

## Sub-Committee on Education, Skills and the Economy: Post-16 education area reviews inquiry

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### Executive summary

From a Sixth Form College perspective, post-16 education area reviews suffer from a number of significant flaws:

- The non-participation of school and academy sixth forms
- A process designed for Further Education rather than Sixth Form Colleges
- Significant financial and opportunity costs
- Poor linkage with other government policies (e.g. proliferation of small sixth form providers, 16-19 funding levels)
- An unrealistic timeframe coupled with delays in releasing important information

In contrast, the announcements in the 2015 spending review and autumn statement show that the government can accept and respond to an evidence-based case for change. Allowing Sixth Form Colleges to join the academies movement was a bold and imaginative step, and protecting the national base rate of funding provides a degree of certainty that can be used to underpin long term, strategic planning.

### Detailed submission

1. The Sixth Form Colleges Association (SFCA) has been representing the interests of Sixth Form Colleges since 1993, and all 90 Sixth Form Colleges in England are members. SFCA is the home of dedicated 16-19 providers and counts among its members a growing number of 16-19 academies, 16-19 schools and 16-19 free schools. We are submitting written evidence to the inquiry because of the significant impact area reviews have had, and continue to have, on our Sixth Form College members.
2. SFCA regards the area review process as fundamentally flawed because it only focuses on Further Education and Sixth Form Colleges. A genuine process of area reviews would be extremely welcome, as it would scrutinise the performance and viability of *all* 16-19 providers – including school and academy sixth forms. There is clear evidence that Sixth Form Colleges are both more

efficient (in value for money terms) and more effective (in educational terms) than school and academy sixth forms<sup>i</sup>. Despite this, the government is now simultaneously committed to *reducing* the number of Sixth Form Colleges through the area review process (with a declared aim of “*fewer, often larger*” providers<sup>ii</sup>), while *increasing* the number of smaller school, academy and free school sixth forms<sup>iii</sup>.

3. It does not make educational or economic sense to scrutinise the 90 Sixth Form Colleges in England (total number of 16-19 students: 161,480, average number of students per institution: 1,736) but not the 2001 school and academy sixth forms (total number of 16-19 students: 443,542, average number of students per institution: 222).<sup>iv</sup> Ministers have also confirmed that new school, academy and free school sixth forms will continue to open while the area reviews are underway<sup>v</sup>. The sector’s scepticism that the quality of school and academy sixth form provision would be taken into account through the presence of Regional Schools Commissioners on area review steering groups<sup>vi</sup> has proved to be well founded. In reality, RSC attendance at steering groups has been extremely patchy – hardly surprising given the range of other duties they have to fulfil. And of the 2001 school and academy sixth forms in England, we are aware of just one that has taken up the government’s offer to ‘opt in’ to their local area review.<sup>vii</sup>
4. Eking out further efficiencies in the most efficient part of the post-16 sector whilst ignoring the most inefficient providers is difficult to square with “*the need to maintain very tight fiscal discipline in order to tackle the deficit*” – the policy rationale outlined in the original statement on area reviews.<sup>viii</sup> The absence of school and academy sixth forms from area reviews is based on politics and not, as has been suggested, pragmatism.<sup>ix</sup> Ministers have consistently ducked the opportunity to tackle underperforming school and academy sixth forms, particularly those with a small number of students. In that regard, the area review process is another missed opportunity – around half of existing school and academy sixth forms do not meet the minimum criterion of 200 students set out in the government’s own guidance on establishing new sixth forms.<sup>x</sup>
5. When more information, policy documents and first-hand accounts began to emerge on area reviews it quickly became apparent that the process was designed for Further Education colleges rather than Sixth Form Colleges. The narrow focus on professional and technical education is alien to the majority of Sixth Form Colleges that specialise in the delivery of academic study programmes at Level 3. It feels very much that Sixth Form Colleges have been bolted on to a process intended for Further Education colleges. Most Sixth Form Colleges have more in common with schools and academies than they do with the world of FE and have felt it very unhelpful to be bracketed with FE colleges through the area review process.
6. The initial questionnaire that Sixth Form Colleges are required to submit reflects some of these flaws. For example, one question asks for information on examples of significant employer engagement. Equating significant with “*the amount of commercial income generated*” is to misunderstand the nature of the links that many Sixth Form Colleges have with employers. Sixth Form Colleges

take their relationships with employers seriously, but this is not limited to providing training to local companies. Using the same financial analysis indicators for FE colleges and Sixth Form Colleges has also proved problematic. For example, it is not realistic to expect staff costs as a percentage of income (target: 65%) to be similar for both types of institution. A target of 70% is more appropriate for Sixth Form Colleges. We would also question whether it is appropriate to expect colleges with substantial cash balances and income & expenditure reserves, after pension liability, (of which there are some) to be running annual surpluses of between 3 and 5%.

7. Colleges in the first wave of area reviews suffered from a lack of expert Sixth Form College advisers. The Sixth Form College Commissioner, Peter Mucklow, is a well-respected figure in the sector, but in the early stages of area reviews he had to rely on Further Education advisers to support him in administering the process. This meant that some Sixth Form Colleges were visited by Further Education advisers who had little or no understanding of the sector and treated Sixth Form Colleges as mini-FE colleges. The recruitment of six (equally well-respected) Sixth Form College advisers has addressed this issue to a degree, but there are still too many examples of FE advisers engaging with Sixth Form Colleges through the area review process who do not fully understand the sector.
8. Another major flaw in the area review process, again reflected in the documentation that was shared with colleges, is the narrow focus on reducing costs, with little thought given to the quality of provision and related outcomes for students. The government has been unable to provide compelling evidence that “fewer, often larger” providers will result either in a more financially sustainable sector, or have any effect on quality. Around a quarter of Sixth Form Colleges have succumbed to mergers with larger Further Education colleges since 1993 with no evidence of improved efficiency but some evidence of reduced quality.<sup>xi</sup>
9. The government instigated area reviews in order to address “*the significant financial pressures on institutions*”<sup>xii</sup> but has no sense of the cost savings that will be delivered as a result<sup>xiii</sup> or of the cost to the public purse of undertaking the area review process.<sup>xiv</sup> As a number of officials have been brigaded into the Joint Area Review Delivery Unit (JARDU), supported by a significant number of deputy commissioners and consultants – the overall cost to the public purse could be considerable.
10. The government has also seemed unwilling to join the dots between the three major funding cuts imposed on Sixth Form Colleges since 2011 and the fact that there is significant financial pressure on institutions. Some Sixth Form Colleges lost a third of their funding in real terms between 2011 and 2016. The SFCA Funding Impact Survey<sup>xv</sup> showed that 72% of Sixth Form Colleges have dropped courses as a result of these funding reductions. Over a third of Sixth Form Colleges (39%) have been forced to drop courses in modern foreign languages, with A levels in German, Spanish and French the main casualties. Almost a quarter of colleges (24%) have cut STEM subjects (science, technology, engineering and maths). From a Sixth Form College perspective,

area reviews are largely a solution to a problem of the government's own making.

11. Recent increases to employer pension and national insurance contributions have added 5% to the cost of employing a teacher, and the triennial actuarial valuation of the Local Government Pension Scheme is likely to put more pressure on Sixth Form College finances. The combination of cost increases and funding cuts has left many Sixth Form Colleges with serious financial challenges. A rushed, costly, top down reorganisation of the most efficient sector in 16-19 is not the solution. A joined up approach to establishing new 16-19 provision and subjecting school and academy sixth forms to the same degree of scrutiny as Sixth Form Colleges would be a much more effective way of making cost savings and finding efficiencies.
12. These measures would also help the government to address the chronic underinvestment in 16-19 education, a phase that is funded at a lower rate than both pre-16 and higher education. The average funding of £4583 per student received by school/academy sixth forms and Sixth Form Colleges is 20% less than the funding received to educate younger students in secondary schools, and 47% less than the average university tuition fee of £8,636.<sup>xvi xvii</sup> The SFCA Funding Impact Survey showed that 70% of Sixth Form Colleges do not believe the amount of funding they receive is sufficient to provide students with a high quality education, and 83% do not believe it enables them to provide the support required by students that are educationally or economically disadvantaged. SFCA campaigned hard against further reductions to 16-19 funding and were pleased that the government is now committed to protecting the 16-19 national base rate for the rest of this Parliament, but the rate is being held after three rounds of funding reductions and is being eroded by significant cost increases.
13. The opportunity cost of area reviews has also been significant. The process has proved to be a huge distraction to Sixth Form College leaders, chairs and governors. Valuable time has been diverted away from running their institutions and educating students to attend steering group meetings, collate data and complete forms. Some Sixth Form Colleges moved to monthly governing body meetings while the area review process was underway and the strain on governors (all volunteers) has been considerable. Staff and students have also been concerned at the potential implications of area reviews, for example the risk of jobs losses or increase in travel to learn patterns that can result from mergers.
14. Many of the practical issues and concerns reported to us by members are linked to the timing of the reviews. It is entirely unrealistic to expect governors and leaders to make fundamental (and in some cases irreversible) decisions about the future of their institutions in a process that typically lasts around 4-6 months, particularly as there have been frequent delays in releasing information at a national level. For example, at the time of writing, Sixth Form Colleges are still awaiting the publication of guidance documents on area review implementation and due diligence that were scheduled for publication in July. Sixth Form Colleges have been told they must submit an application to access the area

review restructuring fund within six months of their last steering group. But the application form to access the fund to reclaim VAT on buildings (see paragraph 19) was one of the documents promised in July and has still not been published. The government is expecting Sixth Form Colleges to move through the area review process extremely quickly, but is failing to provide vital information from the centre in a timely manner.

15. Responsibility here lies with ministers rather than officials, who have been given an almost impossible task. There is no question that the Sixth Form College Commissioner, Sixth Form College advisers and Department for Education, HM Treasury and JARDU staff have worked extremely hard and with great professionalism - it is the unrealistic timescale set by ministers that has led to such frustration on the ground.
16. One positive, parallel development related to area reviews was the announcement in the 2015 spending review and autumn statement that "*Sixth Form Colleges in England will be given the opportunity to become academies, allowing them to recover their non-business VAT costs*".<sup>xviii</sup> SFCA had campaigned for this to help the sector move from the margins of education policy to the mainstream and enable Sixth Form Colleges to foster closer relationships with schools. The VAT 'learning tax' leaves the average Sixth Form College with £317,964 less to spend on the front line education of students each year and the opportunity to recover this will be welcomed by institutions that convert.
17. Our analysis of the Wave 1 and 2 recommendations is that around 70% of Sixth Form Colleges will explore academisation as their primary or secondary course of action. Without the academy option, many would be condemned to exploring mergers with Further Education colleges and the options open to Sixth Form Colleges at the end of this FE-centric process would be extremely limited.
18. There have been some unforeseen consequences of the decision to academise. For example, it quickly became apparent that under HMRC rules, if a Sixth Form College changed its status to become a 16-19 academy, this would trigger the repayment of VAT relief received on buildings that were completed after March 2011. This would mean that a policy introduced to reduce the VAT burden on Sixth Form Colleges would actually see some pay significantly more. Fortunately, after a campaign by SFCA and a letter signed by 52 MPs (including the Chairs of both the Education Committee and Public Accounts Committee) to the then Chancellor George Osborne, the government agreed to reimburse in full those Sixth Form Colleges that face this VAT charge as a result of becoming a 16-19 academy.
19. The transition grant and restructuring fund have also been welcomed by Sixth Form Colleges as a way of aiding the implementation of area review recommendations. On the former, most Sixth Form Colleges have found it straightforward to access the fund, although it does seem unreasonable that they must repay the grant if (for example) their application to become an academy is rejected. On the latter, the process appears long and potentially cumbersome, but it is too early to say if this is the case in practice.

## References

- <sup>i</sup> London Economics, Assessing value for money in Sixth Form education, June 2014:  
[http://www.sixthformcolleges.org/sites/default/files/London%20Economics\\_Value%20for%20money%20in%20Sixth%20Form%20education\\_FINAL%20REPORT\\_0.pdf](http://www.sixthformcolleges.org/sites/default/files/London%20Economics_Value%20for%20money%20in%20Sixth%20Form%20education_FINAL%20REPORT_0.pdf)
- <sup>ii</sup> Department for Business, Innovation and Skills, Reviewing post-16 Education and Training Institutions, July 2015:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/446516/BIS-15-433-reviewing-post-16-education-policy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/446516/BIS-15-433-reviewing-post-16-education-policy.pdf)
- <sup>iii</sup> The Conservative Party manifesto includes a commitment to open at least 500 new free schools and states that “*We will continue to allow all good schools to expand, whether they are maintained schools, academies, free schools or grammar schools:*”  
[http://issuu.com/conservativeparty/docs/ge\\_manifesto\\_low\\_res\\_bdecb3a47a0faf?e=16696947/12362115](http://issuu.com/conservativeparty/docs/ge_manifesto_low_res_bdecb3a47a0faf?e=16696947/12362115)
- <sup>iv</sup> Education Funding Agency, 16 to 19 allocation data: 2015 to 2016 academic year:  
<https://www.gov.uk/government/publications/16-to-19-allocation-data-2015-to-2016-academic-year>
- <sup>v</sup> Hansard source:  
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-10-22/12977/>
- <sup>vi</sup> Hansard source:  
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-10-26/13261/>
- <sup>vii</sup> FE Week, April 2016:  
<http://feweek.co.uk/2016/04/22/first-sixth-form-school-to-opt-in-to-post-16-area-review/>
- <sup>viii</sup> Department for Business, Innovation and Skills, *Ibid*
- <sup>ix</sup> Hansard source:  
[http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160125/debtext/160125-0001.htm#160125-0001.htm\\_snew74](http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160125/debtext/160125-0001.htm#160125-0001.htm_snew74)
- <sup>x</sup> Department for Education, Making significant changes to an open academy, March 2016  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/504321/Making\\_significant\\_changes\\_to\\_an\\_open\\_academy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504321/Making_significant_changes_to_an_open_academy.pdf)
- <sup>xi</sup> Based on SFCA performance analysis of institutions created after Sixth Form College and FE college mergers
- <sup>xii</sup> Department for Business, Innovation and Skills, *Ibid*
- <sup>xiii</sup> Hansard source:  
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-11-09/15486/>
- <sup>xiv</sup> Hansard source: <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-10-26/13261/>
- <sup>xv</sup> Sixth Form Colleges Association, Funding Impact Survey, August 2015:  
[http://www.sixthformcolleges.org/sites/default/files/110815%20SFCA%20Funding%20Impact%20Survey%20FINAL\\_0.pdf](http://www.sixthformcolleges.org/sites/default/files/110815%20SFCA%20Funding%20Impact%20Survey%20FINAL_0.pdf)
- <sup>xvi</sup> DfE performance tables indicates that grant funding per student in secondary schools is £5694, this compares to an average of £4,583 per student across school/academy sixth forms and Sixth Form Colleges (based on 2015/16 funding allocations)
- <sup>xvii</sup> Office for Fair Access:  
<https://www.offa.org.uk/press/quick-facts/#key-facts>
- <sup>xviii</sup> HM Treasury, Spending Review and Autumn Statement 2015, November 2015:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479745/HM\\_Blue\\_Book\\_Complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479745/HM_Blue_Book_Complete.pdf)