FURTHER EDUCATION COMMISSIONER ASSESSMENT SUMMARY

XXXX College

JUNE 2015

Assessment

Background

XXXX, a general college of further education, situated on the southern outskirts of XXXX. The college operates from one site located in XXXX which is a state-of-the-art, £43million facility with a purpose built engineering department. XXXX provides courses at all levels from pre-entry to higher education.

The college was a stand-alone institution with a history of several years of weak finances until 2011, at which time a new chair and acting Principal presided over a consultation process to consider the options open to the college. The Governing body opted for a federation rather than lose their independent college status via merger. The partner chosen was XXXX and in February 2013,XXXX federated with XXXX with the primary aim to make efficiency savings for both colleges.

Although some financial benefits have been realized, linked with the federation, the pace has been slow and the extent of the savings less than anticipated. The college has breached its loan covenants and its auditors have included a going concern 'emphasis of matter' note in their report.

In the light of these concerns, the Minister for Skills decided that the FE Commissioner should assess the position of the college in line with the government's intervention policy set out in `*Rigour and Responsiveness in Skills'.*

The FE Commissioner's report is intended to advise the Minister and the Chief Executive of the Funding Agencies on

a) The capacity and capability of XXXX College's leadership and governance to deliver financial recovery within an agreed timeframe

b) Any action that should be taken by the Minister and/or the Chief Executive of the funding agencies to ensure the delivery of financial recovery and quality improvement (considering the suite of interventions set out in *'Rigour and Responsiveness in Skills)'* and

c) How progress should be monitored and reviewed, taking into account the Agency's regular monitoring arrangements.

Assessment and Methodology

The FE Commissioner, supported by two FE Advisers carried out an assessment during the period 22nd June - 26th June 2015. They received in advance extensive briefing information from the SFA and the EFA. A wide range of college documentation was reviewed and they interviewed Board members, managers, staff, students, and representatives of the trade unions. They also toured the college.

The Role, Composition and Operation of the Board

The Corporation currently comprises 15 governors from a variety of backgrounds. It has a traditional governance structure with committees supporting the work of the main Board which include an Audit Committee and a Finance, Income Generation and Risk Committee. The college has an independent Clerk, who is shared with another college.

Since the appointment of a new Chair in April 2014, the Board has begun to operate more efficiently and exercise a greater degree of challenge than before. It has been strengthened by the appointment of experienced business members and over the past two months since the intervention at XXXX the pace of change has significantly increased.

The Senior Leadership Team

While XXXX and XXXX have separate boards they share a single leadership team. With the recent appointment of an experienced Chief Operating Officer and a new Group Director - Finance and Risk it now has the balance of skills and experience to move the college forward, the team would benefit, however, from the sharing of a new senior post in the area of Curriculum Development and Efficiency with its partner college. The Principal's realignment of her time spent in college and contributing to the regional and national agenda will similarly make a significant difference.

Quality of Provision

The college was inspected in November 2014 and was graded as 'Good' for Quality of Teaching and Learning and Assessment, Outcomes for Learners and Effectiveness of Leadership and Management. At the previous inspection in June 2013 the college was graded as 'Requires Improvement'.

Quality Improvement

Since the Federation has been in place the college has made rapid progress in success rates for both classroom based learning and apprenticeships.

The success rate for overall success in classroom based learning rose by 8% during the first year of the Federation and has remained high. In-year retention is currently at the same level as last year, which shows that strategies for improvement have become embedded. Predictions for achievement are at least as good as 2013/14 if not slightly better. This will give another year of high success which will be above the national average for the sector.

There is still significant scope for apprenticeship improvement, however, notably around the area of overall timely success. Overall apprenticeship success rates are 11% above the national average.

Maths and English

The college recognised, at the end of 2012/13, the urgent need to improve outcomes for learners in English. As a result the college has implemented a range of actions during 2013/14 to identify and address barriers. This has been very successful. Overall success rates for functional skills were 88.1%, an improvement of 25.6% since 2012/13, 19.4% above national average. Overall retention improved by 10.8% to 92.9%. Overall achievement improved by 18.8% to 94.9%. At the GCSE level results for English have also increased from 11% (A-C) in 2012/13 to 57% in 2013/14 while GCSE Maths results have shown a similar very significant rise with a 46% pass rate (A-C) in 2013/14 as compared to 29% in the previous year.

Performance Management

Performance management processes differ in some respects from those at XXXX with regular meetings being held between the Directors of Learning and Skills who are responsible for curriculum areas, and the Deputy Principal. The aim of these meetings is to help to improve the picture of success and to stop any downward trends. They occur once a month and consider the individual students who are at risk, staff observation results, good practice, student attendance and punctuality. The college's Information Services department provides the data for these meetings.

The college has just started to develop a system, called The Box', that will provide managers with an on-line granular view of their department's data. This will provide a dashboard and help them to identify where exceptions are occurring and increase their focus on failing areas or at risk students. The most recent development of this tool is to provide a system that updates every two hours.

Financial performance reviews are not held simultaneously with retention, achievement and success (RAS) reviews. Budget variances are reviewed with Directors but there is no clear link as to what effect the actions recommended in RAS reviews will have on the budget. A much tighter link needs to be put in place to ensure that Directorates keep within their budget.

Curriculum Planning

Curriculum planning for next year has been completed and there has been a strengthened involvement from both curriculum and finance teams. Negotiations are underway aimed at amending the lecturers' contract to bring it into line with what is common practice elsewhere. Directors have also reviewed class sizes and methods of delivery. Staff and managers were aware that they will need to change some delivery methods both to save money but also to make the delivery more exciting for students. In order to increase the use of technology in delivery there will be a need to invest in the IT infrastructure to support more WIFI usage and those students who wish to bring in their own devices. .

The Present Financial Position
Income and Expenditure

The college has generated operating deficits for a number of years. Its financial health has been at the borderline of "Satisfactory" throughout that period. When the federal model was agreed it was done so with the intention to achieve reductions in cost. Whilst there may have been improvements in certain areas, there is still undoubtedly much more that needs to be done.

Staff Costs

In the past two months the college has been actively working to reduce its staff costs with a significant number of voluntary redundancies already agreed. Lecturers' contracts are being amended to increase the number of contract hours they are expected to teach each year from the current level of 820 to 864, the same as the new target for XXXX.

Financial Forecasts

The college commissioned a full review of its finances and financial planning which was carried out by XXXX and included its federation partner XXXX. This review was completed in November 2014 and since then the college has been working with XXXX to develop a revised Recovery Plan, again a joint exercise with XXXX. This was reviewed during the intervention visit and was found to be well constructed, comprehensive and detailed.

The Recovery Plan is based on a Base Case scenario which has then been risk-assessed for issues which could influence the college's result but are beyond its control. It shows a Base Case need for additional cash at March 2017. At the time of the intervention visit, the college had already arranged a meeting with the SFA to discuss its anticipated needs for additional financial support.

The Estate and Capital Plans

The college's accommodation which is located at XXXX in XXXX was built in 2010 to cater for the college's anticipated future needs including growth in activity. It is a modern well planned facility but at the moment its utilisation is 31%. There are no immediate plans for any new capital projects.

Financial Management

The college's financial management position is complicated by the college's relationship with XXXX, with key business support functions, including Finance being shared by both colleges and the XXXX Academies Trust. The Federation structure means that key managers attended more than 35 formal meetings last year, including Boards and sub Committees with an additional 15 relating to the

XXXX Academies Trust XXXX. It is difficult to see how these managers can devote sufficient time to running each college given this governance model.

Financial Forecasting

Although financial record keeping has been good, the college has produced significantly inaccurate financial forecasts for a number of years. Financial reporting has also been weak.

The college has not in the past produced regular reports on the financial contributions made by each curriculum area. These are common in most colleges and are regarded as a vital mechanism to assist in the control of financial performance. The new finance team are planning to introduce such reports.in the next academic year.

Budget Monitoring

It is obvious, based upon the college's recent financial performance, that historically budget monitoring has been below acceptable standards. This has not been helped by the finance department's reluctance to engage with budget holders. There has been no regular performance management of the curriculum's financial performance, although there does appear to have been a major improvement in this under the new Group Director of Finance & Risk. A review of the latest Management Accounts shows a significantly better situation, with actual figures much closer to budgets.

The Effectiveness of the Finance Team

The Finance Department personnel appear to be capable of undertaking their current duties effectively provided they have the appropriate leadership that has been lacking in the past. The new COO and Group Director of Finance & Risk should be able to provide this leadership.

The Recovery Plan

The college produced financial forecasts in late 2014 which were not acceptable to its Bank who directed the college to appoint consultants to undertake an Independent Business Review (IBR). The college was then required to develop a formal Recovery Plan which was reviewed during the intervention visit. The Recovery Plan demonstrates that the college is able to return to Operating Surpluses during 2015/16 and 2016/17.

Internal/External Audit

In their Annual Report for 2013/14 the Internal Auditors gave the College assurance about its framework for identifying, evaluating and managing "the significant risks" it faced. They commented on "significant weaknesses" in the area of Strategic Business

Planning, but recognised that these were now being addressed since the new finance team had been put in place.

The External Auditors stated in their report for 2013/14 that they had an issue with the college on a "going concern" basis and pointed out that the college would need to access additional cash support during 2015.

Risk Management

The college has a Risk Register and a procedure under which identified managers own different risks. These are then subdivided by department to cascade down the involvement to lower levels. Risk is also discussed on a regular basis by governors but despite this system, the college has failed to address the key financial issues that it has been facing. The reasons for this need to be urgently addressed

Conclusions

Over the past two months XXXX has made significant strides in tackling its financial difficulties, benefiting from the experience of intervention in its federation partner. There is a determination amongst the Board and senior management team to improve the college's financial performance to the same degree as they have tackled its quality issues.

For real progress to be made, however, it is essential that the existing governance and management arrangements across the federation are improved. There is an unarguable case for the federation to proceed at a pace to a full merger, with one board, one senior management team (already in existence) and integrated back office services and systems. It should then be possible to bring staffing and other costs in line with sector norms and operate without the need for further exceptional financial support either in the form of loans or a grant.

Recommendations from Further Education Commissioner

1. **XXXX College and XXXX College should develop its federation model into a full merger, with one board, one senior management team (already in existence) and fully integrated systems and procedures.**

2. **The composition of the new Board should take account of the skills of members from both colleges and ensure that it has adequate curriculum, business and financial expertise to challenge and support the senior management team.**

3. **A KPI data dashboard should be available to Board members which clearly shows current figures against targets and the previous year's performance.**

4. **Both colleges should revisit their financial forecasts for 2015/16 and 2016/17 as a matter of urgency to reduce staff costs significantly and thereby make improvements to their forecast Operating Surplus/Deficit positions.**

5. **Curriculum Plans should include costs associated with each programme and its contribution to overheads.**

6. **The Chief Operating Officer and Group Director of Finance & Risk, both of whom have a private sector background, should network with peer groups in the FE Sector to develop their knowledge of current best practice.**

7. **Curriculum delivery models should be reviewed to reduce direct delivery hours, and make more use of on line learning and self-directed study.**

This publication is available from www.qov.uk/bis

If you require this publication in an alternative format, email enquiriesabis.qsi.qov.uk, or call 020 7215 5000.

BIS/1 4/xxx