NOVEMBER 2016

AREA REVIEWS

REBUILD FOR RESILIENCE

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FE WEEK

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RIGHT TIME TO REFLECT ON SWEEPING CHANGES

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JUDE BURKE
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Welcome to FE Week's special area review-themed supplement.

It's been just over a year since the reviews launched, aiming to move towards "fewer, often larger, more resilient and efficient providers".

Since that time, I've been following the process with great interest – from the first reports of lengthy delays during wave one, to the FE commissioner Sir David Collins' promise to MPs this month that all reviews were on track to finish on time by next March.

Now that many of the earlier reviews have reached the implementation phase – and the government has at last published its long-awaited implementation guidance – this is a good moment to focus on the work ahead for colleges.

Pages four and five give you an essential overview of the key points of the new guidance – which includes the due diligence framework, as well as key facts about the restructuring facility, and sixth form college academisation guidance.

Many colleges will emerge from the review process wanting to merge with one another, so on page six, lawyer and FE expert Glynne Stanfield outlines the different options for closer working.

On page seven we hear from Theresa Grant, who chaired the Greater Manchester review on behalf of the Greater Manchester Combined Authority.

She writes about how the combined authority's analysis of the area's future employment trends helped shape the outcomes of that review.

Sir David Collins has chaired 14 of the reviews, which have seen him travel the length and breadth of the country – so he'll probably be looking forward to a break when he retires later this month.

We meet his successor, Richard Atkins CBE, and his supporting team on pages 10 and 11.

And turn to pages 12 and 13 for a college governor's views of the reviews, as Beej Kaczmarczyk writes about his experience as a governor at a college involved in the first wave of the reviews.

Joining with another college is obviously a potentially traumatic experience, and on page 14 the former Bath College principal Matt Atkinson, now FEA's managing director, writes about how to successfully navigate the experience.

And on page 15 merger expert Chris Mantel looks at how to plan a successful merger.

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AREA REVIEW PROGRESS SO FAR

JUDE BURKE
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The details of the colleges and areas involved in the final two waves of the area reviews have at long last been announced by the government.

Wave four will involve 46 FE colleges, 12 sixth form colleges and one sixth form taking part in seven separate reviews, while wave five will cover 48 FE colleges, 10 SFCs and one higher education institute across eight separate reviews.

The first of the wave-four steering groups, Leicester and Leicestershire, was held on September 12, while the last of the initial steering-group meetings in wave five, in Kent, will convene on December 8.

This long-awaited announcement was actually made after many of the areas involved in the first three waves of the reviews had already completed.

Still, it's all going more or less to plan: during an evidence session at the education select committee's inquiry into the area reviews, FE commissioner Sir David Collins insisted that "wave three is finishing on time and wave two has finished on time".

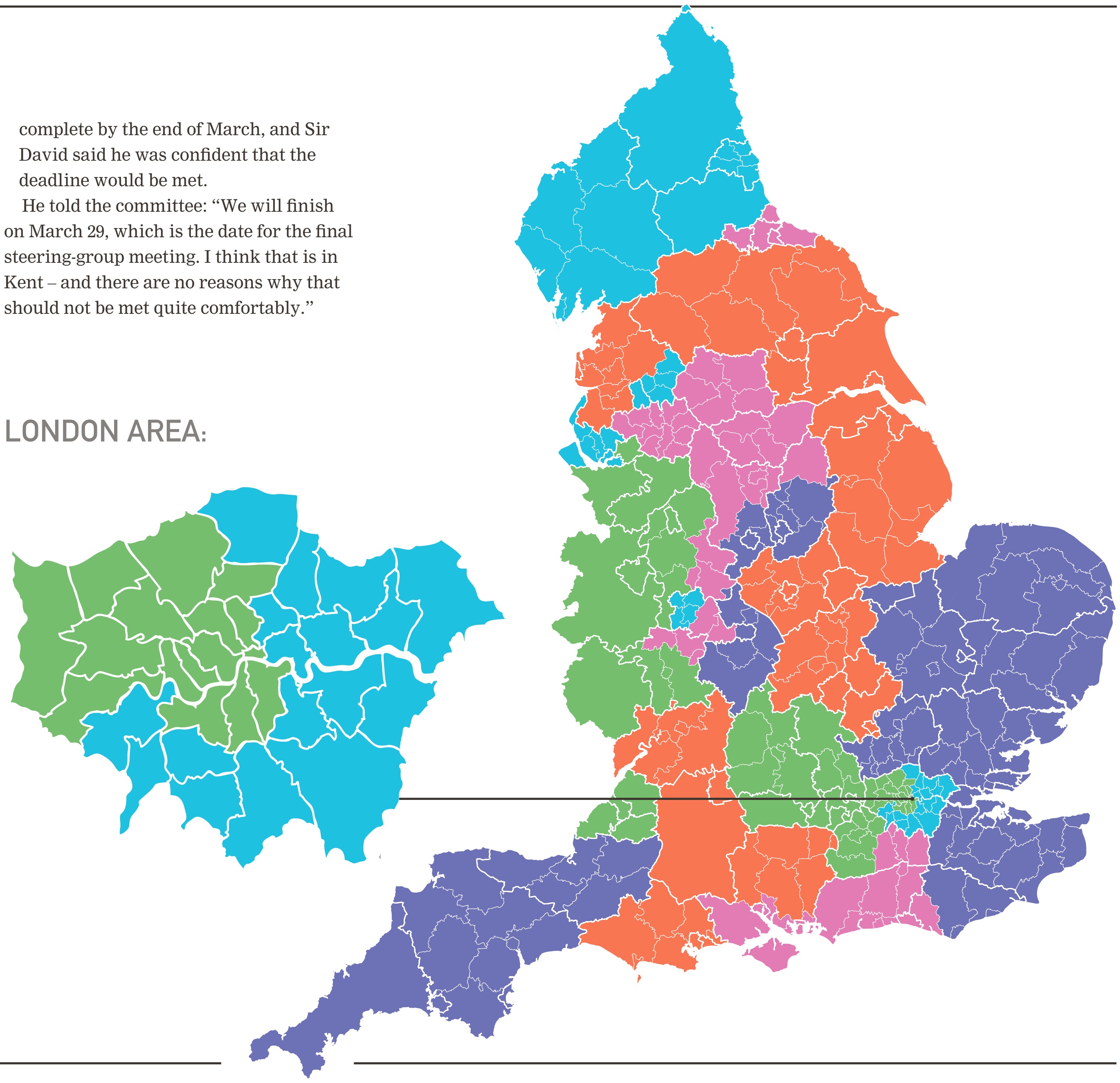
However, he acknowledged that the "first ones were slower than one might have anticipated and liked".

It's true that a number of the areas in the first wave took much more than the four-to-six month timeframe that had been expected for the reviews – including the Greater Manchester review, which took more than nine months alone.

The remaining reviews are scheduled to complete by the end of March, and Sir David said he was confident that the deadline would be met.

He told the committee: "We will finish on March 29, which is the date for the final steering-group meeting. I think that is in Kent – and there are no reasons why that should not be met quite comfortably."

LONDON AREA:



TIMELINE OF KEY AREA REVIEW DATES

September 18 2015
First area review kicks off in Birmingham and Solihull.

January 18 2016
First wave two review kicks off in Marches and Worcestershire.

March 4 2016
Birmingham and Solihull becomes the first area review to complete.

April 13 2016
First wave three review begins in Cumbria.

May 13 2016
Tees Valley becomes only the second review to complete.

June 17 2016
Sheffield City review becomes the third review to announce its outcomes.

September 12 2016
Start of wave four of reviews, in Leicester and Leicestershire.

November 7 2016
Wave five begins in Essex.

March 29 2017
The date of the final steering group meeting in Kent – and therefore the end of the reviews – according to Sir David Collins.

	Area review waves				
	One	Two	Three	Four	Five
	Started Sept 2015	Started Jan 2016	Started Apr 2016	Started Sep 16	Due to start Nov 16
Area	Birmingham and Solihull	The Marches and Worcestershire	Cumbria	Leicester and Leicestershire	Essex
	Greater Manchester	Thames Valley	Liverpool City	Gloucestershire, Swindon and Wiltshire	Derby, Derbyshire, Nottingham and Nottinghamshire
	Sheffield City	West of England	London (South)	North East	Somerset, Devon, Cornwall and Isles of Scilly
	Tees Valley	Cheshire and Warrington	Black Country	Dorset	Hertfordshire
	Sussex	Stoke-on-Trent and Staffordshire	Coventry and Warwickshire	Greater Lincolnshire	South East Midlands
	Solent	London (West)	London (East)	Lancashire	Greater Cambridgeshire and Greater Peterborough
	West Yorkshire	Surrey	Hampshire	York, North Yorkshire, East Riding & Hull	Norfolk and Suffolk
		London (Central)			Kent

FOUR EASY STEPS TO A SMOOTH AND

JUDE BURKE
@JUDEBURKE77

The government has set out the four key phases involved in implementing area review recommendations in its long-awaited new guidance on restructuring,

At long last, the government has revealed what it wants the sector to do with all these area review recommendations.

Published last month, the guidance establishes four phases for implementation.

Each phase includes a number of actions for colleges, as well as various "essential considerations" – awareness of which "will be crucial to successful decision making in the implementation process".

Amongst these are a focus on apprenticeship delivery, the need to develop a commercial strategy – and a warning against sky-high remuneration packages for outgoing principals.

There are also tips on restructuring, which could involve "mergers, federation, establishment of joint ventures or shared services, as well as curriculum rationalisation or expansion of delivery via apprenticeship companies".

According to the guidance, implementation starts with phase one – "the right people with the right skills", before moving onto phase two – "planning". The third phase is "approvals", and the final one "legal transition and delivery".

The first phase means appointments, including appointing a "transition board", and a "restructuring and change-management team".

Because, the guidance says, "in many cases, colleges will not have sufficient restructuring expertise or capacity on existing senior management teams", it is at this stage applications can be made for a transition grant of up to £100,000, to put "the right skillset in place to implement recommendations".

During the second phase, planning, colleges will need to set out the business case for restructuring, which means developing both a financial plan and an implementation plan.

They are urged to develop a commercial strategy "to maximise the opportunities that might be available to enhance the provision for students/employers, and generate revenue from a wider range of sources including apprenticeships, loans-based learning and other forms of commercial income".

This is the point at which colleges must respond to the post-16 skills plan and the expansion in the apprenticeship programme.

Importantly, the guidance warns colleges that if they plan to sell off publicly funded assets to raise cash, the Skills Funding Agency or Education Funding Agency "may have a right to claw back some or all of the grant".

It is also during the planning phase that colleges will need to appoint the new institution's leadership – which, crucially, does not automatically have to be the existing principal of any of the colleges involved.

Where principals are given the chop, governors are warned against awarding sky-high severance deals, which "are likely to attract public interest and questioning of whether the decision is in line with the charitable objectives of the college, particularly where (in the case of severance agreements) the package exceeds contractual requirements or is being paid to a principal with a record of poor performance".

Phase three is approvals and funding, which involves holding a public consultation on proposed restructures, and discussions with banks and other lenders.

This phase also includes due diligence, which is described as an "important part of the work needed to satisfy colleges and their stakeholders of the likely success of the proposed structural change".

According to the government's due-diligence framework, published at the same time as the implementation guidance, due diligence is "the process by which one party conducts inquiries into the affairs of the other party for the purposes of timely, sufficient and accurate disclosure of all material statements/information or documents which may influence the outcome of a proposed restructuring".

For the confused, the framework outlines the steps involved in due diligence, who needs to be involved in it, how to avoid common pitfalls and how in-depth it should be.

"The extent of due diligence should be considered on an individual basis," it adds, and factors such as college finances, academic performance and size should be included in calculations.

Due diligence must be finished before a college can apply for funds from the restructuring facility, in a measure designed to encourage the implementation of area review recommendations.

Capital funding could also be available through the government's Local Growth Fund, via local enterprise partnerships. Colleges are therefore urged to "ensure that they are in dialogue with their LEPs concerning any capital needs arising from area review recommendations required to support implementation".

The final phase is transition to the new institution, and delivery of the implementation plan.

This includes monitoring. While "primary responsibility" for successfully implementing area review recommendations lies with the colleges involved, it "will be supported through oversight arrangements at a national and local level".

On a local level, local authorities and local enterprise partnerships might be involved, while on a national level the EFA, SFA, FE commissioner, sixth form commissioner and ministers may be involved.

D SUCCESSFUL IMPLEMENTATION

Phase 3

d funding

Phase 4

Transition to new institution and delivery of implementation plan

ALL THE GUIDANCE THAT'S FIT TO PRINT

GUIDANCE FOR LEPS AND LAS

Local enterprise partnerships and local authorities will have a vital role to play in supporting colleges as they move into the implementation phase of the area reviews.

There is specific guidance for LEPs and LAs about their role in the reviews, available alongside the implementation guidance.

Many LEPs and LAs will have been involved early in the process, to report on local skills gaps, and show how colleges can help to meet those gaps.

But as the reviews move beyond the final steering group, LEPs and LAs will now help to monitor the progress of review recommendations by "assessing how implementation of recommendations is contributing to improvements in local economic performance".

The document also outlines a number of ways that LEPs and LAs can continue to support colleges once the reviews are completed.

These include "strengthening the role played by senior business leaders in colleges by encouraging employers to apply for positions on the board of their local college, or to play an active role in the college in other ways" and "encouraging larger employers with skill shortages and gaps to sponsor a college or part of its specialist provision".

The guidance also outlines more information about the Local Growth Fund, which is available to LEPs.

"There is an expectation that LEPs will make proportionate investments in skills capital projects, including new investments that come out of the area reviews, relative to their existing and future skills capital allocations within the Local Growth Fund," it says.

NEW INFORMATION ON THE RESTRUCTURING FACILITY

Where colleges are unable to pay to implement the area review recommendations themselves, support is available from the restructuring facility.

The fund was first announced in March this year, as part of the updated area review guidance, which said that the cash was "being made available to reflect the one-off nature of the restructuring of the sector, through area reviews, to achieve long-term sustainability".

Full guidance for the restructuring facility was first published in May, and has now been updated.

Cash is available for general FE colleges and sixth form colleges which have been "impacted by a substantive area review recommendation" but are "unable to fund the change themselves".

The cash is available as a loan "wherever possible", the terms of which should be "commercial or as close as possible to commercial for government".

Funding is for each area review recommendation, rather than for individual colleges – so if, for example, two colleges are merging they should send in a joint application.

Colleges will need to submit a detailed implementation plan as part of their application, including a strategic business case for the change that needs funding.

The list of areas it should cover has been updated since the previous version of the guidance, and it now includes a thorough market-assessment, a curriculum plan, a teaching plan, an estates plan, a quality improvement plan, and a marketing and recruitment plan.

Colleges will also need to have carried out due diligence before they apply to the restructuring facility, as they will need to submit a copy of the report with their application.

UPDATED GUIDANCE FOR SIXTH FORM COLLEGES TO ACADEMISE

The option for sixth form colleges to convert to academy status was first announced by former chancellor George Osborne in November 2015, as a way for them to avoid paying VAT.

When the guidance for academy conversion was first published in February, it said that colleges could only convert as part of the area review process.

Since then, around 70 per cent of SFCs have registered an interest in converting, and four have opened formal consultations.

The updated guidance, published in October, reflects changes in policy and the process of converting to academy status, and includes more detail and information for colleges interested in converting.

These changes include "exceptionally, on a case-by-case basis" the option for other FE colleges besides just SFCs to convert to academies – if they meet the definition and criteria, and "can show why their future and educational provision in the area would be best served by joining the academy sector".

The updated guidance also outlines in greater detail the steps involved in academisation.

First, an SFC submits an expression of interest to the Department for Education "in line with either developing or confirmed area review recommendations"; it then awaits an in-principle approval from the regional schools commissioner and the sixth form college commissioner; this is followed by a financial assessment by the DfE's transactions unit; it then requires final sign-off from the sixth form and regional schools commissioners; the final stage is implementation.

NAVIGATING ALL THE LEGAL ISSUES AROUND FORMING CLOSER TIES

GLYNNE STANFIELD
Partner, Eversheds LLP

There are a number of different options open to colleges looking to work more closely together. Legal expert Glynne Stanfield takes a look below at the pros and cons for each of them.

Glynne Stanfield

The FE sector is experiencing a period of significant change, spurred on by the government's attempts to establish high-quality, financially sound institutions via the area review process.

We believe that the new reviews will create more opportunities for colleges to consider mergers, collaboration arrangements or alternative structures, all of which will require strategic advice and due diligence.

SOFT FEDERATIONS:

Colleges might consider entering into a soft federation, which is a contractual collaboration with a partner institution in the FE sector, the higher education sector or the private sector.

A contractual collaboration is a model that is flexible, easy to set up, and which allows each party to retain their independence. It may be a step towards bigger things such as shared services, shared resources and shared personnel.

Contractual collaboration arrangements can also be unwound much more easily than a hard federation or corporate structure.

HARD FEDERATIONS:

A hard federation, which involves the creation of a legal entity, can be set up in a number of ways. One example of this model would be for an FE college (with a partner such as another FE college or a higher education institution) to create a cost-sharing company to share services (e.g. back office administrative functions).

The new college would transfer the assets, liabilities and staff relevant to that activity to the company. The relationship between the college and its partner would then be governed by a collaboration agreement.

A second method comes through the creation of a group structure. An FE corporation (or equally a higher education institution) could sit at the top of this structure with different brands underneath it, including any combination of higher education, separate FE providers, academies, schools and UTCs or studio schools. This group structure could also include a commercial arm. In this way it could operate different brands and each branch could have different levels of interaction with outside stakeholders.

A hard federation allows for a range of possible models involving all sorts of organisations and stakeholders. They are however more difficult to set up and retain flexibility when compared with the contractual model.

This model instead allows for deeper collaborations and higher-value service-sharing.

MERGER:

A 'Model A' merger involves creating a new institution by transferring all assets and liabilities from the existing institutions to it before they dissolve.

A 'Model B' merger happens when one institution continues, and the other transfers its assets and liabilities to it before dissolving.

A merger allows full integration of institutions, and allows more options for cost savings and efficiencies. The merged college is likely also to enjoy greater financial stability, an improved competitive position and greater coverage.

The dissolving college would however lose its independent legal status, and the decision to merge is irreversible because there will be no successor body to decide to terminate the collaboration.

Merger partners do not need to be FE colleges, but can be higher education institutions or private sector bodies.

OTHER OPTIONS:

Institutions may also wish to consider options including transfer of specific programmes from one provider to another; transfer from a local authority to an institution (or vice versa); use of a joint advisory committee; shared online and distance education infrastructure; or shared exploration of the many international opportunities.

A merger allows full integration of institutions and allows more options for cost savings and efficiencies

OVERCOMING CONFLICT: PROVIDING AN ANCHOR FOR ABR OUTCOMES

Many of the areas in the first wave of reviews were delayed – but none more so than Greater Manchester, which took more than nine months from first to last steering group meetings.

As reported by FE Week, the long delay was driven by deep tensions between the colleges involved and the Greater Manchester Combined Authority, which – as the devolved authority for the area – was leading the review.

Minutes from the steering group meetings and from individual colleges' own governing board meetings indicate that the colleges were being pushed towards mergers they did not want.

And when the review finally ended with just two proposed mergers, the combined authority issued a statement saying it "remained to be convinced" that the proposals were the best they could be for the area, and asked the government for permission to be able to make further changes.

During an evidence session for the Education Select Committee inquiry into the area reviews, Theresa Grant, Trafford Council chief executive and chair of the Greater Manchester review, told MPs that the authority had been able to carry out in-depth analysis as part of the review, without which "the majority of the colleges didn't feel they needed to change or they should change".

Here she explains the analysis the authority carried out and how it helped to shape the review outcomes.

THERESA GRANT

Trafford Council chief executive

Greater Manchester has a long and proud history of innovation, and our ground-breaking devolution deals with the government have been gathering pace over the last two years. Against that backdrop, before the launch of the national area-based reviews, we had already begun considering the shape of FE in Greater Manchester, with a view to developing a fully integrated post-16 education, skills and employment system that could respond flexibly and effectively to the needs of our businesses and learners.

There has never been a more interesting and challenging time for Greater Manchester, as we work to create a prosperous, productive and inclusive employment and skills landscape that benefits all residents and businesses. By 2035 we want Greater Manchester to be one of the world's leading regions, driving sustainable growth across a thriving north of England.

However, this can only happen if the focus is on overall outcomes, not simply on the ABR recommendations in and of themselves. From the very start, the Greater Manchester Combined Authority has been mindful of this, and we therefore developed a set of local priorities to sit alongside the national criteria. In this way, the GMCA has embedded the needs of the local labour market at the core of the process, to guard against the risk that the ABR would be driven more by financial considerations than the needs of the community.

There has been a lot of debate about how successful the ABRs are likely to be, given that significant tranche of providers, including schools and independent training-providers, were not involved. That is why, rather than seeing the ABR as an end in itself, the GMCA has decided to set it in a wider process focused on the needs of Greater Manchester, and its own learners and employers. It is also a tremendous catalyst for bringing together supply and demand sides to find – perhaps for the first time – a common language for skills-related conversations.

Our approach is two-pronged. Firstly,

> We now have a comprehensive picture for the next two decades

to get a picture of what's happening on the ground, we conducted a comprehensive curriculum review, to set the ABR within a broader analysis of all publicly funded post-16 education and skills provision across Greater Manchester, including its quality.

However, while this analysis is important, it's not sufficient to determine whether or not the system will meet the area's long-term economic needs – which, incidentally, is not necessarily the same as meeting learner demand.

So, secondly, we turned the microscope onto the labour market and skills forecasts, undertaking a detailed analysis of Greater Manchester's key sectors, and investigating employment trends over the next two decades. This gave us an evidence base to use in our discussions with colleges and other providers about the skills provision needed to support the area's economic growth, while implementing the ABR recommendations.

This deep-dive research has shaped our thinking on the needs of the local labour market, taking into account the functional skills and expertise that the growth sectors require, and also the industries and services that will support those sectors as they grow.

Our research teaches us which skills the current and future workforce will need, which ones will need replacing as older generations leave the workforce, and the specialisms that niche sub-sectors will require as they expand and technology advances. Comparing these deep-dives with other research conducted for the GMCA – such as an accelerated growth scenario that maps differential requirements based on varying levels of growth – has also allowed us to look at long-term housing, transport and public service requirements, together with the associated indirect skills implications.

We now have a comprehensive picture for the next two decades, far beyond the planning that colleges could reasonably be expected to undertake on their own.

As a result of this deep-dive research and skills-mapping, the GMCA and its delivery partners are developing an exceptional understanding of needs and opportunities, as well as the language we should use when talking to employers. Colleges, with the unique role they occupy in the learning marketplace and our communities, have the chance to lead the way in responding

> By 2035 we want Greater Manchester to be one of the world's leading regions

to the evidence. The GMCA will continue to work with colleges to support them, deploying all the resources and expertise at our disposal, and to ensure we achieve the local, outcome-focused system we need.

It has not been an easy process and we realise that challenges still await, but the ABR and its associated activity has undoubtedly been a helpful catalyst towards this process of FE redesign.

We believe that the outcomes of the ABR will be instrumental in the step-change required for Greater Manchester to truly meet the needs of its residents and employers, and to punch its weight in economic and productivity terms on a national and global stage.

Theresa Grant

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THE MAKING OF THE NEW FE CON

The former principal of Exeter College, Richard Atkins, is set to lead the charge towards the area review finish line, taking over from outgoing FE commissioner Sir David Collins.

News of his appointment was first reported by FE Week in September, and confirmed by the Department for Education on October 17. Atkins officially started his role this month.

It's a fitting appointment, given the role that the area reviews have had in shaping Atkins' career over the past year.

He had been scheduled to retire from Exeter College at the end of 2015, but put those plans on hold to oversee a proposed merger between his college and nearby Petroc College.

But soon afterwards, the government announced the area reviews, and his local merger plans were swallowed up by the larger Somerset, Devon, Cornwall and Isles of Scilly review, which is due to start in November.

Atkins did finally manage to retire from the college in March this year after more than 13 years in charge – following an FE career that has spanned almost 35 years.

Atkins – who received a CBE in the 2015 New Year's Honours – told us that he was first pointed in the direction of FE while studying for an MSc in education management back in 1980.

He said: "Most of the people there were in FE, and they asked why I hadn't gone into FE. I said, like a million other people, I didn't really know about it."

His first job in FE was at Chichester College in the early 1980s as a student liaison officer and lecturer in business studies and history. He then taught at Guildford College before joining the senior management team at York.

In 1994 he – along with wife Vicky and daughters Sarah and Beth – moved down to the West Country to take up a position as assistant principal at Yeovil College.

Within 10 months he'd been promoted to the top job.

As he told FE Week: "It was immediately after incorporation – it was a very interesting time of change and we had a high average level of funding.

"My predecessor decided to retire, and I was principal there for seven years."

In 2002 he moved on to lead Exeter College, a 12,000-learner college with large numbers of A-level students and apprentices.

He told FE Week that there were no school sixth forms in the city, which meant he had to "work extremely hard on the relationships" with those schools.

During his leadership he led the college to a rare grade one from Ofsted in 2014 under the tough combined FE and skills Common Inspection Framework – up from a previous rating of 'good' in 2008.

The college had already achieved a

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coveted 'outstanding' rating following a pilot inspection under the new framework in early 2012, but as the report was never published, the grading was not considered official.

He then served as president of the Association of Colleges in 2014/15, during which time he called for traineeships to be converted into a specific pre-apprenticeship programme "to prepare 16- and 17-year-olds for a full apprenticeship".

Speaking to FE Week in February 2015 as his year as AoC president was coming to an end, he said that he'd been surprised by the "complexity of the lobbying" involved in the role.

"When I first became a principal I thought 'why don't people shout louder? If we shouted louder, they'd all know FE was here'," he said.

"But it's much more complicated than that. It's about building relationships with ministers and policy makers and political advisers.

"It's about making sure your agenda becomes their agenda and trying to create solutions for them."

His experience of that will no doubt stand him in good stead as he takes hold of the FE commissioner reins.

He'll be straight in at the deep end, with his first steering group meeting scheduled for November 8 in Derby, Derbyshire, Nottingham and Nottinghamshire – followed by another meeting in Hertfordshire two days later.

With two more reviews, South East Midlands and Kent, kicking off in December, and with the whole lot expected to be finished by the end of March, he will certainly be kept busy.

> Lobbying is about making sure your agenda becomes their agenda and trying to create solutions for them


Richard Atkins

DEPUTIES

JOHN HOGG

Appointed FE adviser November 2014 and promoted to FE deputy November 2015. After 10 years as principal at Middlesbrough College until 2010, he was interim principal at Wolverhampton College from 2012 and 2013, and between 2013 and 2014 at City College Coventry.

FE ADVIS

LYNNE CRAIG

Appointed November 2014. She was vice principal at Gloucestershire College from 2006 until 2014, and now runs her own consultancy FEImprove

ANTOINETTE LYTHGOE

Appointed November 2015. Prior to her appointment she worked for around 10 years as vice principal of corporate planning at Trafford College.

MMISSIONER - AND HIS DEPUTIES

S

DAVID WILLIAMS

Appointed FE adviser August 2013 and promoted to FE deputy November 2015. He has been director of W3 Advisory since 2010, which a specialist consultancy for the education, social housing and non-profit sectors.

STEVE HUTCHINSON

Appointed FE adviser November 2014 and promoted to FE deputy October 2016. He was a partner with FE Associates from 2008 until 2015, during which time he was also interim principal at the former K College in 2014. He now runs his own consultancy, SBH Associates.

ANDREW TYLEY

Appointed FE adviser November 2015 and promoted to FE deputy October 2016. Before that, he was principal of Walford and North Shropshire College from 2007 until 2014, and now runs his own financial consultancy, Tyley Associates.

CINDY RAMPERSAUD

Appointed FE adviser December 2015 and promoted to FE deputy October 2016. Before her appointment she was deputy principal for finance and strategy at City and Islington College from 2011 until 2015.

ERS

PHIL FRIER

Appointed September 2014. Most recently he was interim principal at the former K College from 2012 until 2014. Before that he was principal at City College Brighton and Hove from 2007 to 2012.

CHRIS JONES

Appointed September 2014. Formerly the principal of Calderdale College from 2008 until 2014, he now runs Chris Jones Consultancy

BERI HARE

Appointed November 2014. She has been an education consultant since 2012, following six years as principal at Stroud College from 2006 until 2012.

BOB SMITH

Appointed November 2015. He has previously been involved with FEA (formerly known as FE Associates).

STEPHEN MCCORMICK

Appointed November 2015. Former deputy group chief executive (from 2013 to 2015) at Activate Learning, and deputy principal at Oxford and Cherwell Valley College (2004 to 2013). Now a strategic financial consultant.

JACQUI HENDERSON

Appointed November 2015. The current chair of governors at Northumberland College also ran her own consultancy service, Creative Leadership and Skills Strategies Ltd, until earlier it was wound up earlier this year.

JULIE TOLLEY

Appointed November 2015. She was managing consultant at Capita Consulting, focusing on FE and HE, from 2010 until 2015, and now has her own consultancy firm, Further Matters Ltd.

LOUISE TWIGG

Appointed November 2015. She was a senior consultant with FEA (formerly FE Associates) from 2006 to 2015, and now runs her own independent consultancy service.

TERESA KELLY

Appointed November 2015. She was principal at Abingdon and Witney College until December 2015.

MANDY EXLEY

Appointed December 2015. Former principal of Edinburgh College from 2012 to 2015.

JOHN ALLEN

Appointed December 2015. Former principal at Lincoln College from 2000 to 2014.

KEY CONSIDERATIONS FOR GOVERN

BEEJ KACZMARCZYK

College governor and director of Learning Curve Group

The government expects governors to play a leading role in implementing area review recommendations. Chesterfield College governor Beej Kaczmarczyk reports below on his experiences.

The clear message we received as governors of a college involved in the first wave of the area-based review process was that we need fewer but better providers. It's for very good reasons – the FE college sector needs reform to meet the demands of policy changes, the challenges of reducing budgets, and an evolving education and training market.

The principles underpinning the process are also to be lauded: FE colleges will take control of the process and the outcomes. As governors and leaders we must see the bigger picture for the demand and supply of provision in our area and be willing to make changes for the 'greater good'.

We must take an evidence-based approach to the review and be willing to work with others to achieve a more coherent offer for our learners and employers, as well as improving the quality of outcomes for them.

We should consider different structures and ways of working, while new technology will ensure the process produces positive, if not always measurable, benefits for our service users.

Relevant data from many different sources underpins the evidence base, including patterns of learner recruitment and engagement, quality of provision and outcomes, financial heath indicators and information on future economic and labour markets trends.

The analysis led us to consider the best structures and ways of working to respond to needs and demands, so that our colleges could rise to the challenges in the external environment. Options for specialisation, joint working, shared services, 'soft' and 'hard' federations and mergers have all been considered.

The steering group meetings, and all of the work done by people in between, led to recommendations which governing bodies have considered and either accepted in full, accepted in part, rejected or provided alternative models to.

We tried to focus on the potential benefits in all of our deliberations, using a more rational, objective and collaborative approach to planning post-16 provision in our area. We strived to avoid wasteful duplication and create more demand-led, flexible and responsive curricula to meet educational and employer needs, while strengthening our regional reputation and creating a clear brand for FE.

The proposal will enable us to reduce our operating costs, create specialist education and training centres, and deliver higher-quality provision, particularly at higher levels. But throughout the process we had to remind ourselves that there would always be the need for inclusive and comprehensive post-16 institutions for those who are more vulnerable, less qualified, or who are less likely to travel.

However, there have been concerns throughout the process. By not including schools, academy sixth forms or independent training providers in the review, only part of the supply side is being reformed.

> As governors and leaders we must be willing to make changes for the greater good

Larger colleges do not always bring the economies of scale and improvements in financial resilience that are being claimed, and can lead to reductions in the range of provision and loss of learner choice.

For example, in Scotland the numbers of part-time adult students following the mergers have almost halved. The area review process can also be overtaken by details of how local devolution of powers and funding will work, and an assumption that local commissioning might work better with fewer, larger providers.

There are still many unanswered questions: will the savings from the process be channelled back into investment in the FE sector? How well equipped are the management teams of these larger organisations to lead and develop them? How will national providers be affected? How will other providers of post-16 education and training respond to these structural changes? Will they also merge and federate to compete on equal terms? How will what we've learned from the process be used to inform any future area reviews?

We have learned much from the area review process that should be shared with others. For instance, the process takes much longer than planned and takes up a lot of the principal's and chair of governors' time. Plenty of detailed data needs to be reduced to high-level information that can be used to make decisions. It pays to get some kind of clarity on the options for change by commissioning your own structure and prospects appraisals. College senior leadership teams must focus on keeping business as usual and not fall into the trap of decision-making paralysis. Sometimes we need to be more honest about our own college's strengths and weaknesses. It is essential to keep your stakeholders informed on the process and its outcomes, perhaps at staff and student briefings, especially to avoid rumour and conjecture. Finally, it is critical that you communicate with language that all users and contributors are able to understand.

Perhaps most importantly, we need to ask whether the review process itself is a valid way of reforming a sector which is subjected to so many competing demands, and which is very diverse – with specialist and general education providers, sixth

NERS THROUGHOUT THE PROCESS

Beej Kaczmarczyk

> If the process is to make its planned conclusion date in March 2017, it is essential we take control as early as possible

form colleges specialising in level-three academic programmes but which have comprehensive offers, organisations of all sizes with complex structural arrangements, including subsidiaries, and diverse curriculum offers, including higher education and overseas students.

However, if the process is to make it through to its planned conclusion date in March 2017, it is essential that as governors and senior leaders we take control of the process as early as possible, ideally before the review. We must be well prepared, proactive and innovative, and be prepared to make tough decisions for the good of all our learners and employers. We must not take the easy options unless they are also the right options!

Governors and college executive teams also need to consider the level of external support required to plan change or to implement transformational projects such as mergers.

Adding capacity to your college team at this stage is not only advisable but essential to ensuring the success of the change. Support takes many forms, depending on where a college is in the process; for example, a corporation may benefit from an experienced senior leader with merger and change experience to act as an impartial trusted adviser.

In other scenarios, the executive team might be strengthened by bringing in a team of experts to produce a change-implementation plan for submission to the transaction unit, or a project management team may be required to plan the implementation of a merger.

It is important to work with people who have current and hands-on experience delivering these kinds of significant change projects.

Beej Kaczmarczyk is part of the consortium between Learning Curve Group, FEA and Fusion which offers a range of consultative support around implementing structural change.

STRUCTURAL CHANGE: DON'T FORGET THE PEOPLE IN ALL OF THIS

MATT ATKINSON
Joint Managing Director, FEA

Matt Atkinson has a huge amount of experience of the stresses, strains, hard work, and hopefully ultimate success that goes into running FE institutions, whether they choose to merge or stand alone, through his time as principal of City of Bath College and with consultancy firm FEA. He reflects below on the importance of remembering the human impact of structural change.

Matt Atkinson

My role these days is to provide support for colleges and providers undergoing significant structural change. At one end of the spectrum this may involve working with governing bodies and leadership teams which have already made significant decisions about their future shape, but at the other it means supporting institutional leaders as they start to formulate ideas for the future.

> Insufficient attention is given to the human consequences of change

So, two very different scenarios which include one major, often overlooked, element – people. Of course everyone knows that people are central to the delivery of change itself, and are most affected by the outcomes of this change, but I often see situations where insufficient attention is given to the human consequences of change right from the beginning of the process.

> What is the other party trying to achieve and how does this fit with your goals?

With major change comes emotional issues: attachment, fear, loss, grief and personal relationships. Far too often we go straight to comfort zones – processes, systems and procedures – and we spend too little time on what determines whether change fails or succeeds. Developing positive personal relationships from the outset, be they between members of governing bodies or senior leadership teams, is fundamental to change, and far too often bumps in the road result from failing to consider people and personality clashes.

It is not uncommon in structural change situations to find issues that have not been addressed at the outset, because the people involved have not afforded sufficient time to building personal understanding and rapport with one another. Such issues can often end up as deal-breakers.

So what can be done? Dedicating sufficient time in the early stages of proposal development is crucial; think of it as the 'getting to know you' phase. Building an understanding of each other's perspectives, hopes and fears is vital.

We always talk about due diligence from a financial and legal standpoint, but what about personal due diligence – what is the other party trying to achieve and how does this fit in with your goals and objectives? What are the things that are deeply important to our potential partners and how do we respond positively to these?

It can all be done by creating an environment based on mutual understanding, to allow potential partners to have leadership conversations early enough in the process to ensure that any deal-breakers are dealt with, and that the human factors in the change process have been given the attention they need.

Everyone I've met in my role supporting structural change has one thing in common – they want to ensure their organisations continue to serve students, businesses and communities exceptionally well. So use this common ambition to forge open and trusted relationships and put people at the heart of your change agenda.

Chris Mantel

MAKING AREA REVIEW MERGERS WORK ACROSS THE FE SECTOR

CHRIS MANTEL
Partner, RSM

While mergers between FE colleges can offer many potential benefits, the payback is not always guaranteed and savings are usually only realised in the medium to long term.

Immediate savings can include the removal of duplication, particularly in management, support and central services, and rationalisation of estates and curriculum. However, these savings may be wiped out by costs such as professional fees, restructuring or bank break and brokerage costs. The biggest potential impact is likely to come from local government pension schemes.

If a merger is just about cost savings then a longer-term view is required.

CULTURAL FIT AND JOINT WORKING

The key driver to a successful merger is an organisation's ethos and its speed of integration. At every stage learners must remain central to the process. There must also be a willingness to take the best from each organisation.

Matters to consider include:

- Timing of combined work groups, preferably before a formal merger, ensuring both organisations can establish effective working practices at an operational level.
- A joint curriculum plan to minimise risks and maximise returns, so that operational decisions can be taken within the year of merger rather than delaying potential benefits. For example: a merger due in May 2016/17 should ideally have a combined curriculum plan for the start of 2017/18 year allowing staff and premises to be budgeted accordingly and publicity in place, to at least retain existing student numbers.
- Quality improvements do not happen overnight. Where there is a disparity between institutions, a backward step may be experienced initially before improvements are seen.

MANAGEMENT RESOURCE

Management sets the tone and ethos. Leadership must be established early; appointing key posts such as principal, chair and vice-chair.

There must be sufficient management resource to do the day job as well as tacking the transition process. Be honest about your management team's experience and capacity, and ensure the right support is put in place for the duration.

GOVERNANCE

Effective governance is vital to a successful merger. The reasons for merging may set the tone but should they? Consider whether a shadow board would assist the transition through joint working groups.

The composition of the board may also be vital to obtain buy-in from everyone.

It could be beneficial to retain experienced governors in key posts such as chair and vice-chair, to assist a smooth transition. Alternatively a fresh perspective may be better, via the appointment of new independent governors. Ultimately decisions must be based on what is best for the new institution.

COMBINED FINANCIALS AND CURRICULUM

Robust combined financial plans and cash flows are required for the new entity.

Sensitivity analysis should be completed based on the merged curriculum plan, so you can model the impact of changing student numbers and staff posts. The curriculum plan should build on recognised strengths of each institution to establish staff requirement (full-time, part-time or agency), and the required estate must identify potential surplus assets.

You will also need to consider:

- Harmonisation of systems and procedures;
- Termination costs of leases and other obligations; and
- Availability of transition grants, bank facilities and access to the restructuring fund to deliver a sustainable model.

OVERALL MESSAGE:

- Invest time in planning the transition, including cross-college working.
- Develop a combined curriculum offering, which builds on existing strengths.
- Develop combined financials which are stress-tested under different scenarios.
- Understand the risks of the merger, then monitor and manage them.
- Ensure you have sufficient management resources to deliver.
- Governors must buy into the vision, supporting and challenging management.
- Have you sufficient cash resource to deliver your vision.

Above all, never underestimate the costs associated with a merger, both in time commitment and cash, as well as the impact on quality.

Chris Mantel is a partner at audit, tax and consulting firm RSM who has worked extensively with clients in the FE sector. He can be contacted at chris.mantel@rsmuk.com

Implementing structural change?

We can help!

If you are formulating plans for implementing structural change through the area reviews, our consortium of sector-leading experts provide a fully integrated service to deliver these objectives in the most cost and time-efficient manner.

Our Experts

Beej Kaczmarczyk
Director, LCG

Matt Atkinson
MD, FEA

Our services cover:

- ✓ strategic advice
- ✓ merger planning
- ✓ project and change management
- ✓ curriculum and financial planning
- ✓ implementation plans

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