

**FURTHER EDUCATION
COMMISSIONER ASSESSMENT
SUMMARY**

Richmond Upon Thames
College

JANUARY 2016

Assessment

Background

Richmond upon Thames College is a large General Further Education college located in Twickenham. The vast majority of the provision currently caters for 16-18-year-old students on courses from entry to degree level, but with a predominance of around 80% of students following Level 3 programmes. In the last year, there has been a significant extension of the College's adult provision and Apprenticeships, as the curriculum has been focused on a more vocational offer. Learners come to the college from a very wide catchment area, with home addresses in 28 of the 33 London boroughs

Since 2011/12, six new school sixth forms have opened in Richmond, and this has resulted in a significant shift in numbers between the College and school sixth form provision. Over the last three years the number of young people resident in Richmond going to the college has dropped by 479 with a corresponding increase of 422 for those participating in school sixth forms. This loss of learners has had a material effect on the College's income.

The College is beginning to form stronger partnerships with Kingston and Carshalton College and also with Richmond Adult Community College (RACC), which is situated within a mile of the College with a view to ensuring that there is a complimentary curriculum offer.

The College campus was mainly developed in the 1930s, and is no longer suitable for modern teaching and learning arrangements. Plans to replace the campus have been considered on a number of occasions over the past 15 years, but have foundered due to lack of funds, or unfocussed leadership.

In line with its Strategic and Curriculum Plan to transform the College provision to a more vocationally orientated employability offer, the College Corporation has now developed ambitious plans for a new campus, financed through the sale of parts of the College's Estate and LEP grant funding

The scheme will deliver a completely revamped estate to include a new college with vocationally oriented facilities (including a STEM and low carbon centre, silver service dining experiences linked to retail, a spa with health and wellbeing centre, an art gallery and theatre, and a sports hub), a new Free School and a Special Needs School. The project is supported by an innovative partnership including the College, Haymarket Media Group, Harlequins Rugby Club, Clarendon School, Richmond-upon-Thames Council, Achieving for Children and Richmond upon Thames College Free School Trust.

The scheme seems to be based on sound financial principles and will result in a state of the art new campus without the College needing to incur any debt.

Following notification by the Skills Funding Agency (SFA) that the financial health of Richmond upon Thames College (RuTC) had been assessed as 'inadequate' for financial health for 2015/16, the Minister for Skills and Enterprise 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 assessment report is intended to provide written advice to Ministers and the Chief Executive of the funding agencies on:

- the capacity and capability of the College's leadership and governance to secure a sustained financial recovery within an acceptable timetable;
- any actions that should be taken to deliver a sustained financial recovery within an agreed timetable (considering the suite of interventions set out in Rigour and Responsiveness in Skills); and
- how and when progress should be monitored and reviewed taking into account the Agency's regular monitoring arrangements.

Assessment methodology

A Deputy FE Commissioner, supported by an FE Adviser, carried out the assessment during the period 7th December to 11th December 2015, including two days on site at the College. They received in advance extensive briefing information provided by the Skills Funding Agency and the Education Funding Agency, as well as information provided by the College. They interviewed board members, the executive team, managers, staff and students.

The Role, Composition and Operation of the Board

The Corporation Chair has the experience and expertise in educational and facilities management to be able to play a leading role in the development of the College's future plans. Whilst other Corporation members also have valuable skills and experience to assist the development of the College's curriculum, in our view there is a shortage of financial, commercial and capital development skills. Although membership of the Corporation has changed significantly over the last twelve months (with a turnover of around 50%), the Chair, Principal and Clerk acknowledge that there is a need for a further review of the skills base of the current Board to ensure that the Corporation has the necessary balance to carry out its duties and if necessary to replace current members whose background may not be what is currently required. There is a particular need for additional high level finance experience.

The corporation has an innovative and successful Student Liaison committee, which is an exemplar of good practice, where the Chair and other Governors and staff meet regularly with student representatives to identify issues and keep Governors informed of the student experience. Items discussed at the most recent meetings included the Learner Engagement strategy, Assessment of student work, and the impact on the student experience of the poor condition of the buildings.

The Clerk to the Corporation

The Clerk to the Corporation was appointed in September 2015 replacing the previous clerk, who had been at the College for over 20 years. The new Clerk has a legal background and extensive experience of working in education, and is well qualified to provide the corporation with independent advice. As a solicitor with 15 years post-qualification experience, she is well suited to identifying the type of contractual issues that will arise as part of a capital project

Papers for Board meetings are clear and well-presented and minutes of meetings since September 2015 show a clear audit trail of decision-making and also evidence of challenge and critique of the leadership team from Board members.

Given the college's present situation an updated skills/knowledge analysis and the development of a suitable training programme for Board members, particularly around FE and capital funding should be a priority.

The Senior Management Team

The Chair and corporation members took the initiative to change the College's Leadership team in 2014, and replaced the previous Principal by negotiating his early retirement, and appointing the current Principal in August 2014. The two other members of the senior team have also been newly recruited in the last 12 months. Together, with the support of the Chair and Corporation members, they have set out a new strategic plan and transformational agenda to improve the quality of teaching and learning and student success rates, while building a new campus to replace the existing 1930's 'not fit for purpose' accommodation. They are well supported by a confident and able middle management team of Curriculum Directors and Student support managers. Interviews with the staff team give credence to the notion that there has been a significant change in managerial culture and commitment over the last twelve months and a belief that the college is now on a journey of improvement.

The Quality of Provision

In each of the previous Ofsted Inspections in December 2012 and May 2014 the College was awarded Grade 3 'Requires Improvement'. However, although the most recent re-Inspection in November 2015 also awarded the College a Grade 3, the most recent report found evidence of strong improvement.

Whilst overall success rates remain below national benchmarks, especially at AS level, Ofsted noted that "outcomes for learners have improved in many areas, but they remain an aspect of the College that requires further improvement."

Overall, the latest Ofsted report presents a view that significant steps have been taken, and systems put in place, which should now lead to noticeable improvements in teaching and learning and success rates in the next twelve months.

The College's strategic plan focuses on shifting a largely Academic traditional A level curriculum towards a much more Vocational offer with work based learning, employability and Apprenticeship features. There is evidence that this move has already begun and the

strong performance in the Apprenticeship area (Ofsted Grade 2 'Good') clearly supports the view that significant further improvements in both numbers and success rates is realistic. There is also greater confidence in the current leadership to deliver measurable improved outcomes.

Finance

The College has recorded operating deficits since 2011/12, due to a decline in learner numbers and subsequent reductions in income. The College's deficit remained substantial over the period 2011/12 to 2013/14, with a significant improvement in 2014/15, reflecting the impact of staff restructuring, and consequent cost reduction.

The College's financial difficulties stem from three related issues:

- increased competition from new local school sixth form provision (since 2011/12, six new school sixth forms have opened in Richmond, and it is estimated that approaching 500 students who would previously have attend the College now attend the sixth forms);
- an inability to make required improvements in the quality of provision (Ofsted grade 3s in both December 2012 and May 2014);
- an inability to develop a curriculum offer to attract more learners and compete effectively with the new school sixth forms. (The curriculum was described to us by middle management staff as being, until recently, simply a 'roll over of the previous year's offer' and 'stagnant').

It should also be noted that, during the period set out above, the College's staff cost income % has been consistently above sector norms and in excess of 70%. Reducing this ratio to the sector norm of around 65% would reduce the College's costs by almost £1m, but the College's view is that it does not wish to make significant staffing changes at the moment in advance of realigning its curriculum with the estates strategy.

Overall the College's balance sheet has been shrinking as a result of its continuing operating deficits, but supported in 2014/15 by a significant advance of funds relating to a land sale

The college's recovery plan is based on growing student numbers back up to their 2013/14 levels.

Prior to 2015/16, budgets were set on a roll-over basis, and the adjusted 'to down' to produce the projected surplus\deficit submitted to the Corporation. So, for example, the curriculum plan was simply duplicated, back office costs rolled forward and so on. The new Leadership Team, however, has introduced a process of proper examination of costs and resources to produce a budget which reflects the College's priorities, and which involves budget holders more extensively. This process is in its infancy, being the first budget that the Deputy Principal, Finance & Resources has led. More needs to be done, but in our view the College is embarking on the right processes.

There is no evidence from the work of either the College's internal or external auditors that the financial record keeping of the College's affairs is anything other than thorough. Since the appointment of the new Deputy Principal Finance and Resources financial reporting has also improved considerably. It could be argued that what is currently presented to governors contains too much detail (the income and expenditure analysis spreads over two complete pages, for example), but this is offset by the inclusion of a half page executive summary, which brings all the information together. We recognise that the development of the Finance Report is work in progress, given the newness of the Senior Leadership Team. In our view, future developments should include more use of graphics, charts and traffic light ratings, particularly for those Governors who are less familiar with accounting tables than others.

Budget holders receive detailed monthly information about the performance of their cost centres. There is now an increased focus on the profitability (measured by EBITDA) of curriculum areas, which is discussed at regular Financial Reviews with Curriculum Directors. There is evidence that action is taken as a result of these reviews so that, for example, classes are combined where student numbers are low.

In our view, the level of resources devoted to finance is appropriate to a college of Richmond's size and a team with a qualified accountant and two qualified technicians should have sufficient professional expertise to meet the College's needs. The performance of the team has not been criticised in the work of either the internal or external auditors over the three year period we examined.

The specific wording of the auditor's annual report relating to the last three years' work varies as the Audit Code of Practice has changed, but the overall conclusion in each case has been that the College has an adequate and effective framework for risk management, internal control and governance.

The College has also received has unqualified audit reports for the past three years. However, the auditors have raised the issue of the College being a 'going concern' in the audit reports for 2013/14 and 2014/15. The 2014/15 report for example refers to the need to bring to members' attention the details of the circumstances relating to the going concern position as described in the principal accounting policies in view of their significance. The report states that "the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements." In essence, this statement is alerting members of the Corporation to the need to keep the going concern issue under active review.

Conclusions

In reaching conclusions of our assessment, there are two separate, but related, issues to consider:

- can the College's financial health be restored in the way forecast in its financial plans and set out in its strategies? This is the direct content of our terms of reference; and

- is it prudent for the capital redevelopment to proceed, given the College's current financial position?

To take the second issue first, it seems to us that the upside of the development significantly outweighs any downside. If the development proceeds:

- the College campus (which is increasingly unfit for purpose) becomes renewed and employer focused;
- the campus size is reduced, cutting its running costs;
- the local authority secures the land it needs for a special needs school;
- a free school secures the land it needs;
- much needed housing development in the locality takes place.

All of this can take place without the College incurring any debt, as the costs are largely met from land sale proceeds and LEP funding.

The downside would be that the new campus would be under-utilized if the College fails to secure its recruitment targets. In those circumstances, it is at least possible that other educational use could be made of the buildings.

So far as the first issue is concerned, there are two variables to consider:

- the capacity and capability of the College's leadership and governance
- the realism of the College's forecasts and plans

For the first of these, we have concluded that the College's leadership and governance does have the capacity and capability to deliver financial recovery, subject to the recommendations we have set out below.

For the second, we believe that:

- the re-design of the curriculum
- the energy, dynamism and professionalism of the new leadership team
- demographic changes which increase the size of the local 16-18 cohort from 2018 onwards
- the inevitable 'pull' of new state of the art facilities will combine to make it more likely than not that the College can deliver its plan.

Recommendations

1. The College should proceed with a 'College-led' recovery process.
2. In parallel to this process the College will be expected to participate in the national programme of area-based reviews designed to review 16+ provision. The programme will, in due course, focus on reviewing provision in the south and west London areas and this will provide an opportunity for the College to engage with other local provision and to play an active part in helping to improve education and learning opportunities and outcomes for its students.
3. The Chair and Corporation should refresh the membership of the Board with new members bringing in financial and capital development expertise. The Chair will be required to have or acquire the skills necessary to effectively lead the Corporation and support the college-led recovery process.
4. The Principal is dealing with a number of complex financial, capital and staffing issues, and given his short experience in some aspects of these roles, professional mentoring and advice should be a key part of the Board's support for the Chief Executive role over the next year.
5. Given the college's present situation an updated skills/knowledge analysis and the development of a suitable training programme for Board members, particularly around FE and capital funding should be a priority.
6. Given the need to improve the College's short-term financial position, and given the high staff costs: income ratio, the College should re-visit its decision not to take forward further staff restructuring during 2015/16.
7. The college should move towards adopting benchmark indicators on how the college performs compared against other colleges on a range of costs/measures. Setting the individual college indicators against the sector as a whole will provide some context to its performance.
8. The College will need to consider the position of its capital redevelopment plans in the light of the forthcoming area-reviews. Any College decisions relating to the use of its estate and related resources should be managed in line with the outcomes of the area review.
9. The college should ensure that it adheres to the arrangements set out in the Financial Planning Handbook to allow the effective monitoring of the financial health of the college.
10. An FE adviser should continue to monitor and review progress on a regular basis, with a stocktake assessment by the FE Commissioner in April 2016.



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