Department for Education

# FE Commissioner Intervention summary report: Ruskin College

July 2018

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# FE Commissioner Intervention Assessment summary report

## Ruskin College

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| **Assessment undertaken by:** | Andrew Tyley<br>Cathie Prest<br>Bob Smith |
| **Chair of the College** | Carole Orgell-Rosen |
| **Principal / Chief Executive of the College** | Paul Di Felice |
| **Date of Assessment** | 16-17 April 2018 |

# Background to FE Commissioner Intervention Assessment

Ruskin College has been subject to Education and Skills Funding Agency (ESFA) intervention since December 2014 following submission of the 2013/14 accounts, which confirmed inadequate financial health. Financial health remained inadequate in 2014/15 but improved to satisfactory in 2015/16.

Projections early in 2016-17 indicated that the college was set to achieve a small surplus and maintain satisfactory financial health. However, the financial performance deteriorated significantly in-year, culminating in a substantial loss for 2016-17 which put significant pressure on working capital and resulted in another inadequate grade for financial health.

In accordance with the expectations set out in Further Education (FE) College Intervention and Exceptional Financial Support (October 2015), the college was referred to the FE Commissioner (FEC) for an independent evaluation of its ability to make the required changes and improvements to secure its financial recovery.

An FEC team comprising a Deputy FEC and two FEC Advisers visited the college in April 2018. During the visit the FEC team met with the principal; members of the senior leadership team; the college chair; managers; academic and support staff; officials of the trades unions representing college staff; and students.

Telephone calls were also held with the chairs of the finance committee and the quality and standards working group. The team also reviewed written material provided by the ESFA by the college. A list of meetings and interviews is set out at Appendix 1.

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 ESFA's regular monitoring arrangements.

# Overview of the College

Ruskin College is a small Specialist Designated Institution (SDI) based in Old Headington, three miles from the centre of Oxford. Annual turnover is circa £5 million.

Founded in 1899, the college offers vocational degrees, access programmes and short courses for adults mainly in the areas of social work, activism, social care, youth work, public service, politics, voluntary work, wellbeing, self-development, employability and the creative industries. Courses range from entry to postgraduate level, as well as distinctive programmes in trade union studies. The college has plans to offer apprenticeships following its successful bid to the ESFA.

The college has around 3,500 students of which over 3,000 are enrolled on very short courses (most of which are delivered off-site). There are currently 186 FE students and 195 higher education (HE) students on long programmes. The college recruits students from all over the country, some of whom live on site in the college's dedicated residential accommodation.

Ruskin College's mission is to:

*"provide the best level of education and inclusion opportunities to adults – particularly those who may be excluded or disadvantaged, and to transform the individuals concerned along with the communities, groups and societies from which they came".*

The curriculum has high social relevance for students and has strong historical links with the labour and trade union movements and through an activism around social issues, as well as with local communities. The curriculum offer is aimed at enabling students to develop and to progress.

# Leadership and Governance

## Role, Composition and Operation of the Board

The college is a specialist designated institution governed by a council and a "Governing Executive".

The council comprises a total of fifty members who are in effect the shareholders of the college and are nominated by key stakeholders such as trade unions and the Workers Educational Association. The council meets twice a year with its primary roles including receipt of the annual report and the appointment of members of the governing executive.

The governing executive acts in many respects as the college board (despite its title it does not perform executive roles). There are twenty-two places on the college executive of which eight are currently vacant. The governing executive meets regularly and its work is supported by three formal committees (audit; finance; and search) plus a more recently established quality committee.

The existing governance arrangements are recognised by the college as in need of modernisation and streamlining, in particular the unusual relationship between the council and the governing executive (whose members have to be drawn from the membership of the council). Legal advisers have developed proposals for a new constitution which is due to be implemented in July 2018, subject to approval by a general meeting of the council.

These proposals envisage replacement of the council with an advisory group "Friends of Ruskin" and re-designation of the governing executive as the college board. The proposed changes in the constitution will give the board greater flexibility over the recruitment and selection of new governors, ensuring that the board has the right skillset. The constitution will also provide for a more regular refresh of membership, with a standard expectation that governors will not serve more than two terms of four years other than by exception.

The Chair of the Governing Executive is Carole Orgell-Rosen, whose professional background is in health and safeguarding. Carole is a former Ruskin student who has been a member of the council thirty-eight years and a member of the governing executive for seventeen years. She has been chair since 2009 and has confirmed her intention to retire in May 2018. Doug Nicholls, General Secretary of the General Federation of Trade Unions (GFTU) is vice chair of the governing executive, a role he has performed since June 2017. The governing executive is supported by a highly experience clerk who has capacity to play a key role in the modernisation of governance of the college.

Governors are clearly very committed to Ruskin College and have supported the agenda for change driven by the new principal. Quality of provision has generally been a strength as has the college's track record in widening participation.

Past failure to address the underlying financial deficits over many years has resulted in the sale of a number of the college's property assets and pushed the college's finances to the limit. Student numbers are low and areas of the college are under-utilised and in need of investment.

In recent times governors have supported difficult but necessary actions to rationalise staffing, improve efficiency and cut costs. Financial resilience is however far from locked-in. Stronger financial oversight by the finance committee needs to be maintained and this could be assisted by the appointment of a qualified accountant.

The college has a good track record of partnership working and is actively exploring options for closer partnership. The college sees itself as more closely aligned with HE than FE even though the majority of its funding comes from ESFA. The opportunity for a merger with an FE or HE partner has not been fully tested.

## Leadership and Senior Management team

The senior team comprises of the principal, HR manager (July 2017); assistant principal curriculum (September 2017); head of student services (September 2017); and interim finance and estates director (October 2017). Only the principal is a designated senior post-holder. The clerk was appointed by the governing executive on an interim contract.

The principal Paul di Felice was appointed in spring 2016, initially in an interim capacity following the tragic and untimely death of the previous principal. Paul was previously vice principal at the college, with responsibility for quality and curriculum.

Following a national recruitment and selection process, Paul was made permanent in autumn 2016, since when he has embarked on a comprehensive restructure of the senior leadership team and the whole College coupled with modernisation of the teaching contract.

The leadership team is still very new but has made a significant impact, not least the interim finance and estates director. There are a number of interim positions in key roles at the college, notably finance and business development. The college needs to ensure that permanent appointments to these positions are managed in good time and that they appoint managers of high calibre who can maintain the recent progress in performance and finances.

As a small college, the senior team handles a wide range of strategic and operational responsibilities. In the last year, the principal has addressed weaknesses in the leadership team and managed down pay costs without taking away the focus on high quality of teaching, learning and assessment or the student experience.

The college has navigated its way through significant financial and operational challenges and pursued a number of new initiatives including an apprenticeships contract. Whilst these actions have successfully rebased the college, long term sustainability remains a challenge and support systems such as finance and management information system (MIS) are some way from providing the critical management information the college needs to perform efficiently.

Current work to explore strategic partnerships is welcome but would benefit from a clearer focus / timetable and a recognition of the benefits of a formal relationship (or merger) which might facilitate more rapid improvement in support systems and provide capacity to invest in modernisation and improvement of the estate.

# Curriculum and Quality Improvement

## Curriculum overview

FE funded courses delivered in 2017/18 are Access to HE Diploma in Health Professions, Access to HE Diploma in Social Science both of which are full-time. Part-time courses include level 2 Certificate in Counselling, Power Point Skills at levels 1 and 2, Introduction to Word level 1, level 1 award in Street Activism and a level 1 course Preparing for Further Study. The total number of students enrolled on FE courses this academic year is 186 representing a small but steady increase over the last three years.

Higher Education (HE) funded courses both full and part-time delivered include BA International Labour and Trade Union Studies, BA (Hons) in Applied Social Sciences, BA (Hons) in Community Development in Youth Work (Level 4 to Level 6), BA (Hons) in Social and Political Studies (Level 5 & 6), BA (Hons) in Social Work (Level 4 to Level 6), HE Certificate in Law, HE Certificate in Writing for Performance, Foundation Degrees in Health and Social Care and Writing for Performance and MA in Global Labour and Social Change.

The total number of students enrolled on HE courses this academic year is 195, which represents a decline in enrolments since 2015/16 (when the college enrolled 294 students). However, senior managers believe they are on course to sustain the recruitment levels for next year.

In addition, through their partnership with the TUC and affiliate trade unions, circa 3000 students take short courses both on the college campus and at other venues across the UK.

College staff are committed to widening participation and the college is highly successful in attracting disadvantaged adults, including those with few or no qualifications, the unemployed, homeless, learners who have disabilities and those with learning difficulties.

28.5% of students in 2016/17 declared themselves as disabled and 23.9% of students are from black and ethnic minorities. Many learners start their learning with taster or short courses which motivate them to return to longer programmes of study.

## Curriculum planning

As part of Ruskin College's quality improvement plan for 2017/18, to address the reduction in funding, senior staff have carried out a comprehensive curriculum review. The purpose of the review was to:

- allow diversification of the ESFA funding allocation.

- increase the number of courses in the higher funding bands that would positively impact on income generation for the college.
- increase in the number of progression pathways for learners to support them in their future aspirations and to increase the number of learners retained, securing funding,
- optimise staff utilisation through planning of long courses.
- address short courses with irregular start dates throughout the year which impact on the letting of accommodation/ facilities to external partners.

The curriculum offer for 2018/19 is now more coherent and better aligned with both local and national demands. The college has been awarded an allocation to deliver apprenticeships, which is profiled to start this June. However, leaders and managers need to ensure that there are solid preparations in place to deliver this apprenticeship provision including the off-the-job training, assessment and review policies and procedures to ensure a successful and timely delivery.

Progress with the curriculum plan for 2018/19 has been far too slow - at the time of the intervention assessment, the process was only half-complete. The process is being hampered by the lack of experienced MIS staff and the requirement to provide a more comprehensive and cost-effective curriculum plan.

## Quality improvement

Quality of provision at Ruskin College has been confirmed by Ofsted as good (in its most recent short inspection in October 2016) and met the expectations by the QAA (March 2016). The college self-assessed as good for overall effectiveness in 2016/17. Leaders and managers have identified the actions that are needed to bring about further improvements and are implementing these actions and monitoring progress.

Since the last inspection, overall achievement rates for FE continue to be high (96.7% overall in 2016/17 with long course achievement rates at 88%). HE overall achievement rates have improved in 2017/18 on the previous year and are 67.5%.

Achievement rates for functional skills in English are low at 46.9% because of low retention. This has given leaders and managers cause for concern and actions have been identified and taken to bring about improvement in this year's quality improvement plan (in-year retention on functional skills English is currently 100% with the exception of entry 2, which is at 80%).

Only 57% of learners completed the destination survey for 2016/17. This is recognised as insufficient and analysis of progression and destination data has been identified as a leadership and management issue in the quality improvement plan.

FE and HE teaching was re-structured as part of the ‘Whole Organisational Change’ programme senior leaders completed in May 2017. Senior leaders have strengthened the systems for the observation of teaching, learning and assessment. All teachers have been observed this year as part of an ungraded developmental observation model. In this most recent cycle, 80% of teachers have met the standards expected and those who did not are being supported to improve. Themed “learning walks” took place in October 2017, with more planned.

There has been a sharing of good practice on specific and focussed topics with Hillcroft College, Activate Learning, Abingdon and Witney College and Oxford Brookes University (for example: inclusive support; dyslexia awareness; safeguarding; and e-learning).

Staff development for teachers is informed by the areas of development identified in lesson observations and has focused upon inclusive learning, e-learning development, embedding of maths, feedback and assessment, safeguarding and welfare. The college works closely with local Oxford University colleges, Exeter and Kellogg as well as Oxford Brookes University and Newman University in Birmingham. The Open University validates the college’s degrees.

The good practice identified by QAA in respect of the college’s HE provision was as follows:

- extensive use of external expertise in programme design and development.
- rigorous admissions processes that enable the college to fulfil its mission to provide educational opportunities to excluded and disadvantaged adults.
- comprehensive support for the development of staff, which delivers a high-quality learning experience for students
- personalised support provided by the learning development service which enables student achievement.
- effective arrangements to monitor and review the early students experience which support retention and achievement.
- the strategic approach to engaging students in the assurance and enhancement of their educational experience.
- strong and effective partnership working that supports the provision of high quality and effective placement opportunities for students.

The curriculum and quality committee has only recently been established (replacing the Academic Quality and Standards Committee) and has met once this academic year. The committee chair confirmed their objective is for the college to become outstanding by the next Ofsted inspection.

## Staff views

Union representatives acknowledged that the staff restructuring exercise implemented in last six months had been turbulent but acknowledged that it was a necessary change. They complemented the senior leaders on the process, which they described as amicable.

Going forward, the unions understand that the college needs to live within its means and they willingly contributed to cost saving and income generation ideas.

Union representatives felt more confident that the college was now able to prosper in a stand-alone position and suggested that any stronger partnerships or potential mergers should be with higher education institutions rather than general further education colleges.

## Student views

The students the FEC team met were all adults who had overcome some adversity such as illness, disability or lack of qualifications before enrolling at the college. Several of the students were studying on a residential basis.

All spoke highly of the opportunities that the college is giving them. Most of them have been students for a number of years, starting with taster sessions before moving on to qualification courses.

Students enjoy the “uniqueness” of Ruskin and felt protected and enriched by what they had experienced. All expressed a view that they could not see themselves attending colleges other than Ruskin because of the unique support they have been given.

# Finance and Audit

## Recent financial history and forecasts for coming years

The college was issued with a notice to improve by the ESFA for financial health in December 2014. The notice was issued as a result of an inadequate financial in for 2013/14 (per the published financial statements).

Governors and senior leaders failed to address the deteriorating financial position over a number of years, with cumulative deficits in the period 2012-13 to 2015-16 of over £2 million. These deficits have effectively been funded from college's declining cash reserves and from asset sales.

The college posted a deficit in 2016-17 of £547,000 on turnover of £5.5 million (10%), giving rise to another inadequate financial health grade. The deficit would have been significantly higher had the college been unsuccessful in securing retrospective funding from ESFA for over delivery on its ESFA contract (which was not planned). The deficit reflects a general lack of financial control over non-pay expenditure, including un-budgeted expenditure on the estates strategy and the estate itself.

The 2016-17 management accounts were forecasting a surplus until May 2017. By July 2017 a deficit of circa £300,000 was forecast but it was not until the preparation of the draft financial statements after the financial year-end that the full scale of the deficit was identified. The increased and unexpected deficit put pressure on cashflow and as a consequence, the college had to realise investments and negotiate a short-term overdraft facility.

## Effectiveness of the financial recovery plan

The college has prepared its recovery plan and 2017/18 budget based on a small deficit, which should return financial health to satisfactory.

The February management accounts indicate that the college is on track to achieve its target deficit thanks to much stricter control of non-pay costs and the suspension of further expenditure on the estates strategy. After a period of upheaval, management accounts are now being produced on a monthly basis.

Cash balances have improved following receipt of a retrospective increase in ESFA funding for 2016-17 helping to achieve a current ratio close to the area review guideline minimum of 1.0.

The further improvement in the financial position forecast for 2018-19 is expected to be achieved by increasing income levels whilst reducing non-pay expenditure:

- the college is forecasting an increase in its adult education budget allocation over the next two years. The college appears to have capacity to achieve this, but there is a risk that the EFSA may not grant the increase.
- the college is aiming to grow its apprenticeship provision by 2020/21. This is a non-traditional income stream for the college and achievement of the growth target involves significant risk. The relatively low level of activity may make this provision unviable.
- the college is forecasting an increase in income from its residential and catering activities. The majority of this increase comes in 2019/20 and is therefore high risk. Pay expenditure is forecast to increase although as no inflationary increases have been included, these would have to be funded by further efficiencies.
- the college is seeking further substantial reduction in non-pay expenditure between 2018/19 to 2020/21.

The senior leadership team should test new initiatives and income streams thoroughly (such as the plans for apprenticeships) to minimise the risk of delays / budget shortfalls / operational setbacks during the early stages of implementation.

The college is forecasting positive cash balances throughout the twelve months without the need for an overdraft, even during the usual March/April pinch point. However, the forecast indicates minimal headroom or margin for error. As such, the finance committee should monitor closely the college's cashflow forecasts and ensure that there are adequate contingency plans in place to manage peaks and troughs in working capital.

## Internal and external audit

The college's financial statements are audited by RSM. The auditors issued an unqualified audit opinion on the college's 2015/16 financial statements and did not highlight any particular areas of concern / focus in terms of the financial statements or regularity matters. The 2016/17 financial statements were not signed until 23rd March 2018 due to delays in finalising the short-term overdraft facility.

College governors need to satisfy themselves that the College has adequate and effective framework for governance, risk management and control and has fulfilled its statutory responsibility for the "effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

The audit committee should review the decision to stand-down the internal audit service for 2017-18 and ensure that there are adequate processes and systems in place to provide assurance on the effectiveness of systems of internal control.

## Management of financial risk

The previous director of finance left the college in September 2017, after which an experienced interim director of finance was appointed (October 2017). Initially this was on a full-time basis, although he is now working approximately three days a week at the college.

The senior finance officer was appointed in September 2017 and is not a fully qualified accountant. There are a further 2.5 full-time equivalent staff in the finance department. The college has advertised for a permanent director of finance but was unsuccessful at the first attempt. In the event that the college fails to recruit a permanent director of finance of sufficient calibre, it should consider other solutions.

Budget responsibility has been consolidated at the senior leadership team level and controls over authorisation of orders have been enforced. The college finance system is “Navision” and it has a number of issues and needs upgrading or replacing.

Student data at the college is poor. The college changed its student record system to Civica REMS in August 2017. However due to a problematic implementation it cannot be relied upon to provide accurate and clean data. Regular accurate reporting is due to commence from April 2018. The Manager of Data Quality and Performance was appointed in January 2018 from outside of the sector and has no previous further education knowledge or experience.

The senior leadership team needs to address outstanding implementation issues with the new MIS system as a high priority, to ensure that funding returns are timely and accurate and to provide more comprehensive management reports on curriculum, quality and funding performance.

# Estates and Capital Plans

## Use and maximisation of college estates and assets

The college is based on an attractive site in Old Headington three miles from the centre of Oxford. The site comprises a range of historic and modern buildings comprising 5,500 m2 gross internal area, including residential accommodation for 84 students (mostly shared bathrooms). The college also leases a small facility in the centre of Oxford.

The college was unable to provide data on a number of key indicators such as space utilisation; condition of estate; and planned maintenance programme (including any backlog maintenance). The college is in the process of developing an accommodation strategy which should include this information.

It was clear at the time of the assessment visit that college facilities (including the residential accommodation) are under-used, offering potential for growth; sub-letting and/or partial rationalisation / disposal.

The college has ambitions to invest in upgrading its residual accommodation however its financial position does not allow it to do so at present. The college has a number of assets with potential to sell to realise cash for investment.

# Conclusions

Ruskin College is a unique institution with a proud history and an important role to play widening participation through the provision of high quality FE and HE programmes to adults from disadvantaged backgrounds.

However, the pattern of significant operating deficits over a number of years has eroded the college's reserves and placed the college at significant financial risk.  This is only recently being addressed by the new principal and the new senior leadership team.

Despite decisive action to restructure and rationalise staffing coupled with the recent implementation of much tighter financial controls, the college's small scale and limited working capital will make it hard to achieve financial resilience or to make the necessary investment in its estate without further asset disposals.

Governors and leaders are rightly anxious to protect the college's unique role and mission but need to recognise the risks of any further lapse in financial performance (for example once the interim finance director moves on).

The college recognises the importance of strategic partnerships and is in active dialogue with several HE institutions. The FEC team's view is that this work should be progressed jointly with the FE Commissioner through a Structure and Prospects Appraisal (SPA) that would enable the college to explore the full range of strategic options (including merger with an FE or HE college) before the deadline for applications to the FE restructuring fund passes.

# Recommendations

1. As a matter of high priority the college should proceed to implement plans for necessary and overdue changes to the role of the council and governing executive to modernise key aspects of governance; strengthen the effectiveness of governor oversight of financial performance; widen the skill-set of the governing body; and ensure greater rotation and refresh in membership of the board.

2. Governors and the FE Commissioner should progress a SPA to confirm a strategy (including structural change such as merger) to ensure the long-term sustainability of provision. The timetable for the SPA should take into account the imminent March 2019 deadline for any access to the FE restructuring fund.

3. The senior leadership team should move quickly to finalise the curriculum plan for 2018-19 and develop much clearer and robust data on course viability and contribution levels as a basis for finalising delivery and budget plans for the academic year ahead.

4. The principal should ensure that plans to replace the current interim managers (in key finance and business development roles) provide management capacity of sufficiently high calibre to maintain progress with implementation of the college's recovery plan.

5. The audit committee should review the decision to stand-down the internal audit service for 2017-18 and ensure that there are adequate processes and systems in place to provide assurance on the effectiveness of systems of internal control.

6. The senior leadership team need to address outstanding implementation issues with the new MIS system as a high priority, to ensure that funding returns are timely and accurate and to provide more comprehensive management reports on curriculum, quality and funding performance.

7. The college needs to consider options for replacement of the current finance system which is not fit for purpose.

8. The interim finance director should progress work with the college's main lender to address the current loan covenant breach and agree revised covenants by no later than July 2018, with full disclosure of covenant compliance in the monthly management accounts.

9. The finance committee should monitor closely the College's cashflow forecasts and ensure that there are adequate contingency plans in place to manage peaks and troughs in working capital.

10. The senior leadership team should test new initiatives and income streams thoroughly (such as the plans for apprenticeships) to minimise the risk of delays / budget shortfalls / operational setbacks during the early stages of implementation.

11. Pending the outcome of the proposed SPA, the college should remain in formal FEC intervention, with a stocktake visit in autumn 2018.

# Annex A - Interviewees

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|---|---|
| Chair | Carole Orgell-Rosen |
| Chair of Finance Committee | Anne Hock |
| Chair of Quality & Standards Working Group | Pearl Ryall |
| Principal | Paul Di Felice |
| Clerk | Heather Cross |
| Interim Finance and Estates Director | Ashok Patel |
| Assistant Principal Curriculum | Rena Rani |
| Programme Manager (FE) | Tanya Shottlander (FE) |
| Head of Student Services | Darren Armstrong |
| Interim Head of MIS | Mike Attwell |
| Data Quality and Performance Manager | Neil Young |
| Human Resources Manager | Severine Edmunds-Ribierre |
| Group of Students | |
| Union Representatives | |

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