HOUSE OF COMMONS

Education Committee

Oral evidence: Area Reviews of Post-16 Education, HC 559

Wednesday 26 October 2016

Ordered by the House of Commons to be published on 26 October 2016.

Watch the meeting

Members present: Neil Carmichael (Chair); Michelle Donelan; Marion Fellows; Lucy Frazer; Catherine McKinnell; Ian Mearns; Stephen Timms; William Wragg.

Questions 1- 64

Witnesses

I: **Theresa Grant**, Chief Executive Officer, Trafford Metropolitan Borough Council, **Angela Joyce**, Group Principal and Chief Executive, Warwickshire College Group, and **Andy Wilson**, Chief Executive Officer, WKCIC Group.

II: **Sir David Collins**, FE Commissioner, Department for Education

Written evidence from witnesses:

Greater Manchester Combined Authority (ARE0028)

Warwickshire College Group (ARE0016)

The WKCIC Group (ARE0020)

Department for Education (ARE0015)

Examination of Witnesses

Witnesses: Theresa Grant, Angela Joyce and Andy Wilson.

Q1 **Chair:** Good morning and welcome to the Walpole Room, or Committee Room 5, as it is more normally known as. Robert Walpole was in fact the first Prime Minister with that title, so we can sit thinking about that.

You have done the first area reviews. I know that is a pretty big leap, from Walpole to area reviews, but I have made it. The purpose of today's session is to discuss what area reviews are like in the context of those who have completed them, then we are going to be talking with Sir David Collins, who is the outgoing FE Commissioner. Welcome to you all. For the purposes of the viewers who are tuning in, could you say who you are and what you represent, starting with Angela?

Angela Joyce: Angela Joyce, Group Principal and Chief Executive of Warwickshire College Group.

Andy Wilson: Andy Wilson. I am Chief Executive of what is called at the moment the WKCIC Group, which is the merger of Westminster Kingsway College and City and Islington College in central London.

Chair: We have been to your college and we enjoyed that, so thank you very much. Theresa.

Theresa Grant: Theresa Grant. I am Chief Executive of Trafford Council and I am Lead Chief Executive on Employment and Skills for the Combined Authority in Greater Manchester.

Q2 **Chair:** We have also been to your council, so thank you.

How realistic is the Government's four to six-month timeframe for the completion of each area review? Who would like to go first? Shall we go with Angela and see how she feels?

Angela Joyce: Certainly. I think the timeframe of the area review process has been slightly unrealistic in terms of both covering the whole country in the whole window of area reviews and also of each area review. From my perspective, it has felt quite rushed and particularly the gaps between the meetings. There is quite a lot of work to do between meetings, but given the five to six months, on average, for each area review, there has not been a lot of time in between for additional activity.

Q3 **Chair:** Andy, in one way you had already started your own area review, hadn't you, because you were thinking about expansion and so on? What are your thoughts on the timeframe?

Andy Wilson: The thing about our merger was that it certainly took 15 to 18 months of fairly intensive discussion between the two colleges, and crucially the two governing bodies, in order to get from the initial discussions through to end day, actual merger day. Some of that could have gone on alongside the area review. We were certainly advantaged by the fact that we started early and area reviews are not the end of the process of any merger. But the thing that troubles me most about the way the area reviews have worked is the speed with which governing bodies have been pushed to make decisions and commit themselves to certain directions of travel.

The London review that I was involved in, a wave 2 review, kicked off in March and is just about to complete in terms of the steering groups, which feels like quite a long length of time, longer than most have probably taken, but if you then take out the summer period and the fact that governing bodies do not do a great deal of work during the summer, it does not leave much time. What we found was that early in the process there was a lot of fairly general discussion about labour market needs, political needs and economic needs. We then went through that fairly quiet period during the summer and then we have come back and suddenly governing bodies are under a lot of pressure to make very quick decisions about mergers, which will then lead into the recommendations, and I do not think that has been realistic.

Q4 **Chair:** In terms of the governing bodies, was there a sense of a fait accompli being presented to them or did they feel engaged?

Andy Wilson: I think there was a fait accompli in terms of having to do something. Certainly within the general FE colleges there was a real push to do something and to show that you were doing something.

There are probably three distinct groups of colleges. There are those like mine that had already moved and made some decisions. There were those that were not really in a meltdown situation at that stage, that were not real concerns, but did feel that they had to demonstrate that they were doing something. Then in London there were perhaps three or four colleges that were very much concerns, which needed an intervention from the area review. They felt some pressure, but there was also an issue about whether anybody really wanted to work with them. The issues for that third group of colleges were different than those for the first and second groups.

Q5 **Chair:** Do you think the speed of the reviews influenced the final outcomes in any way or do you think that if you had spent a bit longer doing them, you would have probably got to the same point?

Andy Wilson: My biggest disappointment from the area reviews is that they have not hit the priority of looking at the economic and business needs of an area and trying to match the FE infrastructure to those needs. If you take the London example—I can only comment on the London example; I would not want this to necessarily be extended further—we did spend a couple of meetings in March and April looking at data around labour market needs. That was informative, but we were looking at data rather than information and reports. That phase became quite separate from the phase that was then about colleges coming together and merging. I feel the driver there was almost completely financial, with some fairly iffy data being looked at in order to drive that process.

Chair: We are going to probe the data in a moment, because that is an important area.

Andy Wilson: The separation of those two things meant that the urgency that came at the end of the process completely lost sight of those business and economic needs that had been the starting point for the review in London.

Q6 **Chair:** Theresa, let's go up north and discuss Manchester. I am from the north, though further north than Manchester, I have to admit. The Greater Manchester area review was delayed a little bit. Was that because Manchester is such a big place and there are lots of competing interests or did the thoughts of devolution get in the way or was there some other reason?

Theresa Grant: I think the timescales originally set were overly-optimistic. We had 21 colleges and one size does not always fit all. A six-month allocated period for every review is fine if you have a smaller number of colleges with less complexity. Of course we always say Greater Manchester is special and I did say that to area-based review team, "You will find that everybody thinks it is special". But fairly quickly we realised that the timescales were not achievable, so rather than saying it was delayed, we negotiated an extension of time from pretty much the outset. We knew we would not achieve the deadline and we negotiated for a longer period and worked towards that longer period.

One of the things that we did find, like my colleague, Andy, because of course we were the first wave, so a lot of the data had not been developed, so we developed our own financial analysis tool, which took some time and was a very thorough piece of work. We modelled the colleges' funding up to 2020, but taking into account new policy changes, apprenticeship changes, trends and things that were not going to be considered in terms of the financial viability and the outcomes of the area-based review. We built that into our process and that did extend it, but we built that into the extended agreed time. We did that for both general FE and sixth-form colleges and we ran some workshops for them. That was very engaging and productive. It used information and turned it into real intelligence for them so they understood the challenges they would face in five years' time that they could not see coming now from the data they currently had. Without that, we may not have made as much progress.

Q7 **Chair:** Thank you. One question for you, Angela. Are you satisfied with the outcomes that Warwickshire arrived at?

Angela Joyce: I agree with the examples that have been made. In reality, discussions with another college needed to have started before the area review process; there needed to be a discussion commenced or a relationship. We have been involved in two area reviews, the Marches and Worcestershire in wave 2 and Coventry and Warwickshire in wave 3. In wave 2, a merger discussion was already underway and that has happened now, before the area review report has been published. Because those discussions had not started in Coventry and Warwickshire before the area review, my view is that there will not be sufficient in terms of the recommendations to ensure the long-term financial sustainability of FE in Coventry and Warwickshire.

Q8 **Lucy Frazer:** Angela, you obviously did a lot of work in relation to this project. Do you think it was a worthwhile exercise at the end of the whole thing?

Theresa Grant: Absolutely. The Chair mentioned devolution earlier. We had already started a journey under devolution. While the area-based review was challenging, it has helped us to drive forward some of the outcomes we would want to see happening and probably accelerated those outcomes. Had we done it through devolution and the normal process, we would not have had the leverage that we had through the area-based review to drive better outcomes for Greater Manchester.

Because it was going to be complex and there was a lot of controversy—it is a very sensitive area and colleges are not used to having that level of scrutiny, certainly from a political perspective as well as an academic perspective—one of the other things we did was build our own set of criteria around the area-based review, our own Combined Authority criteria, and that was adopted and agreed by all elected leaders of Greater Manchester, the interim mayor and also all the principals and chairs of colleges. That went well beyond the area-based review criteria to include the outcomes we were seeking for Greater Manchester, which were far beyond the financial sustainability of the institutions, which we felt the review was too focused on.

Q9 **Lucy Frazer:** Will you be monitoring how that progresses?

Theresa Grant: Yes. We are still in the implementation stage. We have only started that. We will be closely monitoring. One of the agreements we have is to have a Combined Authority representative sit on the new governing bodies as an observer, so we will have a much closer involvement with any new merger than we have had previously.

Q10 **William Wragg:** Good morning, everybody. I want to touch on what Lucy alluded to there at the end of my question, but I wonder if I could first of all ask Angela, would a review that included all 16 to 19 providers have led to different recommendations in your area?

Angela Joyce: Yes, I believe so. One of the weaknesses of the process was that not all post-16 provision was looked at. The process excluded UTCs, sixth forms in schools and private training providers. As an organisation that has a quite a large higher education provision, it also did not take account of universities and in fact we modelled ourselves against universities. Given that universities are often seen as more financially stable than colleges, we took the time to look at universities. For me, there would have been different outcomes if all of the post-16 provision had been looked at. Ultimately, the area review process was perhaps institution-led rather than provision-led and had we looked at all of the post-16 provision, I think it would have almost certainly been more provision-led than institution-led.

Q11 **William Wragg:** What difficulties did that limited scope present?

Angela Joyce: It is only part of a story. My organisation works with UTCs; we work with schools; we work with universities. We have our own relationships, but that does not necessarily apply to every college that was involved in both of the area reviews that we were involved with. The limitations were about joining up the post-16 system better than it is currently, particularly at a time when we have White Paper for schools and a White Paper for higher education that is going to see again reform going on in both of those sectors. By their very nature, further education colleges are always affected by any piece of education policy, so whether it is schools, universities or FE itself, we are always affected by those decisions and it lost that opportunity to connect the landscape better than I believe it to be currently.

William Wragg: The same two questions for Andy, if I may.

Andy Wilson: I am not convinced that in London it would have made a lot of difference. I think it would have been impossible in the London context to bring even large school sixth forms around the table with the colleges because there were just too many. As you are probably aware, the reviews in London were divided up between four areas and then adult continuing education on top of that, so there were five reviews.

Q12 **William Wragg:** So even though there were five areas, or the four geographical areas—

Andy Wilson: Four geographical areas.

William Wragg: —it was still too big, in your opinion?

Andy Wilson: I do not know that they were too big, because a lot of the discussions that have taken place have crossed those sub-regional boundaries anyway, but in the central London review there were over 50 people who could in theory have been in the room at a steering group meeting; certainly there were between 40 and 50 at all but the most recent meeting. To try to bring the school interest into that I think would have been impossible. Pragmatically it would have been a very difficult thing to do.

I also think that the resolutions, which will turn into recommendations to come out of it, have been very parochial and they have been limited to discussing the financial viability of the colleges. Very little notice has been taken of what the wider context is, whether that is business context or education provision context. Clearly colleges know, because they do a competitor analysis, what is going on in their area generally, but to have fed anything more than that into the area review process I am not sure would have been any more productive than it was already.

William Wragg: Okay, that is interesting. Theresa, particularly with my interest in Greater Manchester, representing a constituency in that area, and what Andy mentioned there about the financial viability of colleges and the limitations of the scope of the process. You alluded before to the wider and deeper curriculum mapping exercise. What did you find out from that?

Theresa Grant: That there is quite a lot of duplication. However, the exclusion of sixth form has really hampered that analysis. While we have mapped the curriculum across those in scope, the duplication in curriculum elsewhere has not allowed us to do the breadth of analysis we would have wanted to do.

The impact for colleges of excluding them was that they felt they were being done to because others were excluded, why were they being effectively singled out for this analysis that they did not welcome and did not feel they needed? It was raised as an issue at every single meeting, that it was not fair.

The other issue they had was that if they rationalised their curriculum and stopped running some of the courses, what would stop sixth forms from then doing those in the same area and increasing their business and they would lose out? Because they had complied, effectively they would lose out and be penalised. It had quite an impact and quite a lot of negativity, which was unnecessary, in my view, because it would have been quite easy, in our case, to have included that in the process. It would have given us greater efficiencies; it would have given us better streamlining of processes and probably a more effective and efficient financial outcome as well, ultimately. I think that was a missed opportunity.

Q13 **William Wragg:** Do you think that difficulty in part explains the delay, if you could call it that?

Theresa Grant: It certainly contributed to their willingness to co-operate because they did feel it was a done-to exercise. Had it been everybody in scope, they would have had no excuse.

Q14 **Ian Mearns:** I am quite interested in pursuing this in terms of not including the sixth forms, because you already know that around the country—it might not be the case where you are, Andy, but around the country—in many places FE colleges do have problems accessing schools with sixth forms so they can basically sell their wares to the pupils there. We are not confident at the moment about the quality of careers advice, information and guidance that is happening out there either.

If you exclude a massive part of the sector from the post-16 review, how are we going to address all of those concerns about access, careers advice and guidance, about making sure that the young people concerned are going on to the right courses and are getting the best educational and destination outcomes that they can possibly get if we do not include all of those things within the area review?

Andy Wilson: I think the answer to that is we are not, but I don’t think that the area reviews in London were capable of doing it. The area reviews in London have concentrated on trying to get a more sustainable, resilient system that is very much based around localities, and for me, the interests of local authorities, who wanted to protect their local provision.

Q15 **Ian Mearns:** That is not fair, Andy, because I was a member of a local authority for 27 years and what my local authority was interested in most of all was good educational outcomes for the young people in our area.

Andy Wilson: I said that I was talking about the London context and that is important. I think it is particularly important in this context because we have the GLA, we have regional government with a certain set of interests and needs that are promoted there and then we have local authorities. One of the lack of clarity issues that existed in London was that it was very unclear about who was in the lead in terms of the area review process, whether the steer was coming from regional government. Before the review took place, there was a lot of lead into it where regional government, the GLA and the mayor, talked about creating a skills strategy, which then it would have been possible to have a post-16 review on the back of.

Q16 **Ian Mearns:** Would you agree that all the things I have talked about in my preamble to the question are important?

Andy Wilson: Absolutely essential.

Q17 **Ian Mearns:** Therefore—I am kind of putting it back to you—are you really telling me that the whole way in which the area reviews have been set up to be conducted was inadequate from the outset?

Andy Wilson: I am saying that there was nothing that happened in London that made us think that we were creating or revising the post-16 system. I think it is absolutely essential that there is a parallel review or a later review of school sixth forms, and to some extent sixth-form colleges, because although sixth-form colleges were around the table, they were around the table because they wanted to become academies and they knew they had to go through the process in order to become academies, so they played a certain amount of lip service to it. If we want to address the issues, which I think you quite rightly identify as very significant, we are not going to do that where the main focus is trying to drive mergers between FE colleges.

Q18 **Ian Mearns:** I know we are only concentrating here on the FE area reviews, but if at a subsequent stage down the road we carried out a post-16 review just for sixth forms, will that not inherently bring up exactly the same questions by leaving the other part of the sector out?

Andy Wilson: I think it will, but FE colleges are so much more complicated than 16 to 18, there is all the adult part; there is all the adult apprenticeship part and all of those things. I think what would be needed in order hit many of the issues you are identifying is a review of 16 to 19 and tying in progression from key stage 4 into that, and that is a different thing than trying to deal with big general FE colleges who have a very wide curriculum.

The group that we have created is going to have a turnover of around £84 million this year. Just over half of that will be income that is coming off 16 to 19 year-olds, but then we have the adult skills budget, which anyway is going to be devolved, in all likelihood, to London. We have apprenticeships, which move into the apprenticeship levy system and adds a complexity to our business model, which I generally support, but which we have to cope with. Then we have commercial income, which will become an increasing focus in what we do. To have the needs of school sixth forms or sixth-form colleges reviewed alongside that very wide scope—because there is HE on top of that as well in terms of the offer that we make—I think would just be too complex.

Q19 **Chair:** We must move on, but I have one question before we do go on to Catherine and college mergers.

What role, if any, did the regional schools commissioners play in informing the area reviews?

Angela Joyce: For what we have just been saying, not a very significant role. The regional schools commissioner was around the table at the steering groups, but certainly in both the area reviews we were involved in, because there was no participation from any schools—because schools could of course opt in, but there was no school opting in—I don't recall the regional schools commissioner making a contribution to any of the steering group meetings, from our perspective.

Andy Wilson: Same.

Theresa Grant: I had a different experience. We had a very engaged regional schools commissioner who attended the steering groups, but also engaged with us in the background work. I absolutely agree about information, advice and guidance, but that needs to happen in schools before people get to college.

In Greater Manchester, we are fortunate that through devolution that we had started to join the systems up before the area-based review. We set ourselves 10 priorities through our strategy, which includes delivering high-quality information, advice and guidance through our links with schools and employers as well. We had our joined-up system that we will hopefully deliver.

The area-based review, while I feel it did not address any of that and it was not designed to, probably, needs to be part of a bigger piece of work in an area. It cannot be seen in isolation. If it is taken as a single isolated piece, it will not deliver the valuable outcomes that it can deliver; it has to be part of an ecosystem of skills and employment.

Chair: A very good point. Okay, Catherine.

Q20 **Catherine McKinnell:** I am getting quite a mixed picture from you in terms of the benefits and the disadvantages of the area-based reviews. To what extent do you think mergers would have taken place independently of the reviews that you have been involved in? Theresa, you are shaking your head. Do you want to start?

Theresa Grant: Yes. I don't believe they would have taken place. We were having conversations about it before the area-based review through devolution, but I think it would have taken us a long time to bring people to the table without that leverage. I believe the majority of the colleges did not feel they needed to change or they should change until we did the analysis work and they realised then how much trouble they were facing. They did not have that same grasp of it or did not have a need to do that same analysis.

We also did what we call deep dive. We undertook a study of future trends in workforce and workforce needs so that we could make sure that skills were being developed in areas where it would be needed for employment, because ultimately the outcome from any training or skills training has to be employment. That was highly informative, but again, colleges had no understanding and would not have needed to.

I firmly believe there would not have been mergers. Some of the colleges had consolidated within their own areas from 10 down to two campuses. They believed that to be an area-based review in their area and did not see any need for further engagement in the area-based review process. I personally think I think it was a good thing. A difficult and challenging process, probably one of the most complex groups of people, but it was very worthwhile and I am hoping that we will get the outcomes that we need for Greater Manchester through the implementation.

Andy Wilson: I do not agree with that in terms of the London context. You are probably aware that the informal guidance from BIS—and the SFA under the coalition Government—was that they did not want to see consolidation; they did not want to see mergers. There was policy that was published under what became known as freedoms and flexibilities, which encouraged us to look at different models of governance, but it certainly was not about creating larger groups. The policy that was being put down from BIS was that smaller and local was healthier.

That change in policy coincided with the election that elected the Conservative Government and then a couple of months afterwards the publication of the area reviews. Certainly there were colleges that would have merged in London, that were dissuaded from putting proposals forward because of that previous policy. In the case of the group that we created, we had started discussing it about six months before the area reviews came into operation and I am aware of at least one other discussion that was going on that has also gone into fruition. I am sure there were further possibilities if we had been allowed more time to try to sort it out ourselves before the area reviews came in.

I disagree fundamentally with the idea, certainly the colleges that I know of, that we do not know what the issues are or that we were ignoring the issues. We are very aware of the very difficult situation that we are in, both in terms of finance and quality and in terms of meeting the needs of business and employers. It is very high on agendas and I think the sector in London would have become reshaped if the broadcast policy had been different. I am not sure that it would have been possible to pick up some of the most difficult colleges that were struggling. Therefore I think it would be better if area reviews were not universal, but they had concentrated on those colleges that were in the most difficulty.

Catherine McKinnell: Angela, do you have anything to add?

Angela Joyce: I agree with bits of what both of my colleagues said. From our perspective, the first thing to say is that mergers were discouraged in previous policy. The second thing to say is that area reviews were quite reactive; they were reactive to the sector going into significant deficit. Some colleges were in real financial difficulty and therefore the process happened as a reaction perhaps to some institutions facing real challenge and perhaps the sector overall in its shift towards financial decline.

There was some research that we certainly contributed to and FEs were conducting around the benefits of mergers. It would have been nice perhaps had the process been supported by that kind of research being done first and the sector perhaps getting used to thinking differently, collaboration versus competition. That would have been a helpful thing because there are lots of myths about mergers that I think are unhelpful. I have talked to lots of people about having to merge with an organisation that culturally is the same, which I do not believe. We are a series of eight colleges: we have specialist colleges; we have GFE colleges as part of the group. When I spend days in each of them, they are all a different environment because we do not try to force them to be one culture, because an engineering college is fundamentally different from an agricultural college. It would have been great to have seen some more research and the sector to have shifted its thinking.

You are probably sensing that we are perhaps unusual, because despite the dissuasion of merger we have been merging from 1996 right the way through, with the last one being in 2016. We have experience of willing mergers and unwilling mergers, mergers where institutions have been in quality and/or financial difficulty and organisations that just wanted to secure their long-term future. For us, merger is no dirty word. All of the colleges that we have merged with I think would certainly say that even if it was tough at the time, they have benefited from investment and financial support. We can look at provision across our geographical area and make sure that provision across our colleges meets employer and student needs. So all of that has taken place for us.

The other thing that is perhaps worth saying is that for us, through our experience of all the mergers, the most significant part is engagement with stakeholders: that is with learners, employers and all of the wider stakeholders in the communities we serve. That takes time, but if you can make the engagement with stakeholders, mergers are relatively straightforward. For the merger we finished in August 2016, we spent a lot of time engaging with stakeholders and I think it was probably a textbook merger, if such a thing exists, in the sense that it was truly willing, everybody knew what was going to be achieved and full support of that particular merger.

Again, I think the area review process does not allow the necessary time to make the engagement with stakeholders that can perhaps overcome some of the problems, whether it is colleges seeing that they are being criticised, whether it is that a community thinks it is going to lose its local college. Whatever the challenges may be, that engagement time is really worthwhile.

Catherine McKinnell: That was going to be my question to follow up.

Angela Joyce: Sorry.

Q21 **Catherine McKinnell:** No, it is helpful because you have answered it, but it would be interesting to hear what Andy and Theresa would have to say about that particular issue. You have mentioned a number of times, Andy, that it is absolutely crucial that colleges and FE institutions are producing the right skillsets and the right variety of training programmes that businesses need, but obviously other stakeholders are relevant as well. It would be interesting to hear what your experiences of this area review process have been and about your ability to engage in meaningful ways.

Andy Wilson: I think that in the London review the only way in which business interests have been reflected has been through the voice of the GLA and sub-regional organisations where they have been involved. Central London Forward is a grouping that brings together the boroughs in central London and their voice was focused on business needs. Business people were invited to join the steering group. I think I am right in saying that none of them ever attended any of the steering group meetings, but they would have been a very small minority voice sitting round a table of 50 people and there was only or two of them.

We did have these two phases in which we looked a lot of data around business needs, but that was almost discounted by the time that we got on to the phase of trying to marry colleges together. However, I think the other thing is that governing bodies do reflect business interests. The chairs of governors, who were heavily involved or certainly were sitting at the table, often reflect business interests. I do not think we should discount the voice of business being around the table, but it was more because the colleges brought them and the colleges are already listening and trying to engage with those people, rather than thinking that it was the area review that brought those influences into the process.

Q22 **Catherine McKinnell:** Do you feel it has arrived at the right outcome?

Andy Wilson: In certain circumstances, it will have created a group of stronger, more resilient colleges. I think some of those new colleges though will fail. I do not think every one of those mergers will have that outcome, but I do not think it has done anything more to have an FE system that reflects the needs of business and employers in London.

Theresa Grant: As my colleague said, on our steering group we had the chair of the LEP and the chief executive of the Chamber of Commerce, so we had a business presence and they attended and were very engaged in the process. It is difficult to steer anything with a group of 57, which I had in my steering group, so we set up a separate group with business. I have to say the colleges, some of them were very good at engaging with businesses and had great relationships, but they welcomed a deeper relationship and a wider opportunity through a different governance arrangement to get engaged with businesses.

We set up a business forum, chaired by the chair of the LEP, specifically delivering around employer engagement to deliver our overall 10 priorities in our skills strategy. Our greatest challenge was that too many businesses wanted to be on the forum, which would have made it too hard to manage, so there is certainly no lack of engagement. That was there before, but it has been built on through the process and built on through our strategy for devolution in any case and I would say very good engagement.

To pick up on an earlier point, I would not want any of my colleges in GM to think that I didn't think they knew what they were doing. They all had their five-year business plans, which they openly shared with us, which was really helpful. What they had not factored in were things like the Sainsbury Review, the changes in the adult education devolved budgets etc. and I would not really have expected them to at that point. You would need a crystal ball. We were able to model some of that to give them a better understanding of the impact that was coming down the line.

Q23 **Catherine McKinnell:** There seems to be a mixed bag, a mixed picture, and obviously quite a different experience in different geographical areas. It would be interesting to know, if you do not think the area-based review process has been the best way forward for you in your particular area, how do you think it could have been done better or how do you think it should be done better in future?

Theresa Grant: I welcomed it. I would have liked it to have been broader, obviously to bring in more of the sector. I think it would have had a better outcome had we done that. It would have given us more efficiencies. It needed to be less financially focused. It was very financially focused around sustainable institutions, too institutionally focused. It was not place-based enough; it needed to be about place more than an institution. It needed to focus on the right outcome for the learners rather that the right outcome for a financial institution. I would refocus completely the objectives, so the exercise and therefore how it would be carried out would be different, but I think it is still worthwhile.

Andy Wilson: I very much agree with that. We have disagreed on a number of things, but I do think that is the steer that is needed.

I believe very strongly that in the London context it is regional government that needs to lead on it and while regional government was the main input into the review, it was working and it might have worked towards the outcomes that we would all have welcomed, although it would have taken longer than the five or six months in order to achieve that. I think the focus on institutions and the viability of institutions detracted from that process. It was very much the FE Commissioner, who you are going to speak to later, and JARDU who wanted to see the outcome as those organisations coming together. I can understand why they were driving that.

There are colleges in London that are likely to go out of business unless something happens with them, but just because they may or may not go out of business does not improve the skill system in London or make sure business interests are better reflected. Individual local authorities, their interests supplemented on top of that, brings in another focus—which can be useful, it needs to be heard around the table—but because it is a regional skills system, it is not necessarily helpful to have that driving the agenda.

Catherine McKinnell: Angela, anything to add?

Angela Joyce: I think you got the three of us to agree for the first time. Yes, the process has to be provision-led and about the learners. For both of our area reviews we spent quite a lot of time looking at provision across the geographical area. It was not used fully in the process itself and that was a real shame, because the provision told you an awful lot. The analysis raised a lot of questions and they got a lot of answers, and also by answering those questions—which in some instances were quite obvious—would have also helped financial sustainability. My view is that the area review recommendations that Andy mentioned, I think some of them probably will not happen post the area review; I think some of them will happen and will fail.

In terms of the financial drivers, we have provided at best a medium-term solution, not a long-term solution. This was badged to be a one-off opportunity for post-16 to position itself for the future and for me it is not about institution, it is about the provision. As I am sure you all do, I believe wholeheartedly in further education and what it does, whether that is adult training, apprenticeships or 16 to 18, and for me this was all about how we keep further education going, being successful, performing well and meeting the needs of employers and young people and so on. That for me was the bit that got lost. If the process was to happen again, for all the things we have mentioned, include everybody but make it about provision.

Chair: Well made, that point on provision. We are going to have to make some provision now for another question, which is Marion on financial management.

Q24 **Marion Fellows:** I should declare an interest. I am a former FE lecturer in Scotland, so I have a real interest in this subject.

What long-term impact do you think the area reviews will have on financial sustainability? Some of you have already touched on that, but I would like you to expand a bit. Do you think there will be any long-term impact as a result of these area reviews?

Andy Wilson: I am convinced that larger colleges have more chance to be more financially efficient than smaller colleges. In creating the group that we have created, we have brought together two financially strong colleges, two colleges with good Ofsted grades, with some of the best success rates in London, some of the best student satisfaction in London. We would hope that that has not been a financially-driven merger; it is to augment all of those things that we have created the larger group. However, it was done with the knowledge that austerity could get tighter and so being in a better position to face that out, but also in the knowledge that you could save money on back-office functions and that allows you to put more money into teaching and learning and more money into student-facing services. That has absolutely been at the heart of how we have created the new group.

There is only really one secret in running a college and it is about keeping the finances tight. There are various levers that you learn to use in order to do that, because it is only on that financial security that you can really build the offer that you are offering to students, those that you are offering to employers and the quality of what you are doing. That works better in a large organisation than it does in a small one every time.

Theresa Grant: It is a very interesting question, because I think the intervention through the area-based review will ensure that some of the colleges that would have struggled financially will now be more sustainable. The only reason they can be sustainable in the long term or the only way they can achieve that is if they are delivering the right outcomes and they are delivering the skills that employers need. Finances alone will not guarantee their sustainability; they have to be delivering the right outcomes. That is why I felt the area-based review was too narrow in its scope, because focusing on finance alone will not give that longevity and guarantee its sustainability. It is like any business, if you are not delivering the right product you will not stay in business. Just putting more investment in to make it sustainable in the short to medium term will not guarantee long-term sustainability.

I think that even post area-based review there needs to be not another intervention as such, but maybe another kind of overview taken. I would not suggest another review, that has been done, but I think some kind of intervention to ensure that not just the financials, which will be monitored closely if the transaction unit have invested, but those other key outcomes are also part of that monitoring process.

Q25 **Marion Fellows:** Angela, you are not from a large city area, I would assume—my geography might not be up to mark here—but you are not going to be as large as Manchester or London. For colleges to merge, does that give greater difficulties in your area?

Angela Joyce: Of course we have the West Midlands Combined Authority, which is a mixture of urban areas and rural areas. Yes, I think it certainly adds a dynamic in terms of planning. For our area review, we spent a lot of time modelling travel to work and travel to learn patterns. That was the evidence that we submitted, on the basis that if a travel to work pattern can model a travel to learn, that is a reasonable way forward. I do not think it is a barrier; it is something that is worth acknowledging.

Certainly in parts of my organisation the road network is more challenging, so for young people to get to college it has to be a greater consideration than it certainly would be in London. Picking up on Andy's point, I agree that larger colleges will provide the financial sustainability. For us, what we have been able to do is, for instance, put on more transport between our colleges ourselves to support learners to get to college in more rural areas. I think size does help in your capacity to put things on to meet needs.

As I mentioned previously, I think the area reviews have provided at best a medium-term solution, not a long-term solution. I do not think they have protected the sector from the insolvency regime that is likely to be upon us. For us in Coventry and Warwickshire, we submitted a proposal about extending our group structure and we modelled a £5.6 million saving that was not taken forward. When you can see by simply sharing back-office functions those kinds of savings, it is a real shame, because that money can be reinvested in the interests of learners rather than all of us having finance departments and HR departments and marketing departments and so the list continues.

Q26 **Marion Fellows:** Andy, a lot of what has come out of the area reviews and what everyone is looking at is financial savings because we have to be in the real world, but is that preventing any innovative ways of solving problems in the sector? Is that a real issue, do you think?

Andy Wilson: It is difficult to give a compact answer to that. It is a real shame that everybody has to focus on finances at this point, but that is inevitable within public services, whether they are public sector public services or whatever. If you are reliant on Government funding, you are concerned about finances at the moment, clearly. That concentration on finances maybe means that it is difficult to look at collaboration. I guess there is an argument that informal collaboration ought to be come about if you are more worried about finances, that you are seeking ways informally of doing it. I do not think the FE sector has generally succeeded in doing that and, if anything, we have created more competition.

What mergers do is allow us to bring together two organisations and reduce the competition between those, and if you can create bigger groups, then to do that even more so and to get that collaboration working. The concentration on finance is inevitable, but it is a real shame that we cannot lift things beyond that. It is also crucial that the big thing that is going to make any college, of whatever size or whatever configuration, work over the next years is being responsive to economic and business needs. More money is going to be in the hands of employers rather than individual students unless we, as a commercial organisation within our business models, reflect that we are going to fail anyway, irrespective of the short-term solutions that have been put in place based on initial financial decisions.

Q27 **Chair:** We only have about 10 minutes more. I just want to make one point and a question for you all: it is obviously right that financial management has to be good and sound because we have seen certain colleges go down the pan precisely because they have not focused on financial management. But it does seem to me that there is an issue that has not been properly discussed yet and that is what kind of information or access to data or interface with the world of work do you think would improve your understanding of the provision that you need to have and the opportunity for careers for the young people that you are dealing with?

Theresa Grant: Good question. We have tried to address some of that through our strategy and through our engagement with businesses and bringing them to the forefront because, as Andy said, the problem will be in their hands in terms of apprenticeships and we have very high targets to achieve. I think some of that we have already mapped out in terms of how we proceed.

Q28 **Chair:** Have you done that yourself? You were the only one who mentioned the LEP, I think, in the answer to the previous line of questions from Catherine. Is it the LEP that you rely on a lot?

Theresa Grant: Not a lot. The chair of the LEP is very, very interested in skills, a very strong supporter of the work that we are doing and very good at getting businesses engaged. He chairs an academy trust as well within GM so he has very strong interests and he has helped us to drive that engagement. As I said, one of our biggest challenges was so many wanted to be engaged in the process. We have broadened the review so it is not so narrow in terms of what we need to achieve or I do not think we would get that broader private sector engagement that we absolutely need going forward, because one of the key outcomes has to be future skills in the right place for the right employers at the right time.

Chair: Exactly. Andy, how would you tackle that?

Andy Wilson: If I have not mentioned the LEP, I apologise, I should have done.

Chair: It is not a thing to apologise about.

Andy Wilson: It is my emphasis on regional government. We need a regional skills strategy, which can come out of the elected authority, it can come out of the LEP, which are part of it, but we need a regional approach. My big issue in terms of data that we are provided with, intelligence that we are provided with, is it is either the need as defined by employers, it is what employers say they need in order to work properly and how that is often reflected through regional government, because that comes to us through that sort of focus, but the way that colleges are funded is on the basis of demand. It is about getting students through the door. Need and demand do not match.

If a college just concentrates on need as it is articulated in the data that is provided at the moment, they will fail, because they will not draw down the funding that only comes from the demand that comes through the door. We shape the supply side inevitably around demand and we only have so much scope to be able to shape that demand. One of the biggest drivers of demand is advice and guidance in schools that Ian mentioned earlier and if that were improved the demand side would change. If that advice better fitted needs, as articulated through LMI, that would be improved. At that stage we start then to shape the supply around it. For me, the shortcoming that is there and the extra data or the extra analysis that is needed is something that seriously looks at the difference between need and demand and thinks about how those can be better aligned.

Q29 **Chair:** You basically need a better and certainly a clearer labour market appreciation through mechanisms changing?

Andy Wilson: It is not just a labour market intelligence, it is purely demand side. It is what young people and adults who are seeking to progress in their employment are willing to come to a college in order to get, in order to receive. That is a different thing from the needs that employers necessarily have.

Chair: Do you see it that way, Angela?

Angela Joyce: Not entirely. I can tell you what I do. The first thing I am going to say is a college has to have capacity, which also would be my answer to the innovation question: colleges have to have capacity to map curriculum and to innovate. That would be the first thing I would say.

What do we do? Let me run through a list. We are involved with both of our Local Enterprise Partnerships; we are involved in the Midlands Engine for Growth; we are involved in the West Midlands Combined Authority; we are a member of the CBI; we are members of both the Chambers. We have advisory boards for each of our colleges as well as a corporation board, which is predominantly employer-led, but also includes things like the Federation of Small Businesses. We also purchased a labour market intelligence tool so no curriculum gets approved in my organisation without labour market intelligence to support it. Through all of our networks, which does involve capacity, and the labour market intelligence tool that we use internally, we endeavour to guide students to courses that will lead to jobs. We are in the business of supplying a future workforce and if we are not training them in the ways they are going to get jobs, then we are in fact setting the young people and the economy up to fail.

We also have 2,500 apprentices with 1,000 employers from the very large to the very micro, so again all of that intelligence we take and channel through the organisation to map our provision. I think that links to the question around the area review; that is the need. I agree there is a challenge around careers advice and guidance before they get to college. It would be great if careers advice and guidance does more of that.

Chair: We have commented on that already quite severely.

Ian has a couple of quick questions; Lucy has a quicker one still on the back of what I have just been asking.

Q30 **Lucy Frazer:** You raised a really interesting point, Andy, about demand

and supply. I met with my Chamber of Commerce the other day. They said, "I advertised for an apprentice. I want a marketing apprentice, but everyone doing apprenticeship is doing social media". We need to work out people who are going to get the jobs for us, as Angela said. How do we, as a Government, help you do that or is it the FE sector has to work it out for themselves? Should funding be on someone who wants to do a course or should the funding be on the skills that we need? Should we give more funding for particular subjects where those local area needs stand? That is one question.

My other very quick question is about labour market information. The Government has just released and there is now available a huge amount of labour market information and destination data. Is that sufficient? Are you doing your own locally that is duplicating that or are you using the national data? How can we best maximise the huge amount of data that we now have?

Chair: Angela has really answered that question to some extent.

Lucy Frazer: I am talking about the national data. In my area, we have a Cambridge cluster map where we have—it may be what you are doing as well—highlighted what businesses need in the next short period, but as I understand it Government also has, "Where did you go to school? What career did you go on to get? How did much did you earn in that career?" the sort of stuff the Gatsby Foundation is talking about.

Theresa Grant: Answering your last question first, we do map all of that. As I said, we do deep dives, so we map that and future demands as well into that around labour market information, but also businesses. We have also mapped into that all of our travel to work, travel to learn patterns and we are using that then for our future transport strategy, so where we are investing in transport is also influenced by those demands and those trends. It is a very joined-up system and through devolution skills has become a key focus as well in every part of our planning process. Two or three years ago that would never have happened, people planning transport routes would never have considered, "Is this going to fulfil the needs of learners and colleges to get people to and from?" That is something that is quite amazing in terms of moving forward.

Q31 **Lucy Frazer:** Do you think you have sufficient information? You do not need any more data?

Theresa Grant: All the time we are gathering data; I think you can never have enough data. It will give you further information. We do use what is available and create our own as well. We have a research arm through New Economy and we have done some very good data analysis and future data planning as well.

Sorry, just going back to your first point in your first question?

Q32 **Lucy Frazer:** Supply and demand. What should we be teaching students and how do we incentivise them other than careers advice or is careers advice enough?

Theresa Grant: The adult education budget will be devolved certainly to Greater Manchester in 2018, so we can commission the actual courses we want. It will not be for colleges to decide what they are teaching. Through that intelligence and through the analysis we will know what we should be commissioning from colleges, so they should not be just teaching to get people through the door and to collect their return on that; they should be teaching the courses that are needed, because as a Combined Authority we will have some control of that.

Q33 **Ian Mearns:** At the outset though, Andy, you were saying that business and economic considerations had not been taken into consideration enough within the reviews. Part of the problem—in answer to the question from Michelle—is how far do you go in terms of that data if you want to use that to guide what courses you will put on? Is it local, is it regional or is it national? Not everybody that goes to an FE institution will automatically be working in that locality after they have finished their course.

Andy Wilson: I do not think there is any shortage of labour market information. Obviously it needs to be kept current, but I think that is available to us. There is a shortage of understanding within the people who are funding and using that data as to the impact that that has on the individual decisions that people who come to us to learn make. That is where the difference is. If we are going to work on regional skills strategies and that sort of thing, we need to start with that understanding. It is not so much the data, it is the understanding based on that data.

I think Theresa is absolutely right about the importance of devolution here and those authorities that do get devolved funding are going to have to answer this problem. The additional problem is that you might think, "We are only going to fund this and we are not going to fund the other" but there is quite a long list of entitlements that those authorities will still have to deliver. The way those entitlements work is it does shape the decisions that students coming to us make; the push on basic skills and that sort of thing is certainly a successful thing in London. But it will be something that the devolved authority will need to answer.

Q34 **Ian Mearns:** How much support have you received from the Government for the next phase, for the implementation phase, following the review? To what extent can and will the area review proposals alter during the implementation process? Will it be an organic thing or are you going to be looking at the recommendations of the review and implementing them as they are?

Theresa Grant: Shall I start? We set up an implementation board that is chaired by the leader for employment skills for Greater Manchester to make sure that the outcomes of the review are implemented and that they are driven through. We have also continued to do deeper analysis on curriculum mapping. We haven't just stopped the process because it is officially finished. It is not finished, in our view, so we are continuing with that. The Combined Authority received the report at their meeting in May.

They made a statement that they did not believe it had gone far enough and they would have wanted it to go further in its outcomes. I anticipate that we will be continuing the journey even though it has stopped.

The support that we have: we do not have a huge expectation in terms of support, because the criteria set out from the area-based review doesn't offer a huge amount of support to implementation. However, we have been working with the transaction unit and they have been, I have to say, tremendously supportive and helpful and engaging. We have welcomed that and feel that they are very much trying to help us deliver a good outcome, that they have not come in with the strictest criteria saying, "You must tick a box". They have been very much not bureaucratic, which has been really refreshing. We could obviously have more support to help, but we tend to drive our own destiny in Greater Manchester. We are not going to risk not having it driven through, so we are continuing on the journey.

Andy Wilson: It is very early in the process. I would hope that the support will not just focus on the mergers and bringing colleges together. I hope it will focus on some of the wider issues, but it is too early for me to say. We are not at that point yet.

Chair: Anything to add to that, Angela?

Angela Joyce: Not especially. One of the positive things, I think there will be a greater working relationship between the local authorities, the LEP and colleges and I think that will be better than it was before the area review.

Again, the only thing I would mention is just the timing around the financial support is quite tight. You only have two months to apply for the transition grant after the recommendations are published, so again there is quite a tight timeline to get the financial assistance; it is six months for the restructuring facility. There is a lot of work to do—quite rightly, in my view—to access the restructuring facility. In terms of implementation if colleges or proposed mergers cannot work to the two month and six-month timescale, will those recommendations then cease to be carried forward?

Chair: That is a great moment to end. Thank you very much indeed, all three of you, for answering our questions, sometimes with extraordinary detail. We got through our questions in a reasonably timely manner, so thank you very much indeed.

Examination of witnesses

Witness: Sir David Collins.

Q35 **Chair:** Welcome, Sir David, to our inquiry this morning. You are the FE Commissioner, Department for Education, so there is no need to explain that any further. Thank you very much for coming today.

You heard, I think, an interesting exchange about the definition of demand in the FE sector. What is your definition of demand in the FE sector?

Sir David Collins: I think the demand is what people are asking for and what they want to do. That may, as Andy said, not reflect the need of a particular area. You have young people who do not have very good guidance in schools that come forward and enrol for colleges or courses that are not necessarily reflective of local need because they do not know what that need is and therefore they are possibly going down a route that will not be terribly helpful to them. There is that difference between what is demanded in an area from the individuals and the need of employers and learners in reality.

Q36 **Chair:** There are two demands there you have to match up, aren't there, the demands of the employers and career opportunities and the demands of the people who are going to be filling those? You are effectively at the interface where those two demands meet.

Sir David Collins: Yes. It is a difficult balance for colleges, but I think the key thing for a 16 to 19 education is that young people come to colleges, they end up developing their skills and they are still keen to learn when they go into the employment market. I am not one for trying to match, at 16 certainly, the needs of an area tightly with the demands from the students because I do not think it would work. Much as you might like it, you are not going to get students engaging in activities that they know very little about because of the quality of career advice in schools.

Q37 **Chair:** Have the area reviews been a success so far?

Sir David Collins: I think they have been very successful, but I would say that, wouldn't I?

Chair: You would have to, I think, even with your successor in mind.

Sir David Collins: Yes. There are a few points I would like to make at the beginning. First of all, colleges are independent corporations, so there is no way in the area review process you can force any college to do anything. That is a very important starting point. Angela, for example, mentioned that she had put forward demands or suggestions for making £5.6 million worth of savings in an area with a different arrangement to configuration of colleges. However, Angela will know that there is certainly one college in that area that has been quoted as saying, "Get your tanks off my lawn" and we do not want to engage with that particular college on that particular agenda. Colleges can walk away from proposals and therefore the whole process has been about persuading colleges that in some cases there may be a better arrangement for meeting the needs of an area than what is currently on the table.

In terms of what has happened in the sector, of the first three waves that are coming to a conclusion now, there are 88 colleges engaged in merger discussions. That compares with an average of four a year from 2010 to the start of the process in 2015, but there were also over 60 colleges, excluding sixth-form colleges, that are standing alone. The test from the Commission and the Commissioner has been not whether there should be a merger or not, but whether the institutions that are remaining are financially viable or not. There is no magic size of college. There is basically a straightforward question, "Will this provide a sustainable institution going forward that can meet the needs of learners and employers in the area either in a merger, a standalone or some other arrangement?"

Q38 **Chair:** We have also heard today that this area of new process, no matter who is involved or who is not involved, voluntary or whatever, is basically a medium-term solution at best. Do you agree with that or do you think that you are setting something in motion that will be continuous?

Sir David Collins: There is a pace of change that nobody can quite predict. When we started the area review process in September of last year, first of all, the Comprehensive Spending Review was expected to be very harsh on colleges and turned out to be much better than that. There was no apprenticeship levy in place; academisation was not on the table for sixth- form colleges; there wasn't a skills plan. Even in the last 18 months there has been quite an evolution in what is required in the FE sector. The FE sector will continue to evolve going forward and continue to change, but I think it will be changing from a rather different and rather stronger base than it was beforehand.

Part of the reason for area reviews being so concentrated on the financial sustainability of colleges has been that three years ago there were 40 colleges looking at inadequate financial health; that then rose quite dramatically to 76 and was beginning to show a pattern. That trend has been reversed and I think all colleges now are perhaps a little more conscious of their need to remain as independent, standalone institutions without the Government bank supporting if they get into trouble. The financial sustainability of the sector has been a key driver, but arising out of the necessity of a number of colleges getting into trouble.

I should say that out of the 243 FE colleges it means there are 170 or thereabouts that are not getting into trouble, that are managing to run their finances properly etc., and indeed in many cases are developing small surpluses to continue to invest.

Q39 **Chair:** In a sense your measure of success is the move towards financial sustainability?

Sir David Collins: It is not the only thing we would like to see, but effectively if a college is not sustainable and goes—for want of a better word—bust, then that is a huge downside to provision in that area. So many local areas are dependent on their local colleges for a whole range of skills post-16 and adult retraining etc. and you do not want a college not to exist in its locality wherever possible, because colleges are very much local institutions. Finance has been important, but there are other things in there as well. The finance sustainability must not be driven without quality improvement and the quality agenda being there, without a focus on apprenticeships.

The area review process has enabled colleges to perhaps focus a little more than they have done up until now on the apprenticeship market and indeed to start looking at higher-level skills, which is one of the areas colleges have not been as actively engaged in as they might otherwise have been. There is a gap left by the old polytechnics when they went out of business at level 4 and 5 vocational skills, which if the colleges can generate surpluses going forward, it is a great opportunity for investment.

Q40 **Chair:** That is quite an interesting point about polytechnics, because they did not go out of business, they became universities predominantly, which one might say is a business step forward, but we will skate over that one.

They have of course left a gap, as you put it, and that is certainly something in terms of professional technical training that the FE sector is obviously capable of filling. Do you think it is heading in the right direction to do exactly that?

Sir David Collins: Yes, to a degree. Some colleges are much more active than others, some colleges now have degree-awarding powers and are developing high-level apprenticeships etc. But as you can see from the three previous panellists, there is quite a variety in the sector and part of the challenge of the area reviews is to perhaps expose some of the better practices in the sector and encourage everybody to aspire to the higher standards. Certainly moving into vocational skills beyond level 3, if you have the staff and the resources to do so, is something that would be actively encouraged.

Q41 **Stephen Timms:** My understanding is that 13 of the reviews in waves 1 and 2 have been completed, but there has been a delay in publishing the reports. Why is that and when are they going to appear?

Sir David Collins: They are ready. They have been ready since April. I think they are coming out in the next week or so, but that is due to the change of Government and the new Secretary of State wanting to review everything that was going through her in-tray before it became published. There is no mystery behind it, other than the fact effectively we have had not just a change of Government, but a change of Secretary of State and a change of Minister. That has been the delay.

Stephen Timms: So they have been completed for six months?

Sir David Collins: They have been completed for a long time.

Q42 **Stephen Timms:** Has the change of Government required any changes to them?

Sir David Collins: No. I think it is purely wanting to read them through, check them and get up to speed with what is happening in the areas.

Q43 **Lucy Frazer:** Sir David, you said that there were 40, going up to 70, further education colleges in financial difficulty and the trend has been reversed, which probably is not going as far as to say that it is perfected. Do you think that the area reviews have been successful in bringing about long-term financial security?

Sir David Collins: Yes. What is clear is that as part of the area review process we have put a focus on what makes a college financially sustainable. I lead the intervention regime going into colleges in trouble. That has shown that there are some very simple reasons why colleges get into financial difficulty. It may be historical, because they have over-borrowed against their commitments; it may be because they have staffing costs, particularly in back office and management, which were significantly above the average in the sector; it may because they are running extremely small classes and have not rationalised their provision. But it has not been difficult to see why colleges are in difficulty.

Looking forward, we are suggesting and testing either the standalone or the merged options about whether they will move towards a 3% to 5% surplus each year going forward, which would mean £200 million to £400 million plus of potential savings to invest, should all of those colleges deliver what they are committed to delivering at the moment and have produced evidence that they should be able to deliver.

Q44 **Lucy Frazer:** Do you think you are going to have a 100% success rate in your—

Sir David Collins: I very much doubt it. Since we have started the area review process, I think there are two colleges that have rejected the recommendation that reflects to their particular college. That is their right do so, but I think they may have difficulty. One or two have had second thoughts about merging when they have looked in great detail at the due diligence of the organisation that they potentially were partnering with. But you are talking about the fingers of one hand at the moment out of 200 colleges that we have put through waves 1, 2 and 3.

Q45 **Lucy Frazer:** Once you have done your assessment and the review has been finalised and colleges have accepted it or not, is that the end of the involvement, from your perspective?

Sir David Collins: No. The area review process, phase 1 comes to an end at steering group 5, where each of the colleges comes back and says, "We accept the recommendation that relates to our college. We are happy with that". That should not be a surprise, because the whole approach of the area review has been to go into areas and say, "This is your area, you know it best. You come back with the solutions that will work. We will act as a catalyst and we will test whether what you are putting on the table—standalone, merger etc.—works or not".

It is not a difficult process to get them to agree to something that they want, but we have tested it and made sure it particularly works. The implementation phase technically moves on to the Skills Funding Agency and the transaction unit, which has the money to be able to support some of this implementation. But the Commissioner team is available on request to go in and give extra help if it is required, more analysis, more background etc.

So the process will go on in the implementation phase. Some of the mergers that are being predicted are in two phases and will not complete until summer 2018, because they are quite complicated four-way mergers in some cases.

Q46 **Lucy Frazer:** Neil touched on the purpose of the reviews when he asked you about whether they were purely financially motivated. You mentioned another two aspects to them, higher quality and relevant education and the apprenticeship programme. In the Government's guidance, there are two further ones, one of which is quite important and the last panel touched upon, which is an offer that meets the area's educational and economic needs. Is that something that you think might have been overlooked in the process that has been going on due to the timeframe, and in some circumstances, the financial difficulties of the financial institutions or is that at the forefront as much as the financing?

Sir David Collins: The starting point of every area review, steering group 1, is when the local authorities and the LEPs bring to the table their analysis of the economic and social needs of the area. That is where every review starts, because it is about meeting learner and employer needs as a key. At the second meeting the colleges come and talk about the extent to which they are meeting those needs and whether there are any gaps and that becomes part of the discussion. Between those two meetings, there are visits to colleges to ask those same kinds of questions, but also to look at what is in people's minds going forward. The starting point is learner and employer needs.

Quite interestingly, perhaps one of the surprises up and down the country—and I have been involved now in 32 of the area reviews at one stage or another with my colleagues and the Sixth Form College Commissioner—is that local authorities and employers have not been jumping up and down and saying that colleges are not meeting their needs. It is almost one of those dinner party myths, "Colleges are not meeting our needs". "What needs are they not meeting?" Then it goes rather quiet. Certainly colleges could do better and could do more, but there is not a vast demand for new skills that colleges are not meeting.

Q47 **Lucy Frazer:** Is that true? I represent an area that is a very high-tech area and we have a deficiency in STEM. When I meet companies, they are telling me all the time that we do not have enough scientists and mathematicians, people are not being trained necessarily in the skills that they need in their companies.

Sir David Collins: It is possibly at levels 4 and above, but it would be interesting to ask those same employers, "Have you actually gone to your local college and spoken to them about what you need?" Certainly the questioning about local market intelligence shows that colleges have their own systems for finding out needs in the areas, but I am not conscious of any college that has turned around to an employer and said, "We cannot do that for you". It would be much more interesting in terms of information feeding into the sector if we could have more evidence of employers saying specifically what they are missing.

We have come across odd examples. I think in the Leeds area there is a bigger need for coders than there is elsewhere and that has been fed back into the system to the colleges in those areas. But essentially, with one or two minor gaps perhaps, there has been a general support from the local authorities and the LEPs of what colleges are doing.

Q48 **Chair:** Your answer to Lucy's question is interesting, so I am going to ask another question in terms of STEM, just on engineering. Why is it that Engineering UK tell us that we need an extra 82,000 engineers per year and we are not providing them?

Sir David Collins: Because we went through an engineering depression not that long ago, about 10 years ago, when effectively it was not recruiting either directly from school or indeed students were not applying because their fathers and mothers had been saying, "Engineering is not the career for you".

I was principal at the South Cheshire College in Crewe, which in the olden days had 400 apprentices for Rolls-Royce Bentley. By the time I got there in 1993 to take up the principal's job, that was down to 10 a year, so 400 a year down to 10 a year. There was a period in the 1990s in particular when engineering was not recruiting at the lower levels and that is now working its way through the system. Talking to employers, the areas where we need more people are the replacement need for engineers and the replacement need for construction workers in particular.

Chair: That is not necessarily true, is it? You have new engineering requirements that are not replacement at all, they are completely new to the sector because it is innovation, it is new technology, it is everything else like that. Engineering UK would not argue that we are not producing any engineers, because they accept that we are producing about 100,000 a year. It is the other 82,000 that we need each year for the next 10 years and they have been saying this for a little while, so why is the sector inflexible?

Sir David Collins: I do not think it is inflexible. I think that there is the issue about the resource base for the sector for particularly high intensive, high-cost subjects such as engineering. You could argue that the funding methodology—although overall I would not argue it is delivering inadequate resources—in certain STEM subjects will require a bigger resource to keep up-to-date with local needs. Also I do not think the relationship sometimes between colleges and their local employers enables the colleges to take advantage of up-to-date equipment and up-to-date involvement that is in the companies. It is almost a division between colleges and employers that needs to be broken down.

For example, it would have been helpful in Crewe many years ago, when the Rolls-Royce Bentley factories did not work on a Friday, if the colleges could have had access to see the equipment and the materials that were being used at that time, but that was never possible to bring into operation. I think employers have some responsibility in this as well, working closely with their colleges to make sure they do get the needs that they want. That relationship I think will be helped by the area review process, because the LEPs and the local authorities and the colleges, as Angela recognised in her presentation, are much closer together than they were previously.

Indeed, going forward, out of all of the area reviews there is a continuing meeting of the groups of colleges, LEPs and local authorities to make sure that local needs are being met and continue to be met and indeed that LEP capital funding is being spent in the most appropriate way for the needs of the area.

Ian Mearns: Isn't there a flaw in that argument? It is all very well for businesses to engage with FE colleges, because usually in an area there is one FE college and you can engage with that organisation. But the youngsters that they are trying to tap into do not necessarily go to that FE college and that FE college might not have access to even influencing the destinations for those young people who are being directed into sixth forms by their own schools. There is a big flaw there, because the businesses that you are talking about, the demands that they have, are not having access to the whole cohort of pupils in a particular year group.

Sir David Collins: I agree with that totally. Although this is an area review of colleges, not post-16 area review—and that is quite important, I think—a number of local authorities have started, together with the regional schools commissioners, to have a particular review of their small school sixth forms, because the evidence base of small school sixth forms and their success rates shows that they are not delivering what they should be delivering. If you have a small school sixth form, there is a temptation to enable young people to stay on and do their A levels rather than go and do a more technical provision.

Q49 **Ian Mearns:** But it is not just small school sixth forms, even in large sixth forms, youngsters are being directed there without having any information, advice and guidance about other options available to them.

Sir David Collins: Yes. It is a problem that Ofsted have recognised for quite a while and it is something that needs to be tackled with stronger Ofsted input to criticise institutions if they are not delivering good, independent career advice to young people.

Lucy Frazer: One last question. You rightly identified what seems like a very sensible process, whereby you start by identifying your skills need and then you go and look at what the FE colleges are delivering. It has some resonance with what Theresa was saying about how they did it in their area. She said they had this discussion first of all and it sounds like they have done quite a lot of work in her area. But I remember her saying there was some disconnect between that piece of work and the subsequent work that was done.

Do you find that there is a disconnect? Is it all working well, whereby you assess your need and then you look at the area review in accordance with the need or is the timeframe and the pressure such that you lose focus on that very important element that you started with?

Sir David Collins: It is not totally within that timeframe. If you remember the work that colleges are already doing with their local employers to see how they are meeting those needs, Angela ran through a whole list of engagements that the college has with the LEP, with the CBI, with local employers, with focus groups etc. So your starting point is not with an organisation that has no contact with employers and that is without the employers that are inevitably on college corporations. You are not starting with a blank sheet of paper there. What you are doing is just checking out to what extent that has been effective and are there major issues between what employers and local authorities are saying they want and what is being delivered. Generally speaking, up until now we have not found a major disconnect.

It does not mean to say it is perfect. Clearly there are issues in some areas, which are not doing exactly what should be done, but that is almost inevitable in the dynamic environment that we find ourselves in. Colleges are trying to do more to bring themselves and employers closer together. I think the follow-up from the area review process of a regular meeting between LEPs, local authorities and colleges will help that. That is a relationship of collaboration, which has not been there for 25 years, since 1993, in a formal way.

Q50 **Stephen Timms:** You said a couple of months ago, I think, that you thought there could be a reduction of 80 in the number of colleges, so a reduction of almost a third of the total number. Is that still your view?

Sir David Collins: It is going to be somewhere between 50 and 80, I would think. We are still going through the early stages of wave 4 and wave 5 starts in November. Probably my best guess now would be 70, on the basis that we already have 88 colleges in various degrees of merger discussions. I think the important point here is that there is difference between colleges merging and campuses closing. It does not mean to say that because you have less colleges you have necessarily less campuses. The real savings are in back office and management etc.

There are some areas: we have done an earlier pilot review, as it were, in Nottingham, where the two Nottingham colleges coming together will enable campuses to be shrunk by six or seven and will enable a number of courses that are duplicated—I think we calculated 99—to be removed from the provision without affecting learners' access to what they want to do.

The number of colleges left, my guess would be around about 170 out of the 243 as far as GFEs are concerned, and my guess for sixth-form colleges is maybe just over half, maybe two-thirds, will go into an academisation programme, the remainder standing alone.

Q51 **Stephen Timms:** A somewhat smaller number of mergers than you thought back in July. What is the reason for the change?

Sir David Collins: I think colleges have realised if they want to stand alone, they have had to address some pretty key issues. They have had to already put into play actions that if they had not put them into play would have led to the need for a merger. For example, they have brought the staffing costs down towards the 60% of turnover mark. It has been as much a reflection on colleges not wanting to merge, therefore realising they have to be very proactive to get their own house in order as part of this process, which has probably taken a few off the borderline that they have been on.

Q52 **Stephen Timms:** We have been reminded that before this process began, Government policy was that colleges ought not to merge. Do you think it has been necessary to have this very extensive and costly process in order to bring about the mergers that there are going to be or could it have been done more regularly?

Sir David Collins: I do not think it is a particularly costly process if you look at the potential benefits. My best guess would be between £2 million and £3 million, but producing benefits of £200 million plus per year going forward. Relatively speaking, I would have thought it was pretty good value for money.

Some colleges would have gone through that route, but I think the evidence, as I mentioned earlier on, of the number of colleges merging in the past four or five years before this started compared to the numbers now are quite significant, because there are big savings in back office, there are big savings in not having excessive duplicated senior management. In many cases, there are big savings if you do not run lots of small classes, often in the same campus with the same kind of curriculum.

Q53 **Stephen Timms:** Wasn’t it previous Government policy that was impeding mergers and therefore in fact if the policy itself had simply changed, wouldn’t that have precipitated a significant number at least of the changes that we are now seeing?

Sir David Collins: It may have done. You need a catalyst to make people think about the way forward. Although this is financially driven, I think there is also a time when it is right perhaps for a change of direction. I think many colleges have welcomed the opportunity to collaborate and co-operate, having gone through 25 years of quite cut-throat competition. It is a policy change that people are welcoming, that they can work together. That may mean a merger, but even on the standalone colleges there is a lot of co-operation going on between them with joint apprenticeship companies and other ways of working with their local authority. Yes, there has been a change of mood, but I think that change of mood has been welcomed by the sector as a whole.

Q54 **Ian Mearns:** The Sixth Form Colleges Association has called the reviews, "Fundamentally flawed, due to their failure to include all 16 to 19 providers". Would you agree with them or do you think there are particular reasons why the scope of the reviews are what they are?

Sir David Collins: It could not be done. If you were trying to do the whole of the 16 to 19 school sector as well as the college sector, there are far too many institutions and, dare I say, far too many individuals, far too many independent bodies. There is not a whip behind this; there is not a, "You must do this" or, "You must do that". This is a persuasive exercise that encourages colleges to look at what is needed in their area and look at where there is a better way forward. To try to pull in all of the schools, and in some cases have them voting for Christmas, where you have very small sixth forms performing badly and indeed being subsidised by the lower school, would have made the whole process impossible. But it is encouraging that many local authorities are using this opportunity to conduct parallel reviews of small school sixth forms in their area and I think that will be helpful.

If it could have been done, it would have taken—I do not know—five years, more than that. Eighteen months is challenging for 243 colleges and 93 or so sixth-form colleges. To fit that in with an 18-month period is challenging, but doable. Throw the schools in, and heaven knows where it would have ended up. There was an attempt to do a broader review of 16 to 19 in the days of the Learning and Skills Council at the beginning of this century. Generally speaking, it fell pretty flat, mainly a desk exercise, not involving discussions with the colleges about what they were prepared to do, or indeed the schools in the area. Not a lot came out of it, to be honest. There were one or two exceptions, but not a lot came out of it.

Q55 **Ian Mearns:** I suppose that begs the question, you are saying that it is a process of persuasion, but because a huge part of the 16 to 19 sector is excluded, are we engaged in the process of persuading the right people? Are there greater synergies to be gained by conducting a separate review of sixth-form provision outside of FE?

Sir David Collins: I think that would be very good. That would be very helpful and I think the evidence would show very clearly the kind of changes that might be needed. Part of the problem has been competition, and sixth forms have been encouraged along the lines of, "This will give people greater choice" but it also puts greater pressure on schools to maintain and develop their sixth forms, perhaps an unfair phrase, but almost at any cost in some areas. That has led to serious inefficiencies, and also in the research that has been published, serious weaknesses in quality. I think a general post-16 review of sixth forms would be very interesting nationally and I am sure the college sector would welcome it.

Q56 **Ian Mearns:** Would that be all-encompassing, all providers of sixth-form provision?

Sir David Collins: It depends on the resource you would want to put into it. But I think probably the approach is for the local authorities and the regional schools commissioners to look at that within their areas, because that then does make it relatively manageable, but probably over quite a long period of time. Bearing in mind of course that schools and academies and UTCs are also independent organisations, you are going to have even more personalities involved in the final decision-making process than you currently have within the colleges.

Q57 **Ian Mearns:** But in terms of young people moving on post-16, do you think there is also scope at some stage to include other training providers?

Sir David Collins: Yes. The key in this is good advice at school level at the variety of opportunities young people could have post-16 and where those opportunities lead. There are things that colleges could do better to improve that. We have been talking to colleges as part of the area review process about, for example, linking their college websites with the LEP websites about available job opportunities and growth, so at least there is an opportunity for a young person to look at an area and say, "In this area, there appears to be more of this that is going to be needed in the future and therefore maybe we should study that rather than that". So there are ways in which it can be improved, but the key is getting the right advice pre-16, when young people make up their minds about the first stages of their career going forward.

Q58 **Ian Mearns:** Just for the record, we have already produced a report on the current state of careers advice and guidance and I think it is the view of this Committee that it is not as great as it could be. Would you share that view?

Sir David Collins: Totally.

Q59 **Ian Mearns:** Thank you very much indeed. Have the reviews suffered at all from being too top down and possibly controlled by governmental priorities?

Sir David Collins: I do not think so, because we have not been given—or I have not been given, as the FE Commissioner—any particular targets. They have not said, "David, we need X colleges or Y". We have approached it in a way of saying to an area, "This is your area. You know it best. You know what the problems are in terms of financial pressures coming on you. You also know what the needs of employers are in the area. What do you suggest is the best way forward or a better way forward?" We do not always get the best solution. In some areas we have thought that the best solution would be, for example, a four-way merger up in Stockton, Darlington, Redcar and Middlesbrough. In the end we have ended up with two two-way mergers because of personalities involved and who wants to do what, where and when. That is perfectly reasonable.

But generally speaking, we have said to areas, "You know what is best. You come forward with your solutions" and they have all participated. I think it is fascinating that no college has said, "We don't want to play". There have been a few that have started off with a view that they have hardly shifted from, but if that view will work, and we have tested it and it looks as if it will work, then we have gone along with it. We have not gone along with anything we do not think would work. There are two examples you will see in the reports, when they get published, of where we have recommended something and there is a footnote saying one of the colleges does not accept it. We were not prepared to support something, which from the evidence we collected and looking ahead, we thought was viable, so we have made that comment in the report.

Q60 **Ian Mearns:** To be fair to the colleagues from the Tees Valley though, I do not think it is just about personalities there. It is also a closer, on the ground understanding of travel patterns and travel infrastructure that is available to get from A to B within that context.

Sir David Collins: You do not have to close the campus to get the benefits. The real benefits are back office and management, rather than cutting out provision where students are attending. We had some interesting debates up there and certainly at one point we thought we were going to be able to encourage a broader collaboration than we ended up with. But we have two good colleges coming out of this with good solutions for their areas and supporting Redcar and Darlington in a positive way.

Q61 **Ian Mearns:** I was interested in one of your answers before when you talked about some colleges deciding to stand outside of the review and not accept local recommendations, about not parking tanks on people's lawns, I think was the phrase that you used. But surely for those colleges who want to do that, there are significant problems because of the funding, the levers of control in terms of funding, financial incentives, but also potential penalties if they do not get it right.

Sir David Collins: Yes. That is why probably we have only had two so far that have disagreed with the recommendations out of the 200 or so that we are going forward with. In both of those circumstances, should that college get into very severe financial difficulty, I think there are solutions in that area that would not be detrimental to the learners and employers. We wish them well. We hope that their ambitious plans for growth and new income streams will come off, because if they do not and they do run into severe financial difficulty, which might mean them going insolvent, then I am confident that there will be solutions in those areas that would not detrimentally affect learners and employers.

Q62 **Michelle Donelan:** Yes. Just to round up basically and ask if the reviews are still on track for their completion in March 2017.

Sir David Collins: Yes. The first ones were slower than one might have anticipated and liked, because in the first area reviews, dare I say, we picked the areas where there were a number of problem colleges, problems in terms of their financial position and where there was not clearly, even theoretically, a potential solution. But that has caught up now, so wave 3 is finishing on time and wave 2 has finished on time. We did move the London colleges in wave 2 to coincide time-wise with the ones in wave 3, so there was a coherent approach and finishing time for London. That was done deliberately to make them come together.

Wave 4 is off on track. In fact, in a number of cases in wave 4 now, knowing there is an area review coming ahead, colleges are ahead of themselves and have already worked out a solution that they are then presenting to the steering group as what is best for their area. We will finish on 29 March, which is the date for the final steering group meeting. I think that is in Kent on that particular day and there are no reasons why that should not be met quite comfortably.

Q63 **Michelle Donelan:** What advice are you giving to your successor to minimise any disruption that that might cause and potentially any knock-on with completing at those dates?

Sir David Collins: The general advice would be, "Do not rock the boat". This is going remarkably well, considering you have independent corporations, you have a major review of every college in England over an intense period of time. If you look at the amount of noise in the system relating to this, it is minimal. Therefore my advice, generally speaking, would be, "Steady as she goes".

Q64 **Chair:** That is what they often say in policy areas; it is not often listened to.

Can I just go back to this issue about demand, because it is a central one? A student, a young person, a 16 year-old or a 17 year-old who is thinking about his or her future, it may well be the thing to do, to go to college, all things considered, and that college may well be producing the kind of provision that matches that person's personal interests. The question still remains about the demand beyond the young people who are going to the college.

It goes back to the exchange we had between Lucy, myself and you on the question of engineering, for example. We all know we need more engineers in certain sectors, but it is difficult to see how, with the current hinterland around colleges, that colleges can react quickly to those requirements. What would you suggest we need to do to make it more flexible and more responsive to the changing demand of the overall business community?

Sir David Collins: The business community needs to look at getting involved in schools more. Engineering companies need to almost bypass the colleges with their engagement, because they will find a receptive voice in the colleges for whatever they want, on past history. But to get into schools and to sell engineering as something that is not about dirty fingers and backwards careers, it is an exciting, well-paid industry, in its broadest sense, to take part in for both sexes. The employers, if they want a good throughput, have to get involved with their schools in their areas and sell the advantages of doing engineering, rather than going on necessarily and doing A levels, which may or may not be in the interests of those individuals.

Chair: Thank you very much, Sir David, for coming along today. This may be your last appearance before this Committee. Ironically, it is also your first, because we have only just taken on responsibility for further education and higher education. It has been interesting and I hope that when you next see a former polytechnic that has become a university, they do not mention your comment.

Sir David Collins: It is the professors of poetry rather than the professors of engineering I think I would be most concerned about.

Chair: Thank you very much.