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**To: All Chairs and Principals/CEOs of Corporations
and FE Institutions**

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Dear Colleague

Area reviews are now well underway, with Waves 1 and 2 largely complete and Wave 3 moving forward at a pace. The delays experienced in Wave 1 have not been repeated in Waves 2 and 3, partly because everyone has learnt from experience but mainly because the colleges involved in the later reviews have pre-empted their review and engaged in early discussions as to the best way forward for learners and employers.

Early myths have also been dispelled. No one is being 'forced' into a merger with anyone: there are no targets with regard to the numbers of mergers that may result as a result of this process and there is no prescribed level of the savings that might be achieved. There is also no 'minimum size' of college that is considered to be viable, (although there are significant economies of scale possible in larger organisations) or an advanced plan for each area that gradually gets unrolled as the area review progresses. Colleges remain independent organisations and are free to make their own decisions as to what is best for their area.

It is possible to project however what the end result may be, given the outcomes to date. Upwards of 50 fewer GFE colleges than before, the academisation of a significant proportion of sixth form colleges and an annual reduction in costs of between £250 million and £500 million as colleges present their plans for a 3 - 5% annual cash surplus - a significant sum to invest in the higher level skills that the country needs.

The collaborative partnerships that are developing with or without mergers will also see a major move in some areas towards the sharing of back office services, an increase in colleges coming together to deliver more apprenticeships and in some cases a common approach to marketing the benefits of studying at a college in terms of improved job prospects and/or university places. Above all there is emerging a much greater sense of the sector working together to address the needs of the economy at a time when organisations delivering public services as a whole are being required to deliver more with less.

The reviews that some local authorities and regional school commissioners are undertaking in parallel to consider the effectiveness and efficiency of small school sixth form provision in their areas, with a view to improving the quality of what's on offer, is to be welcomed. This is a trend that one would hope would continue.

Once the area review has produced its recommendations, however, the real work begins. When a review ends, normal practice to date has been the setting up of an ongoing strategic planning and oversight group chaired by the local authority or LEP to ensure that the needs of learners and employers remain at the forefront of everyone's thinking and that the recommendations made by the steering groups are delivered. Such a group should also ensure that new curriculum developments are appropriately planned and LEP capital monies are directed towards the areas of greatest need.

It is encouraging that colleges are now seeing the area reviews as an opportunity rather than a threat and engaging fully in endeavouring to provide a stronger and more resilient sector at a time when it is most needed. The Government's recently published Skills Plan also highlights that area reviews are enabling colleges to tackle current financial difficulties and draw up plans for the future with locally led change, based on decisions developed in collaboration and partnership. For colleges undergoing major restructuring implementation guidance is also now available on the way forward and on how to apply to the restructuring facility if there are insufficient funds available through other means to drive their proposals forward.

At a time when public finances are under pressure it is encouraging that the government is prepared to support the development of the sector in this way and a reflection of its importance to the success of the economy.

Yours sincerely



**Sir David Collins CBE
Further Education Commissioner**