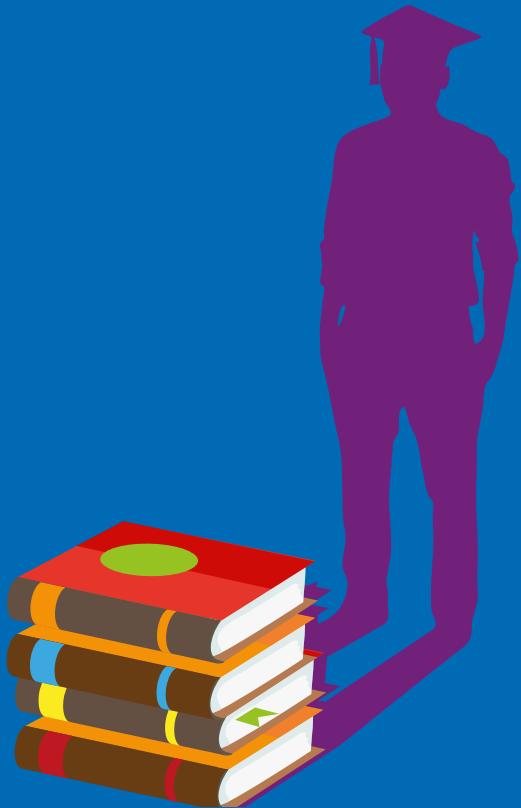




# Reimagine Education

**Is consolidation the future for further education?**



# Is consolidation the future for further education?



Martin Chapman

**Director, KPMG in the UK**

**T:** +44 113 380 0565

**E:** [martin.chapman@kpmg.co.uk](mailto:martin.chapman@kpmg.co.uk)

“Further education colleges need rethink how they deliver their provision, but unless they merge, the majority don’t have the critical mass to implement effectively.”

Horizontal integration provides two important benefits to FE colleges: greater economies of scale and more influence in negotiations with stakeholders. By merging, colleges will secure their future and in the process will increase their relevance to the regions they support. They will find it easier to concentrate on what they do best and highlight the benefits they bring to their learners and local employers.

Further education has fulfilled a critical role for many decades. However in recent years it has changed significantly, driven by reduced public funding and focussing on skills employers need rather than those that learners demand. In a theoretical world these would be aligned, however in practice the employers' need for employees to fulfil a wide spectrum of roles, this is not always compatible with the learner's aspirations.

Some larger colleges have succeeded in adapting to the new environment but for the majority that is not the case. A significant number of institutions are finding it increasingly hard to achieve a sustainable financial performance. What was originally a place for post-16 education and technical training has now spread to include a broader portfolio of provision that includes vocational apprenticeships and higher education degrees. I believe that for many institutions, this shift has been met by ever increasing and varied provision but with insufficient cohort to remain sustainable. The result is colleges have been recast as a jack-of-all-trades post-secondary provision and not sufficiently valued by the public or themselves for the role they fulfil.

How to create sufficient scale? Horizontal mergers allow the larger entity to focus on the areas in which it creates value. Consolidation of teaching staff and curriculum development across these expanded core offerings reduces the cost per learner – a major factor in ensuring sustainability.

These economies of scale enable these larger, merged colleges to introduce management teams with the skills required to talk directly to employers and to understand and act on their requirements – something that is becoming increasingly important with the rise in number of smaller employers and the imminent introduction of the apprenticeship levy. These companies want to work in partnership with a single organisation to plan and deliver training and succession planning for their businesses. Large scale regional further education colleges with strong management teams will be best placed to make this happen.

Some say that too much of the further education sector's potential is misallocated to create social value rather than financial value. I don't agree. I believe that there needs to be a balance found between the needs of the sector, the community, the learner and the employer.



Larger colleges will be influential colleges. They will be in a better position to champion the services they provide for their learners, employers and local communities. Too often today I see colleges' agenda being driven by local politics rather than genuinely for the benefit of local employers and learners. This leads to some employers shunning further education colleges, preferring to deal with private training providers who many currently find more responsive to their needs.

Larger regional colleges will be able to provide national centres of excellence in skills that are vital to their local area. This will reverse the trend of continually forming new entities and constructing new buildings every time a new industry initiative is announced. For growth areas, such as rail and renewable energy, there is perfectly good capacity and capability within our existing infrastructure. Merged, strong further education colleges should be able to bid to provide solutions for national centres in these areas: this will save money while putting existing facilities and knowledge to excellent use and whilst expanding the reputation and worth of the new entities. The greater scale will also reduce the reliance on subcontracted provision from third-party providers.

Merged colleges should be more than the sum of their parts. But this won't be straightforward to achieve. I believe that an independent steering group should oversee mergers. They will assess needs of the newly expanded catchment area and ensure that managers and governors have the skills needed to run the larger organisation. Ultimately they will be charged with ensuring that the education provided gives best value for public money while the larger college remains financially sustainable.

There is currently a huge disparity in capability and ability among the 240 general further education colleges in England. Thoughtful horizontal integration across the institutions means those with brighter prospects can help develop weaker and struggling entities extracting and combining all their best practices. Creating these larger, more financially sustainable institutions is a vital step in the journey to a more integrated education system.

Share your views and join  
the debate:

Visit us

 [kpmg.com/uk/  
education](http://kpmg.com/uk/education)

Email us

 [publicsectormarketing@  
kpmg.co.uk](mailto:publicsectormarketing@kpmg.co.uk)

Engage with us

 Follow us on Twitter @  
**KPMGUK**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.  
CRT053150 | May 2016