



Department
for Education

FE Commissioner Intervention summary report: Prospects College of Advanced Technology

March 2018

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Background to FE Commissioner Intervention Assessment

In January 2018, Prospects College of Advanced Technology (PROCAT) was issued with a Notice to Improve (Financial Health) by the Education and Skills Funding Agency (ESFA) and referred to the Further Education (FE) Commissioner (FEC) for formal intervention. The Notice to Improve was issued because PROCAT was assessed by the ESFA as having inadequate financial health following a review of the college's outturn for 2016/17 and its revised budget for 2017/18.

An FEC team comprising a Deputy FEC and an FEC Adviser visited the college in March 2018. During the visit, the FEC team met with senior leaders, managers and governors and reviewed written material provided by the ESFA and by the college.

The FEC intervention report is intended to advise the minister and the chief executive of the ESFA 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 ESFA's regular monitoring arrangements.

Overview of the College

PROCAT is located in south east Essex. Its main campus is based in Basildon, with a smaller construction delivery centre on Canvey Island and a Tunnelling and Underground Construction Academy (TUCA) in Ilford.

The college was incorporated in September 2014 under the Further and Higher Education Act 1992, having transitioned from Prospects Learning Foundation (PLE) which had independent learning provider status. It was the first new college to be established in over 20 years and is a specialist FE college with a strong focus on science, technology, engineering and mathematics. It provides training for apprentices and learners on 16 to 19 study programmes. Around 75% of provision is apprenticeships, and 25% study programmes. Just over two thirds of apprentices follow programmes at advanced level.

The college was inspected by Ofsted in November 2016 and received an overall grading of Good. Effectiveness of leadership and management, quality of teaching, learning and assessment, personal development, behaviour and welfare, outcomes for learners and

apprenticeships were all graded as good, whilst 16-19 study programmes were graded as requires improvement.

The Greater Essex Area Review report, published in August 2017, recommended that PROCAT remain as a stand-alone college, focusing on specialist provision to meet national employer demand as well as providing a local offer to learners.

Leadership and Governance

Leadership and Senior Management team

The college's senior leadership team comprises three staff:

- Principal
- Chief Executive Officer (CEO)
- Director of Business Development

The CEO was appointed in September 2017 to work with the board to develop and review the college's strategic plan and annual business plans, identify clear objectives and their associated risks within realistic budgets and deploying staff and resources efficiently. The CEO is a qualified accountant with substantial experience in the FE sector. The CEO is the Accounting Officer and, effectively, the college's Chief Financial Officer.

The Principal joined the college in 2016 as Director of Learning and was subsequently appointed to the role of principal to lead on the strategic and operational delivery of the curriculum, IT infrastructure, management information systems, quality improvement, student performance and the development of staff. The Principal has extensive experience of skills and learning, including senior positions at Essex county council's adult and community learning service.

The Director of Business Development joined the college in 2014 and has experience in both central and local government. The postholder is leaving PROCAT shortly to take up a position in higher education.

This senior leadership team is new to the college. The college's previous CEO and Director of Finance and Resources (both of whom had operated successfully in the pre-incorporation organisation) left their posts in September and January 2017 respectively. The senior leadership team is able and experienced, but is clearly stretched in terms of capacity, a situation which will be exacerbated when the Director of Business Development leaves.

The challenges facing the senior leadership team are numerous, with the most pressing being the college's financial position. A further problem relates to human resources. The college suffers from a very high level of staff turnover (around 42% at the time of the

intervention visit) which means that large amounts of management time, effort and resources are consumed simply keeping the college staffed and operational. A human resources (HR) strategy was developed in 2016/17 with key themes designed to attract, recruit and retain staff. However, there is evidence that the HR department does not have sufficient resources to fully implement the strategy. For example, whilst new policies and processes (such as in relation to disciplinary and capability issues), have been approved, they have not been implemented. Similarly, only around two thirds of staff appraisals have been recorded and the appraisal process is not monitored.

The college board consists of eight independent members, a staff governor, a student governor and the CEO. Because most of the independent governors were appointed at the time of incorporation, the terms of office of six of them expire at the same time in 2018. This potential loss of expertise and knowledge of PROCAT creates a risk for the college.

Role, Composition and Operation of the Board

The board has three committees:

- Audit and Risk
- Governance and Search
- Remuneration

The college does not have a Finance Committee - the oversight of finance is undertaken by the board, which effectively operates on a 'quasi - Carver' basis. PROCAT's Instruments and Articles of Association provide for each of two Group Training Associations (GTAs) with an interest in PROCAT's areas of provision (one for Engineering and one for Construction) to nominate two members of the full corporation board, but there are currently no such nominees in place. There is a nominated governor for safeguarding and a nominated governor for health and safety. The college has recently introduced an Academic Board, in succession to a Board of Studies which was launched in 2014, comprising staff, student and employer representatives. Although there are no governors on this board, the clerk attends as an observer. One of the governors sits on a Quality Steering Group, but this is not a formal committee of the corporation.

The Chair has had a distinguished career in education holding very senior and board positions in a number of high profile education related organisations including the Adult Learning Inspectorate, NIACE, City and Guilds and the FEC team. He was the Chair of PLE in 2013-14 and the founding chair of PROCAT when it became incorporated that academic year.

Other members are very experienced CEOs, educationalists, industrialists and the local MP. They include the ex-chief executive of Basildon borough council, the retired CEO of TRL Technology Limited, the former principal of a London university technical college (UTC), a vice president of London South Bank University, the managing director of DSA

Electrical Limited, the MP for South Basildon and East Thurrock and a retired senior strategic manager from the railway industry. The Clerk has had a long career in FE and has held executive positions in general FE colleges. He joined PROCAT in January 2015, in succession to a nationally recognised expert in clerking, who had guided the board through incorporation.

The Governor Skills Audit for 2018 matches governor skills, knowledge and expertise against 23 specialist areas. The audit does not identify any particular areas of weakness in key areas and suggests that governors have suitable experience for their roles.

The Chair and the governors the FEC team met have a passion and enthusiasm for PROCAT. They have a clear vision for what they believe are PROCAT's key aims, which include a focus on key sectors of industry where there is significant demand for higher level technical skills including advanced engineering, aviation, rail, defence, and automotive as well as construction, building services engineering, and renewable technologies. The corporation's aspiration has been to grow PROCAT through creating a national network of colleges of advanced technology, via acquisitions of similar organisations and so increase annual turnover to c. £60 million.

Despite the quality and experience of governors, and the clarity of their high-level vision for PROCAT, it is clear from the college's financial position that there have been shortcomings in governance. This is a complex issue, with effective governance reliant on an appropriate and effective relationship with senior management, involving the provision of reliable information, as well as both support and challenge. For a variety of reasons, this relationship became ineffective at PROCAT. For example, there is evidence that:

- Governors were not routinely provided with reliable financial and other performance information about the college's operations.
- A loss-making subsidiary company, the national training provider Creative Sport & Leisure Limited (CSL), operated with minimal financial and operational controls and governors were not routinely and reliably informed about the subsidiary company's performance.
- There were serious shortcomings in financial management, including budgeting processes, management accounting, cash flow management and financial control.
- The college has suffered the consequences of a breakdown in the governance and leadership relationship. This position is, however, improving and the board now has confidence that it receives accurate and timely information from the new leadership and senior management team.

Curriculum and Quality Improvement

Curriculum overview

The college's curriculum offer is mainly vocational and specifically designed to meet employer needs in the engineering and construction industries from level 2 to Higher National Certificates (HNCs) and Higher National Diplomas (HNDs), and the government's agenda for STEM subjects. Courses on offer range from engineering, welding, mechanical design, manufacturing, electrical/electronic, motor vehicle, aircraft maintenance, rail engineering, carpentry, plumbing, air-conditioning and refrigeration, construction and the built environment. At the time of the intervention, the college had 1,004 apprentices and 258 learners on study programmes. 60% of the student population are 16-17 years olds and a further 40% are aged 18+ years old. The total projected learners for 2017/18 aged 19+ is 140.

The college operates out of three sites, a main campus in Basildon, a campus owned by Essex county council in Canvey Island and premises specifically designed for tunnelling, rail engineering and underground construction (the TUCA), based in Ilford. TUCA is rented on a five-year lease from Transport for London. All of these sites have state-of-the-art and cutting-edge facilities that ideally support the delivery of the curriculum offer. Employability, English, mathematics and ICT are delivered in all three campuses.

The Canvey Island site has low student numbers, a situation which needs to be addressed via a new strategy for the campus. Any decision to exit the site would be of serious concern to the county council as the skills centre on Canvey is a new £8 million build that was built five years ago specifically to serve the needs of young people in Canvey to develop skills in construction.

The senior leadership team has introduced a new template for curriculum planning, including a staff utilisation element, something that has not been routinely controlled in the past. The FEC team found that PROCAT has now partnered Barking and Dagenham College and South Essex College for Institute of Technology bids for Construction and Transport Manufacturing.

Quality improvement

The college was inspected in November 2016, and following an appeal, was judged as being good for overall effectiveness. All aspects were judged good, other than 16-19 study programmes that were judged to require improvement. At the time of inspection inspectors reported:

“Governors and senior leaders focus well on the impact of teaching, learning and assessment and on outcomes for learners. Board members provide appropriate challenge to senior managers and hold them to account through the monitoring of key performance indicators of the recently developed information dashboard.”

However, for the year 2016/17 in the College's Self-Assessment Report (SAR), leaders and managers self-assessed overall effectiveness as Requiring Improvement, with only one aspect, personal development, behaviour and welfare being judged as good. A key factor in affecting the grade profile was the poor outcomes at CSL, resulting in low levels of achievement. Despite improvements of learners achieving English and mathematics, too few apprentices achieved their qualification within the planned time. The progress learners made was not systematically monitored or used sufficiently to ensure learners achieved on time and not all learners on the 16-19 study programmes had access to work placements, although there was a significant improvement on the previous year.

In 2016/17 overall achievement rate for apprentices declined to 66.4% against a national average of 67%. Timely achievement fell for a third consecutive year, down to 38%, with timely achievement of only 29.9% in construction contributing to the poor results. CSL achievement rates were judged in the SAR as inadequate, with less than 10% of their apprentices achieving timely. In 2016/17, 46.3% of apprenticeships provision was below minimum standards threshold and for 19+ Education and Training and 84% of this provision was below the minimum standards.

Achievement rates for Study Programmes did improve in 2016/17 to 76.5% but are still below the national average of 83.4%. Pass rates for 16-18 and 19+ are well below the national rate, contributing to the below average achievement rates.

The FEC team were pleased to note that the new leadership and senior management team has a focus and drive on improving the quality of teaching, learning and assessment in-year. A new and experienced Head of Quality was appointed six months ago and she has already introduced more robust policies, procedures and processes for improving and assuring standards.

Finance and Audit

Recent financial history and forecasts for coming years

During the first two years after incorporation, the college's financial position was sound, with ESFA financial health ratings of satisfactory in 2014/15 and good in 2015/16. The position in 2015/16 was strengthened by the sale of two properties, most notably the College's Southend campus.

Since 2015/16, however, the college's financial position has declined significantly, and it is now in an extremely weak position in terms of overall financial health, operating performance, liquidity and future prospects. The decline has been caused by:

- Falling learner and apprenticeship numbers, which have reduced the college's income, and which have not been fully matched by reductions in expenditure. The decline in recruitment has had a number of causes:

- The college decided in the 2015/16 academic year not to run level 1 programmes, to reduce provision at Level 2 and raise the entry requirements for Level 2 and 3.
 - Adverse demographics (the 16-19 cohort has been declining since 2015 and is not expected to increase until 2020).
 - Low application to enrolment conversion (1:7, compared to sector benchmarks of 1:4)
 - The previous leadership and senior management team introduced 15 new standards to replace frameworks for apprentices. The extra administration caused by the new standards and the introduction of the levy, coupled with staff shortages, slowed down the process of matching employers with prospective apprentices and the college has failed to meet its apprentice recruitment target of 450 for 2017/18 by 136.
- Significant losses incurred by CSL.
 - Weaknesses in financial management and planning.

The college's financial health, as assessed by the ESFA, is currently 'inadequate' and its latest financial plan forecasts it to remain so until 2020/21, when it improves to 'satisfactory'. The main causes of the college's decline to 'inadequate' financial health is the fall in income, alongside liquidity issues.

The college made a small operating surplus during its first year after incorporation (2014/15), and a small deficit the following year. However, in its third year (2016/17), the college posted a significant deficit.

Analysis of key financial problems

Creative Sport & Leisure Limited (CSL) was originally established as a department of the college to administer playing fields at the Canvey Island site. Shortly after the incorporation of PROCAT, CSL started to provide sports related courses. It grew into a national training provider, being a wholly owned subsidiary of PROCAT, with PROCAT's senior team among the directors. The FEC team noted that as early as October 2015, the PROCAT board decided that CSL was not a good fit with the college's strategy (there being little synergy between sports courses and advanced technology) and decided to sell the business. Nonetheless, the board was assured by CSL directors as late as November 2016 that CSL was profit making and cash generative to the college group.

PROCAT's board did not have control over CSL and the FEC team noted that reliable management accounts setting out CSL's performance were not routinely available. In autumn 2016, the PROCAT board became increasingly concerned about CSL's financial performance, particularly in the absence of reliable performance information. Following

the appointment of an independent accountant in February 2017, it was found that the college was in a state of poor financial health.

Subsequently, PROCAT lost a number of its senior management team and has since sold its stake in CSL.

Effectiveness of the financial recovery plan

The college has developed a three-year recovery plan to address its financial issues. On the basis that the plan is delivered, by 2020/21 income is forecast to rise. For the first year of the plan (2018/19), the operating deficit is forecast due to rise due to the under-recruitment of 16-18 study programme learners in September 2017.

So far as the recovery plan is concerned, it is a clear and accurate document in providing background and setting out the college's financial situation, but currently lacks sufficient information about how improvements will actually be delivered. In the FEC team's view, therefore, it is subject to significant risk and uncertainty. The obvious risk relates to income growth.

The college is forecasting a growth in income between 2019/20 and 2020/21, with an action in the recovery plan for growing annual apprenticeship income over the course of the plan. The plans have a very aggressive growth target and it is difficult to be convinced by its realism, particularly as the CEO has acknowledged that since the plan was written a number of circumstances have changed, some for the worse. Of particular concern is the college's ability to significantly grow income at a time when it is struggling with very high levels of staff turnover. Over and above the realism of specific items in the plan, the FEC team have a general concern about the lack of urgency, pace and capacity to deliver a robust and effective recovery.

Conclusions

The FEC team's overall conclusion is that PROCAT is very unlikely to be able to continue as a stand-alone institution and that a merger partner is required. The reasons for this are as follows:

- The college is extremely unlikely to be able to deal with its financial challenges alone
- The college is very small in terms of turnover. The average FE college in England is around three times its size. It is difficult to envisage the college, at this size, being able to:
 - invest in sufficient high-quality people;
 - pay market rates for staff in a vibrant south east employment market (current staff turnover is 42%);

- invest regularly in the equipment and materials needed to deliver its mission as a college of advanced technology;
- successfully manage multiple stakeholder relationships and;
- compete with other providers (for example, South Essex College has recently opened a new campus in Basildon, two miles away).

The college's recovery plan, whilst identifying the key issues, is not entirely convincing and is subject to many risks. The college would benefit from the introduction of a Finance Committee, with a full focus on the college's financial position and recovery plan.

There have been shortcomings in the governance and leadership of the college as evidenced by:

- The limited oversight of Creative Sport & Leisure Limited (CSL)
- Significant financial losses
- A serious cash crisis
- The inability to secure reliable management information from executives

Nonetheless, governors are not alone in discharging their responsibilities and do need to rely on management to inform and support them. There is evidence that the previous management regime did not appropriately support the corporation.

The current leadership and management team are clearly capable and are well regarded in the college. The CEO brings the knowledge and experience needed to the college, having worked at an FE college for seven years (following a 20-year career in industry). The CEO understands good financial management in a college environment.

The FEC team's reservation relates to capacity. The leadership and management team will be reduced to two members shortly. Whilst PROCAT is small, it is a reasonably complex business, with three campuses, a large apprenticeship cohort and multiple stakeholder relationships to manage. There is also a need to grow student numbers, manage a very difficult financial situation and implement a recovery plan. The FEC team did not believe that the leadership and management team has the capacity to successfully undertake all of that.

The curriculum offer generally supports the engineering and construction industries. However, the high turnover of specialist staff, and disorganisation of apprenticeships has been a cause for concern for some employers who have discontinued working with the college. The college fell far short of meeting its apprenticeship recruitment target for this year, with 68 apprenticeship vacancies unfilled, due to a lack of appropriately skilled candidates. There is also a lack of confidence that the college will meet next year's target of 514 new starts. There is a concern by the leadership and management team that

PROCAT may not be successful in the current retendering of Transport for London's rail apprenticeships, on the basis of its recruitment performance.

Essex county council, as well as some curriculum managers, believe that the decisions previous college senior managers made e.g. raising entry requirements and removing lower level courses have had an adverse impact on enrolment. (This decision was partly prompted by very poor progression rates among Level 1 learners). The Essex county council believes that there is a mismatch between academic attainment of young people in the area and the entry requirements of apprenticeships and study programmes expected by the college. Although some of these decisions have been reversed for next academic year, early applications are down. More able students in the locality are staying on in sixth forms.

Underlying a number of the problems the college is facing was its preparedness for incorporated status, and all the requirements that involves. At the time of incorporation, the college was inspected by Ofsted, had a data audit from the SFA and was supported in general terms by the then Department for Business Innovation and Skills (BIS).

Nonetheless, there does seem to have been a shortage of systems infrastructure, staff experienced in FE finance and funding in the organisation. For example, the FEC team were told that the CEO was not instructed about the responsibilities placed upon him as the college's Accounting Officer, which are different from, and more onerous than, those relating to his previous role when PROCAT was a private training provider.

Recommendations

1. An FE Commissioner-led Structure and Prospects Appraisal (SPA) be undertaken during the period April to May 2018, and that the College fully engages with and supports this process. It is anticipated that the result of the SPA will be to identify a merger partner for the college, with a merger ideally to be completed by the end of calendar year 2018.
2. The college continues its work to develop a realistic recovery plan, with the plan to be complete and ready for implementation by the end of March 2018. This includes finalisation of the recovery implementation plan which the college was developing at the time of the intervention visit.
3. The college continues to discuss its cash position with the ESFA.
4. The college establishes a Finance Committee to oversee its financial position until such time as a merger takes place. The Committee should also operate as a 'task and finish' group for the Recovery Plan and should meet monthly.
5. The college should invite a representative of the ESFA to attend future Board meetings as an observer, during the period leading up to structural change.

6. Governors should strengthen their oversight of curriculum developments, ensuring that the curriculum offer is mission relevant and provides appropriate starting points and progression routes to maximise enrolments.
7. The college should arrange for governors to be trained in funding methodologies and their implications.
8. The college should arrange for governors to be trained in best practice in FE College governance arrangements. This might be achieved via one of the National Leaders of Governance.
9. The college needs to strengthen its leadership and management team in the short term, particularly in the area of marketing and business development. Given the likelihood of a merger in the medium term, this would be best achieved by appointing an Interim Marketing/Business Development Director. The role of this post holder should have an increased focus on student and apprentice recruitment, improved application to enrolment conversion rates and a more up-to-date approach to marketing and PR that both attracts students and apprentices and captures the confidence of all stake holders.
10. The college needs to ensure that the two permanent members of the SLT (the CEO and the Principal) are properly supported through the challenges the College faces. This might be achieved by further mentoring, coaching, networking or formal training courses, as appropriate.
11. An analysis of the strengths, weaknesses and financial contribution of the Canvey Island campus should be undertaken. Careful consideration needs to be given to the campus to ensure the needs of the most disadvantaged communities are met, and the views of Essex county council are fully considered.
12. More focus needs to be applied to delivering the College's HR strategy to address the very high turnover of staff and attract and retain new staff.
13. Curriculum planning needs to be more robust, relevant, realistic and cost effective ensuring that the curriculum offer provides clear pathways and progression routes enabling lower achievers to enrol and progress.
14. There needs to be a continued focus and drive on improving and assuring quality through the full implementation of the College's new policies and procedures.

Annex A - Information reviewed

ESFA college briefing

Up to date college organisation chart

The college's latest self-assessment report

The college's Quality Improvement Plan

The most recent set of governor's papers and minutes for a full corporation meeting

Success rate data for the last three years total and split by age

A copy of the college's latest management accounts

Current Cash Flow forecast

Current two-year financial plan

Financial statement for the previous year

Current financial recovery plan

Detailed budget for 2017/18 and bank loan arrangements

The college's inspection reports

Profiles of corporation members and the Clerk to the Corporation

Papers and minutes of the corporation and its sub committees for the past three years

The latest corporation skills audit

Details of corporation members' training over the past three years

Record of the Principal's and senior team's appraisals and current targets

Strategic Plans – previous and present and their corresponding monitoring documents

Organisational structures (as of 1st September) for the past three years

Job descriptions of the present senior team

CVs of the present senior team

CV of the Clerk

Details of the training/updating undertaken by the senior team over the past three years

The college's self-assessment reports for the past three years

College Performance Management Data for the past three years

Description of the teaching and learning observation process

Teaching and learning assessment records and post assessment actions

Records of staff appraisals

Examples of performance management interventions

Summary of staff training activities over the past two years

Organisational structure of the finance team

Job descriptions of the finance team

CVs of the finance team

Financial statements for 2014/15, 2015/16, 2016/17

Final management accounts for 2014/15, 2015/16 and 2016/17

Internal audit reports for the past three years and the Internal Audit plan

External audit management letters for the past three years

Enrolment information (previous inspection until now) with like for like comparisons for 1st November 2014, 1st November 2015 and 1st November 2016

Information on how resources are allocated

Latest college three-year financial plan, plus any supporting action plans (e.g. for cost reductions, income improvements etc.)

ESFA funding allocations for 2017/18

Income and expenditure projections

Cash flow forecasts compared to the actual cash position

Details of the capital expenditure programme

Financial regulations and procedures

Annex B - Interviewees

CEO

Principal

Director of Business Development

Chair of Corporation

Vice Chair

Vice Chair

Governor

Chair of Audit & Risk Committee

Head of Apprenticeships

Clerk to the Corporation

Head of Engineering Department

Head of Construction Department

Head of HR

Head of Quality

Lay Commissioner for post 16 provision Essex local authority