/government/publications/post-16-education-and-training-institutions-area-based-reviews>

C Hughes, April 2016

