Education & Skills
Funding Agency

FE Commissioner Intervention Assessment Summary Report: Kingston Maurward College

November 2021

Contents

Background

Name of College	Kingston Maurward College
UKPRN	10003676
Name of College Principal /CEO	Luke Rake
Name of College Chair	Robert Lasseter
Type of provision	Specialist land-based
Date of visit	November 2021
Type of visit	Intervention assessment (onsite)
Trigger for formal intervention	Inadequate financial health
Further Education Commissioner (FEC) Team members	Shelagh Legrave - FEC Meredydd David - FEC Deputy Becky Edwards- FEC Adviser
Location	Dorchester
Apprenticeship training provider	Yes
Latest Ofsted inspection grade	Good (short inspection October 2017)
Education and Skills Funding Agency (ESFA) Financial Health Grade	Inadequate
Latest annual financial turnover	£9 million

Conclusion/Executive summary

The college has been in early intervention since December 2020 and had previously been in early intervention between 2015 and 2018, both times due to deteriorating financial performance which the current leadership had stabilised prior to the COVID-19 pandemic. Financial risks are accumulating, including a substantial ESFA clawback, repayment of a Coronavirus Business Interruption Loan Scheme (CBILS) loan, 2 large fully grant-funded capital projects underway, bank covenants being broken, and limited cash reserves, particularly during the February and March low points. Governors are now aware they are facing several difficult and critical strategic decisions regarding the future financial viability and sustainability of the college. There is still a danger that governors and senior leaders are overly optimistic about student growth potential in a sub-region with a flat demographic. Governors' close monitoring of the implementation of the curriculum efficiency and financial sustainability (CEFS) project is essential if financial efficiency is to be improved.

Increased monitoring and a relentless focus on curriculum delivery and quality improvement is now also required. Curriculum performance in 2020 to 2021 deteriorated in many areas, with some of this being attributed to the impact of the COVID-19 pandemic.

Most recommendations from previous visits have been progressed or completed. Progress on delivering the recommendation on strategic planning that has been in place since December 2020 has been delayed due to the pandemic, and neither staff nor governors have had recent opportunities to contribute to its development. This could further delay governor and senior leaders' consideration and decisions on future strategy and critical decisions relating to this.

Progress has been made in financial management reporting. However, there is a need for further development regarding budget phasing and, crucially, consistency between internal cash flow reporting and ESFA returns such as the college financial forecasting return (CFFR). In this regard, it is critical that an accurate re-forecast is prepared for submission to ESFA to inform the value of any application for reprofiling of cash required in spring 2022.

Recommendations:

New recommendations

Recommendation 1: Upon the conclusion of the strategic planning event in January 2022, governors should invite the FE Commissioner (FEC) to undertake a structure and prospects appraisal which will include a comparison against a stand-alone case.

Recommendations ongoing from the 30 November and 1 December 2020 Diagnostic Assessment visit:

Recommendation 2: The strategic planning process must start in January 2021 and needs to include full engagement with staff, students and governors and external stakeholders. It needs to inspire but also to focus on the achievable and core mission of the college. It must inform the curriculum plan, estate strategy and financial recovery plan.

This recommendation is ongoing. Work on this was paused in the summer due to a misinterpretation of a recommendation. This will make it more difficult to conclude the planning process and strategic decisions in January 2022.

Recommendation 3: As a matter of urgency and no later than April 2021, a detailed, cash-based 3-year financial plan (extended in less detail to 5 years) must be produced which identifies funding and working capital requirements, underpins the new strategic plan and estates strategy, and is subject to a formal programme of termly stress-testing and scenario planning.

This recommendation is ongoing. A CFFR containing an integrated 3-year plan was produced for end of July 2021, but this has not yet been completed sufficiently enough that the CFFR cash flow matches the accurate working cash flow included in the management accounts. In addition, the programme for termly stress-testing and scenario planning has yet to be set up.

Recommendation 4: By July 2021, formal standard process for the internal assessment and monitoring of business cases for commercial activity should be developed to inform strategic planning.

This recommendation is ongoing. Although individual projects have been assessed on an ad hoc basis, there is not yet a standard process in place and the financial analysis needs a net present value (NPV) calculation, or similar formal cash-based appraisal, in addition to projected profit and loss. This is a reiteration of the previous update to this recommendation, but other actions have been prioritised since no new commercial activity strands are currently pending.

Recommendations ongoing from the 13 July 2021 DA follow-up visit:

Recommendation 2: The principal should engage an external advisor to undertake a refresh of the estate strategy and masterplan. This should report to the December 2021 board meeting. This should include an analysis of assets that could be released without detriment to educational delivery, including timing and estimated values. It should also outline a proposed costed masterplan and identify the planned maintenance and capital investment required on the estate. This will assist the governors in understanding the financial investment necessary to maintain a competitive edge in the market and to provide high quality education and skills development.

This recommendation is ongoing. An external advisor has been engaged and the strategy is in the process of being updated for the December board meeting.

Recommendation 3: As a part of the strategic planning process for 2022 and beyond, governors should engage an external facilitator in January 2022 to assist in leading a strategic discussion regarding future structural options for the college. This should be informed by the estate strategy and include analysis and consideration of whether it is financially sustainable as an independent specialist land-based institution. If governors decide on structural change, they should request an FEC-led structure and prospects appraisal (SPA) with a standalone case as the base option.

This recommendation is ongoing. A facilitator has been sought. A draft strategic plan for consideration at this strategic planning meeting, with information from the estates review and further financial planning integrating this, would have informed the discussions and decisions at the January meeting. A decision was taken to pause the strategic planning process.

Recommendation 4: The college receives written confirmation of whether an overdraft facility can be put into place to cover any potential cash shortfall in March, and if so to what value. In addition, that it receives written assurance from both banks that the construction of the HE centre does not need to be formally approved by their credit teams as part of the terms and conditions of their loans September 2021.

This recommendation is ongoing. The college is in discussion with the bank, but no decision has yet been reached.

Governance and leadership

Governance

The new chair of governors commenced in post at the start of this academic year, having been on the board since 2014. The former chair has been co-opted for 2 years as a member of the quality and standards committee. The chair is making good use of National Leader of Governance (NLG) support and is keen to use the previous recommendations from diagnostic assessment (DA) visits as a template for governors and leaders. An Education and Training Foundation (ETF) external review of governance undertaken following a previous recommendation identified several areas for development, including training needed on asking challenging questions. Progress has been made in delivering the action plan in most areas – however no training has been provided yet on questioning technique and challenge.

There is some evidence of improved challenge recorded in the minutes of governors' meetings and sub-committee meetings. There continues to be a lack of urgency, and too willing an acceptance of reasons for the lack of pace and progress in addressing issues – particularly in relation to overall planning, process improvement, assessment and analysis related to financial planning and efficiency improvements. The college has a long history of being in a weak financial position, and this has not shown consistent improvement since the first period of early intervention in 2015.

Governors need to clearly set out their expectations of the senior leadership team, especially regarding timeframes for the completion of financial and strategic assessment of the college's future options and to ensure these are driven at pace.

Clerking is efficient and the board has recently started to hold face to face meetings on site after having conducted its business virtually during most of the past 18 months. There are 2 vacancies on the board, with skills gaps identified as further education senior leaderships and human resource and organisational development. There is 1 potential new governor being recommended to the board in December.

Governors were confident about the quality of students' experience and outcomes being good. The outcome of the yet to be completed and validated self-assessment report (SAR) is expected to confirm this. Student outcome data does not consistently support this confidence.

Leadership

The principal has led the college for 5 years and has significantly improved local and sub-regional stakeholder relationships and the reputation of the college during this period. There is a relatively new senior team, with a director of finance appointed within the past 12 months and a deputy principal curriculum and quality who commenced in post at the end of September 2021. There was a period of 12 months or so prior to the appointment of the current finance director when the college struggled to appoint to this position. The previous deputy principal was also only in post for around 2 years. In line with similar small colleges, senior leadership is stretched, particularly as there has been significant churn – and despite progress made, there is much to develop and improve as far as business and planning systems and processes. The level of risk and strategic implications of the long-term financial challenges and deteriorating financial position were not identified soon enough by senior leaders, who along with governors have been overly optimistic and have not addressed the implications early or quickly enough.

The principal has accessed National Leader of Further Education (NLFE) support and agreed to pilot a curriculum efficiency project. Implementation of the suggested actions during the curriculum planning process this year, in readiness for 2022 to 2023, is essential to help address the college's weak financial performance.

It is understood that due to a lack of clarity regarding a previous recommendation, the strategic planning process was paused in the summer. The completion of this process, including further consultation with staff, external stakeholders and governors based on a draft plan and strategic objectives, would have helped test and challenge the principal's thinking on future strategy. This would also have developed a draft document and better-informed governors' understanding of future options, in readiness for the strategic discussions and decisions on the college's direction and future to be held in January 2022.

Curriculum and quality improvement

Curriculum and provision overview

The curriculum offer is predominantly specialist land-based provision, ranging from entry and pre-entry through to higher education (HE) programmes. The college is set in 750 acres of farmland, parkland, gardens and conservation area, 2 miles from Dorchester in Dorset. The curriculum is delivered using commercial enterprises that provide learners with real life work and skills development opportunities. Most students who are enrolled are from Dorset and the immediate travel-to-learn area. Residential accommodation is no longer provided. Currently the college does not provide specialist provision that attracts its own further or higher education students from a wider geographic area. It also delivers other programmes, including construction, blacksmithing and welding, sport, uniformed public services and outdoor adventure. It delivers a small number of HE programmes in collaboration with the Royal Agricultural University and Bournemouth University. Apprenticeships are delivered and are mainly in the land-based and associated areas. Performance in the apprenticeship area has previously breached the minimum standards requirements for 2 years. Apprenticeship numbers have also decreased, with some of this being the impact of COVID-19 pandemic restrictions on employer demand and some due to actions taken to improve outcomes. The college decided to move out of subcontracting, as this area of work was impacting on overall and timely success rates.

Curriculum planning and development

Curriculum planning processes are currently underdeveloped. The process is hampered through the lack of integration of key management information systems. Improvements to this are being made; however, these need to be implemented at pace so that a revised planning process can be completed in time to impact positively on budget setting for 2022 to 2023 and curriculum efficiency drivers. The curriculum plan should emanate from the strategic plan and external horizon scanning. It should inform the people plan as well as the estate strategy, and deliver an agreed contribution to central overheads that will contribute to financial sustainability. The curriculum efficiency and financial sustainability (CEFS) project, supported by input from the NLFE, will address many of these areas. The suggested actions need to be implemented and these should lead to efficiency improvements in future years.

Quality: self-assessment and effectiveness to manage and improve quality

Enrolments of 16 to 18 year olds have increased since 2019 to 2020 by circa 4% per year. Adult enrolments are forecast to decrease during that period by circa 55%. Apprenticeships have decreased since 2019 to 2020 due in part to the reduction in subcontracting, refocussing and refining the offer onto specialist areas to improve outcomes, and the impact of COVID-19-related restrictions. The small higher education offer has also decreased.

Attendance is currently good for 16 to 18 year olds. Retention rates for 16 to 19 year olds and over 19s are too low, and below what should be targeted. This low retention rate has contributed to a low achievement rate for 16 to 18 year olds which is below the most recent published national averages (2018 to 2019), and a decrease on the previous year’s outcome. Achievement rates for over 19s are also low, and are a decrease of circa 9 percentage points on the previous year.

Overall apprenticeship performance for frameworks has also decreased from 2019 to 2020 to 2020 to 2021. Achievement of standards has improved in 2020 to 2021, although combined achievement rates all ages had decreased during the same period.

This curriculum performance data is a clear indicator that there are several curriculum management and performance issues to be addressed. Governors and senior leaders believed that student outcomes and experience remained good and they were confident of the quality of teaching and learning.

The college draft self-assessment report for 2021 to 2022 was not available prior to the visit, although the quality improvement plan was provided. This had identified the majority of the strategic, college wide areas that needed to be improved. However, it did not identify retention rates as a cross college challenge, nor the low achievement rates that had decreased on the previous year. Specific courses with performance issues were clearly identified, however. Most of these issues were areas identified in previous diagnostic assessment visits, and concern was expressed in previous reports about the slow pace of implementing improvement strategies. Retention and attendance data shared at the time of the visit showed an improvement on the previous year’s position.

Good progress has been made in developing a suite of data reports, linked to a data dashboard that is now being well used by the deputy principal curriculum and the curriculum leadership team. In the 2 months he has been in post, the deputy principal curriculum has made really good progress in implementing appropriate systems and processes to improve curriculum performance and the management of the quality of teaching and learning in line with previous recommendations. It is too early to determine whether these will improve outcomes this year.

There is sufficient curriculum leadership and management capacity, and the deputy principal is also an experienced part time Ofsted inspector and understands how to measure and judge quality in the classroom. The lesson observation system has been revised completely and now awards a grade to experienced qualified staff. Observations are ungraded for new staff who are working towards professional status. Heads of department have received training and development on the new approach. There are plans to introduce teaching and learning coaches to work with the heads of department to support teachers who require development. New, timely and more robust systems and meetings to monitor staff and student performance have been introduced recently, and these focus on the right key performance indicators. This is the change of approach and culture needed and should help drive improvement in performance.

Student and staff views

Students who met with the FEC team were positive about their experience at the college. They commented on the very supportive culture and the help provided by teachers. The quality of resources and the beauty of the campus were also mentioned. One area requiring improvement was the awareness of welfare and pastoral wrap-around support, particularly in relation to mental health and wellbeing.

Finance and audit

Recent financial history and forecasts for coming years

As a small land-based college, Kingston Maurward has struggled financially for a number of years. It continues to be significantly impacted by COVID-19, which greatly depleted its commercial activities that rely on being open to the public. In 2019 to 2020 there was a negative financial impact, and cash balances fell sharply. Liquidity was temporarily boosted by the successful negotiation of a CBILS loan, but the underlying operating position has continued to deteriorate to the point where solvency is again at risk. This is because, although COVID-19 has undoubtedly had a debilitating impact on financial performance, financial planning processes have not been effective in setting budgets which ensure adequate cash generation to cover the extensive estate and staff investment requirements of the relatively small organisation. The college has recently welcomed an analysis to show how efficient curriculum planning could theoretically produce improved annual earnings before interest, tax, depreciation and amortisation (EBITDA), which may provide a blueprint for the future.

Financial performance 2020 to 2021

The college is still finalising the financial position for the year to 2020 to 2021. An ESFA funding audit undertaken in-year, will lead to the potential requirement for repayment of funds. At the time of the visit, there was also a liability for underdelivered adult education budget (AEB) provision. Once the value of both repayments is known with certainty, it will be included in the accounts for 2020 to 2021 and any repayment timelines agreed.

In the July CFFR, the 2020 to 2021 forecast outturn was an operating deficit and a financial health grade of inadequate. Before the audit clawback is applied, however, the college is reporting an underlying operating deficit and small EBITDA surplus. 2.68% of income.

Financial forecast 2021 to 2022

Forecast performance for 2021 to 2022 shows a further deterioration to the operating position, to a deficit and a negative EBITDA. Management accounts to October 2021 report actual performance for the year to date to be better than budget, but it is too early in the year to draw conclusions about likely outturn, given that ILR funding information is not fully recorded in the October accounts, and that the monthly budget is currently phased in simple equal twelfths which will tend to give a deceptively positive variance in the first quarter. The finance director has worked hard to produce an initial full budget and CFFR. A revised CFFR was produced at the end of October, but this is unlikely to present an accurate forecast cash picture due to the omission of any estimate on clawback funding, and the inclusion of a VAT refund receipt and land sale receipt, neither of which are certain to materialise before the cash low point in March 2022. The finance director is now producing a revised full forecast which will exclude the unsecured income, include an estimate of audit repayments, and will be closely based on the working cash flow forecast of the college which more accurately profiles cash movements.

Cashflow/liquidity

The key short-term concern is solvency over the spring period. The college currently has no overdraft and cash balances are forecast to fall in March 2022. The college is discussing the potential for an overdraft facility with the bank, but these discussions will not be concluded before mid-December at the earliest.

The college is currently undertaking a capital project for the construction of an HE Centre, which is 100% grant funded by the local enterprise partnership (LEP), and a Salix heating improvement project, which is also 100% grant funded. Both of these projects rely on timely monthly cash drawdowns in order to ensure that liquidity is maintained and that capital funds are applied appropriately.

Financial liabilities/loans

The total annual debt servicing requirement is forecast to rise by July. The college has breached all of its loan covenants as at 31 July 2021. One bank has confirmed that it has waived the breach of covenants on its loan due to the impact of COVID-19. As at the point of the visit, a second bank had not yet confirmed that it would waive the breach of its covenants and was seeking further security from the college. If this is not resolved, it is likely that this loan will be classified as a short-term liability in the 2020 to 2021 statutory accounts, with related implications for audit opinion and financial health grading.

Audit and risk

The external audit process for 2020 to 2021 is not yet concluded. As may be seen from the preceding report, there are a number of outstanding points of uncertainty to be resolved before the accounts can be reliably completed.

The annual internal audit report gave an opinion of "reasonable assurance" on the areas of risk that were tested, but also noted that application of, and compliance with, key financial controls is "weak". The report arises from a period of great instability in the finance team, with a new finance director and a high turnover of other team staff. The team is now stable, however, and has been strengthened by the addition of a second qualified accountant. The finance director has also spent considerable time reviewing the balance sheet for accuracy.

Long term sustainability

The college governors and management team have engaged positively with the FEC team in discussions regarding the long-term sustainability of the college – they are open, constructive and transparent in their communications, and clear in their shared desire to see good quality provision for students protected. Their concern for student outcomes and for their community is apparent in all discussions.

Although normal operations have to some extent resumed, the COVID-19 pandemic is likely to have an ongoing impact on such complex organisations as the college, at least in the near future. This aside, despite forecasting a return to normal commercial income values in 2022 to 2023, the college is still forecasting low cash generation for future years. Cash from operations in 2022 is forecast to be an outflow – this is predicted to improve in 2023. This represents the value available to fund all projected debt servicing and investment, as well as to manage operational liquidity. As already noted, there is an annual debt servicing requirement, annual estate maintenance requirements are currently being reviewed, and there is backlog of investment required in IT. In addition, pay levels at the college are low in comparison with the sector and require investment to secure the future retention and recruitment of staff. The ordinary operating model of the college does not currently generate enough cash to fund these requirements and is therefore not sustainable. The recommendation to conduct a structure and prospects appraisal (SPA) to review all strategic options for the college, with a 'standalone' option informed by the comprehensive curriculum planning work recently undertaken, stems from this position.

Estates and capital plans

The college manages an extensive estate of 750 acres with a Grade 1 listed mansion at its centre. As well as the core college buildings, it operates land-based provision over a 400-acre farm site and a commercial enterprise which includes an animal park, public entrance to grounds and landscape gardens, and a café. There are approximately 90 buildings to maintain over the whole, including some which are listed.

The college has recently appointed a new head of estates who has extensive commercial experience in managing the restructuring of capital assets and the re-design of facilities to achieve efficiencies. The college has produced an estates master plan, which it is in the process of updating. The plan sets out priorities for investment and will also provide a summary of land assets which could feasibly be disposed of in a short timescale in order to improve the cash position of the organisation. The head of estates confirmed that the plan will be expanded to include efficiency and utilisation metrics for each area, which will inform decisions about maintenance, investment and disinvestment in existing buildings. Currently there is no consistent set of data available across the estate regarding utilisation or costs per square metre/per building, although a good start has been made in producing this data for some areas and it is intended that this will be replicated throughout the site.

Construction of the new Higher Education Centre, which will also provide a hub for local businesses and a centre for innovation, is underway and due for completion by March 2022. The Salix project is also progressing to plan and will provide improved environmental impact as well as decreasing the need for expenditure on replacement boiler systems.

Appendix A – Interviewees

Chair of governors

Principal and chief executive

Clerk to the board

Deputy principal curriculum and quality

Director of finance

Head of estates

Senior leadership team

A group of governors

Trade union representatives

A group of students

Appendix B – Documents reviewed

Completed pre-visit college performance table

Completed pre-visit financial information request template

Corporation (and committee structure) membership with CVs and latest skills audit

Corporation and sub-committee minutes and papers

Progress reports on previous FEC and recommendations and governance review

Quality improvement plan and progress against it

Curriculum/quality risk register

Performance data including 3-year trends

Student survey outcomes

Curriculum efficiency and planning data

Learner numbers and funding generated by funding stream

Last audited financial statements

Latest management accounts, including cashflow forecast for the following 12 months

2020 to 2021 CFFR, July and October and accompanying commentary

Last annual report from the internal auditors

Whole college risk register

Last whole college KPI report to governors

Details of bank loans and covenant compliance

Draft estates strategy

Appendix C – closed recommendations from previous visits

Recommendations from the 30 November and 1 December 2020 Diagnostic Assessment visit:

Recommendation 1: Governors should, by February 2021, engage with the Department for Education (DfE)-funded governor review and development programme.

This recommendation is complete. Progress on delivering the action plan will be monitored at any future visits.

Recommendation 5: By March 2021, curriculum performance review meetings to monitor curriculum, financial and people key performance indicators (KPIs) should be held monthly and be supported by live dashboard data as soon as is feasible.

This recommendation is complete. Monthly meetings with heads of department have been introduced and a live dashboard is available and used by managers.

Recommendation 6: The performance appraisal process needs to be reviewed by March 2021 to include at least termly meetings to discuss individual's performance. This should be supported by the provision of easily accessible staff KPIs.

This recommendation is complete. Termly appraisal review meetings are now a part of the process with key performance indicators at course and personal level including learning and teaching observations feeding into these.

Recommendation 7: By April 2021, the curriculum planning process (including the planning and monitoring of lecturer utilisation) needs to be thoroughly reviewed, revised and improved. This should be completed in time to inform the staffing and budget setting process for 2021.

This recommendation is complete. It has been undertaken in October 2021 as part of the CEFS project, in conjunction with the NLFE team.

Recommendation 8: By March 2021, the new deputy principal finance should receive mentoring from a suitably experienced colleague from a similar college.

This recommendation is complete.

Recommendation 9: By July 2021, the risk register should be reviewed by the internal auditors to support the development of a full board assurance framework, benchmarking against best practice in the sector.

This recommendation is complete. Internal auditors performed a review of the risk register in July 2021 and produced recommendations for its development.

Recommendations from the 28 April 2021 virtual monitoring visit:

Recommendation 1: By May 2021, the principal should access the National Leaders of Further Education (NLFE) scheme to make use of specific expertise available in relation to implementing business processes and systems that support the development of a high performing culture that operates at pace.

This recommendation is complete.

Recommendations from the 13 July 2021 virtual monitoring visit:

Recommendation 1: The new chair of governors should engage with a National Leader of Governance (NLG) as soon as he officially takes up the post on 1 August 2021.

This recommendation is complete. The NLG has visited the college and met the chair and further contact and support is being provided.

Recommendation 5: The full budget encompassing integrated income and expenditure accounts, balance sheet and cash flow forecast and cash flow statement for 2021 to 2022 and accompanying CFFR should be considered and approved by the board before the end of July. This decision needs to be supported by scenario modelling, and planned actions for each scenario recorded.

This recommendation is complete. Although there is no evidence of scenario modelling being available, the full budget in CFFR format was approved by the Board in July, with a further CFFR being submitted in October following initial review by ESFA.