



Sixth Form College Commissioner Assessment of Hartlepool Sixth Form College: Summary and Recommendations

Introduction

1. The financial plan submitted by Hartlepool Sixth Form College in July 2016 forecast the college financial health grade as inadequate in 2016 to 2017. The Education Funding Agency (EFA) confirmed this grading. The college was subsequently placed under notice of formal intervention in December 2016, with a Financial Notice to Improve issued on 13 February 2017 under the terms of “Rigour and Responsiveness in Skills”.
2. In line with departmental policy, an external sixth form college adviser representing the Sixth Form College Commissioner (SFCC) undertook a visit on 3 January to assess the strategic options plan and short term financial viability of the college.

Leadership, Management and Governance

3. The college’s financial difficulties began when the college received an inadequate Ofsted grade in 2014. It was clear at that point that local demographic decline in 16 to 19 year old numbers combined with the impact on the college’s reputation of its Ofsted grade would present financial challenges. Intervention by the SFCC in 2014 identified the lack of capacity in the senior management team in relation to strategic finance and stressed its importance given the financial challenges the college would face. The college has taken insufficient action in relation to recommendations made by the SFCC in 2014.
4. Subsequent to the inspection, Hartlepool Sixth Form College saw a significant decline in student numbers and consequently in the value of EFA allocations between 2014 and 2016. However, the governing body did not anticipate the potential financial risks facing the college and were slow to react, instructing the executive to undertake a full budget review only in December 2016. This lack of action has exacerbated the financial difficulties.
5. The college saw a change of leadership in July 2016 when the principal left for another college. Due to the college’s participation in the Tees Valley area review the Board took the decision to make an interim appointment from within the existing senior team. The interim principal remains in post and has worked with the senior leadership team to secure the best outcome for students and the local Hartlepool community and secure solutions to the financial problems facing the college. However, the interim principal is due to leave for another college in April 2017. The imminent departure of the current interim principal, together with previous staff reductions, means the college does not have the skills and capacity at senior management level that it needs during a period when it is likely to be implementing savings and implementing a merger.

Financial Issues

6. The college has seen a significant decline in allocated student numbers of 154 (15%) between 2014 to 2015 and 2017 to 2018 to the current level of 867 students. Due to the operation of the lagged learner funding methodology, the decline in student numbers has resulted in a reduction in Education Funding Agency funding of £824,000 (18%) over the same period.
7. This has led to the college becoming financially vulnerable as it continues to offer a broad curriculum to its students whilst facing increasing costs. The college has taken some action to reduce staff costs, as budgets have declined. However the financial viability of the college as a stand-alone college has not been secured as student numbers continue to fall.
8. The reduced student numbers resulted from the loss of reputation caused by an Inadequate Ofsted grade in 2014 as well as a continued declining 16 to 18 cohort that is projected to continue until 2020. The college was subsequently inspected in February 2016 and graded good. However any upturn in student numbers has not materialised as quickly as anticipated by management and governors.
9. Financial plans approved by the governing body and submitted to EFA have proved overly optimistic and the college has failed to meet the assumptions on recruitment reflected in the plans.
10. Assessment of the evidence following the sixth form college advisor visit indicates the college cannot continue as a stand-alone college. Student numbers will not generate sufficient income to sustain the current staffing structure and overheads across a sufficiently broad curriculum.
11. Further staffing reductions would result in a revised academic staffing structure. This would inevitably have an impact on the local offer and breadth of subject choices for young people.
12. All of these factors increase the need for immediate and decisive action to resolve the sixth form college position and protect the interests of current and future students.

Strategic Issues and Merger

13. Since the conclusion of the Tees Valley area review in May 2016, the funding agencies have been working with Hartlepool Sixth Form College and Hartlepool FE College to progress the merger. However, due to a number of factors there has been no progress made and currently there appears little prospect that this proposal will be implemented. The lack of progress in implementing the merger means that swift action is required to address the significant and imminent financial challenges facing Hartlepool Sixth Form College.
14. The Hartlepool Sixth Form College governing body has been exploring an alternative proposition of a Type B merger with Sunderland College. Sunderland College has strong leadership and governance who have the skills and capacity to run successfully the Hartlepool campus. Sunderland College believe they can expand the curriculum and student numbers from the Hartlepool Sixth Form College site in a non-competitive way and ensure that the site, as a cost centre, runs at a surplus. The merger is intended to ensure a good quality academic offer in Hartlepool is maintained and that the majority of staff cost savings are achieved from senior

management, back office and administrative functions. It is also proposed to introduce new courses from the Hartlepool Sixth Form College campus to meet local demand in a manner which would not compete with Hartlepool FE College.

Conclusions

15. Hartlepool Sixth Form College governing body failed to implement the recommendations made by the SFCC following intervention in 2014 with respect to enhancing the capacity of the senior management team in relation to strategic finance.
16. The recent decline in student numbers and funding has resulted in Hartlepool Sixth Form College becoming unviable on a stand-alone basis and urgently requiring a structural solution.
17. The lack of any significant progress with the merger proposal between Hartlepool Sixth Form College and Hartlepool FE College and the lack of any early prospect of this proposal being revived, has further exacerbated the challenges facing the sixth form college, meaning decisive action is urgently required.

Recommendations

18. Hartlepool Sixth Form College, in liaison with Sunderland College, should immediately implement cost reduction plans as identified in its financial recovery plan, in a manner that is appropriate for the envisaged merger with Sunderland College.
19. Hartlepool Sixth Form College should continue to provide to EFA monthly management accounts, including monthly cashflow forecasts, enabling EFA to monitor closely the college's financial position.
20. Hartlepool Sixth Form College should proceed with the proposed merger with Sunderland College as a matter of urgency.
21. The governing body should appoint an interim principal to Hartlepool Sixth Form College liaising closely with Sunderland College in making the appointment.
22. A project team and transition plan should be established under the leadership of Sunderland College.
23. The plan should cover the future curriculum offer and future finances as well as the need for significant stakeholder engagement during the consultation period.
24. Sunderland College and Hartlepool FE College should come to an enforceable agreement to avoid unnecessary duplication of curriculum, build on existing specialisms and ensure the combined offer is appropriate for students and employers of Hartlepool.

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Sixth Form College Commissioner

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