



Department
for Education

FE Commissioner Intervention Summary: Hadlow College

February 2019

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FE Commissioner Intervention Assessment summary report

Hadlow College

Name and Address of College	Hadlow College
Assessment undertaken by:	Richard Atkins CBE: FE Commissioner Andrew Tyley: Deputy FE Commissioner Frances Wadsworth: Deputy FE Commissioner Bob Smith: FEC Advisor
Chair of the College	Ms T Bruton
Principal / Chief Executive of the College	Mr P Hannan
Clerk to the Corporation	Jonathan Allen
Date of Assessment	7,8 and 15 February

Background to FE Commissioner Intervention Assessment

Hadlow College is a specialist land-based college with its main campus located near Tonbridge, Kent.

Hadlow College has not been in formal ESFA intervention but was referred for formal FE Commissioner (FEC) intervention due to a request for short notice Exceptional Financial Support (EFS) from the ESFA.

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

The FEC's report is intended to advise the Minister and the Chief Executive of the Funding Agency on:

- a. The capacity and capability of Hadlow College's leadership and governance to implement financial recovery within an agreed timeframe
- b. Any action that should be taken by the Minister and/or the Chief Executive of the Funding Agency to ensure the delivery of financial recovery and quality improvement (considering the suite of interventions set out in 'Rigour and Responsiveness in Skills') and
- c. How progress should be monitored and reviewed, taking into account the Funding Agency's regular monitoring arrangements.

Overview of the College

Hadlow College is a specialist land-based college with annual turnover in 2017/18 of £17.7 million. In addition to the main campus near Tonbridge, the college has satellites at Canterbury, Mottingham and Greenwich. There are approximately 3,400 learners from entry to degree level including 180 who live in residential accommodation onsite. The college's land-based specialisms include agriculture, horticulture, equine, fisheries, foundation, floristry, animal management. The most recent Ofsted inspection was conducted in 2010 where overall effectiveness was judged 'outstanding'.

Following the demise of K College in 2014, Hadlow College assumed operational management of three-fifths of K College's provision which was renamed West Kent and Ashford College. Whilst West Kent and Ashford College remained a separate legal entity the two colleges worked in step under the brand of the 'Hadlow Group' with a joint finance and audit committee.

The original recommendation from the Kent and Medway area review in March 2017 was for:

Hadlow College to remain a stand-alone institution subject to the completion, by 30 June 2017, of an evaluation by the Further Education Commissioner to confirm the legal status of the relationship between Hadlow College and West Kent and Ashford College

The FEC met with the chairs of both colleges in April 2017 to reinforce his concerns about the relationship between the two colleges. The FEC's subsequent evaluation in May 2017 concluded that a merger between Hadlow College and West Kent and Ashford should be recommended to formalise the relationship between the two colleges and address the risk to West Kent and Ashford College's financial sustainability.

After consideration of the FEC's findings at the colleges' joint strategy day in June 2017, the chairs wrote to the FEC reaffirming their intention to remain standalone. A follow up area review-related FEC/ESFA visit in January 2018 underlined earlier concerns including exceptionally high claims for Additional Learning Support (ALS), which was subsequently the subject of an audit review commissioned by ESFA in March 2018 and carried out in June 2018.

In March 2018, the FEC met again with the chairs of Hadlow College and West Kent & Ashford College to confirm his intention to revise the Kent and Medway area review recommendation to the effect that both colleges should merge. Considering the revised area review recommendation, the two colleges decided to submit an application to the FE Restructuring Fund (RF) working to a target date for merger of January 2019. An application for £24 million RF was submitted to the December meetings of the funding committee and external advisory panel.

The colleges' RF application was rejected due to concerns about the assumptions used in the CFADS model and the lack of transparency over intercompany transactions. The two colleges were formally notified of the outcome on 21 December 2018. The college had stated that Exceptional Financial Support (EFS) would be requested if RF was not agreed. In January 2019 the deputy principal/CEO alerted ESFA that both West Kent and Ashford College and Hadlow College may require EFS.

In addition to its relationship with West Kent and Ashford College, Hadlow College has interests in a wide range of joint ventures and subsidiary operations including:

- Betteshanger Country Park Limited
- Betteshanger Sustainable Parks Limited
- Produced in Kent Limited
- Saplings Rural Nursery & Preschool Limited
- Hadlow Rural Community School

Leadership and Governance

Role, Composition and Operation of the Board

Governance at Hadlow College is complex, lacks transparency and is ineffective.

The governance arrangements for the college are entwined with those of the other various organisations within the 'Hadlow Group' in a complicated network of cross associations and memberships.

Hadlow College board has 15 members, made up of 11 externals plus the principal/CEO, a staff member and two students. The chair is also vice-chair of West Kent and Ashford College and the vice-chair is also chair of West Kent and Ashford College. (*The chair of West Kent and Ashford and vice-chair of Hadlow positions are now vacant as the incumbent resigned after the FEC team's initial intervention visit*). Five other members, including the principal/CEO, sit on both West Kent and Ashford and Hadlow College boards. There are only two committees serving Hadlow board explicitly: remuneration and curriculum and quality.

The 'Hadlow Group' is not a legal entity, but has a group board which oversees the operation of the organisations in the group, which includes Hadlow College, West Kent and Ashford College, Hadlow Rural & Community School, Hadlow Pre School, Produced in Kent; Betteshanger Sustainable Parks Ltd and Betteshanger Country Parks Ltd. There is a complex property portfolio.

The 'Hadlow Group' board has 7 members: 5 ex officio, as follows: the group CEO/principal; chair of Hadlow College; chair of West Kent and Ashford College; chair of Hadlow Rural Community School; chair of 'Hadlow Group' audit committee; an independent member and an external member from Hadlow College board.

The 'Hadlow Group' has a group audit committee, a group finance committee and a group governance and search committee. These committees oversee audit and finance for both college boards and other organisations in the group. The group committee members are drawn from membership of the two colleges' boards, but also include a co-opted member on the audit committee.

These complicated governance arrangements and interconnectedness of membership leads to a few individuals having considerable influence regarding decisions relating to all organisations within the group and the property portfolio. This might have been crafted to ensure collective understanding of prevailing issues and priorities in each organisation, but if this was the intention, the structure has failed to deliver. It has instead led to a limited number of individuals having significant sway over decisions affecting the constituent organisations in the group, without a membership that has the financial skills, expertise and breadth to be able to challenge appropriately.

Board membership concerns include the length of membership served by some governors (terms of office for two governors are in excess of three terms) and the skills coverage provided by the various members. There is no qualified accountant on either the 'Hadlow Group' or Hadlow College boards and overall there is insufficient financial and accountancy skills or expertise across either the board or group board membership. The board has been accepting of poor-quality management accounts, produced only quarterly, so without an appropriate level of financial oversight and scrutiny. Too much trust has been placed by governors in a few key college senior post holders, with ineffective challenge from governors. There has been a failure to hold senior post holders to account, as appraisals demonstrate.

Board self-assessment has not been sufficiently robust. In 17/18 the board judged governance to be outstanding, with judgement that 'Governors have a good range of skills and expertise that they use effectively' and 'Governors provide robust scrutiny and challenge.' There is little evidence that this was the case, or that the whole-college self-assessment activity was sufficiently robust.

Governors have only recently, and belatedly, become aware of the extremely serious financial situation that Hadlow College (and the organisations within the 'Hadlow Group') is now in.

Governors and senior leaders were made aware of FEC's concerns regarding the relationship between Hadlow College and West Kent and Ashford College during meetings of the Area Review process (2017) and follow up meetings with the chairs of both colleges. The board repeatedly ignored these concerns.

The board recognised only recently that the situation had become a complete crisis. There has been a systemic failure of governance which has taken place over a significant period.

An independent, peripatetic clerk serves Hadlow College board, West Kent and Ashford College board and the group and college committees. He also works for a number of other large FE colleges and a MAT. The clerk has failed to address matters of good governance across the governance structure, leading to some poor and inappropriate decision making over a period of time and inappropriate governance.

The principal/CEO went on sick leave at the start of the initial intervention visit and the deputy principal/CEO was already on garden leave, having resigned before the FEC team arrived. The board is ensuring appropriate support for them both and sourcing interim cover.

In the FEC's opinion, the Hadlow College board and group board have failed in their fiduciary duties and in so doing put the sustainability of two colleges and its learners at risk.

Leadership and Senior Management team

The interim management structure of 'Hadlow Group' determines that most senior managers and some middle managers, have responsibilities that span the two FE colleges: Hadlow College and West Kent and Ashford College.

The group principal/ CEO and deputy principal/CEOs' roles cover both Hadlow and West Kent and Ashford colleges (as well as other organisations in the 'group'). The deputy principal was made a senior post holder from 1 January 2018. Those members of the executive whom the FEC team met confirmed that a number of them, along with those they line manage, also have responsibilities across the two colleges. There is, however, a separate vice- principal curriculum role for each college.

The group principal/CEO went on sick leave shortly after greeting the FEC team onsite. The FEC team did not meet with the deputy principal/CEO during the visit as he was already on garden leave. Interim arrangements for cover were being made by the board and appropriate support has been provided for the group principal/CEO and deputy principal/CEO.

The executive team members that the FEC team met said that they had only very recently become aware of the full seriousness of the financial issues now impacting upon both colleges. They had not been in receipt of management accounts or financial information, other than their own budgets. Some claimed to have made attempts to become more actively involved in understanding the college's finances, but said that this had not been encouraged. There was a lack of transparency and engagement by the senior post holders that the executive team said precluded them from developing their understanding, skills and so their ability and opportunity to engage in decision making. Members spoke of the principal/CEO and deputy principal/CEO regularly making decisions themselves outside of executive and any open discussion - and reacting strongly to questioning or challenge.

The executive members met, outlined that they had been isolated from key financial management information and cut out of much of the key decision making for some time. They spoke of business partnerships that had been determined by senior post holders which they had not been consulted on and where there were curriculum and learner implications that had not been properly considered. They gathered that some of these partnerships were losing significant sums of money.

There was clearly a lack of trust in the senior leaders and a shared frustration that their concerns regarding inappropriate behaviours from one key individual were not followed up or addressed.

Several HR concerns were raised during the FEC team's visit, involving grievances, whistle blowing and various allegations of misbehaviour by senior post holders. There

were significant and long-standing concerns emerging regarding the reliability of some data which are being followed up with consideration of any impact upon both funding and achievement.

Executive members met said they had been discouraged from engaging meaningfully with the board. Although they had been allowed to attend some committees, they said that they were not provided with papers and were asked to withdraw for various items deemed confidential. They said that they did not feel empowered to contribute to, or have an understanding of, issues. An exception was the curriculum and quality committee, where the managers clearly had had input, produced some of the reports and where there is evidence of productive discussion and engagement with committee members.

Executive members and managers whom the FEC team met expressed a willingness to address emerging issues and said that they were anxious to do what they could to preserve a good learning experience for their students, minimising any disruption.

Curriculum and Quality Improvement

Curriculum overview

The main campus at Hadlow is situated on a 1000-acre estate which includes a commercial dairy farm, beef farms, sheep farms, horticultural production on its Court Lane site (as well as the new horticulture and dog-grooming facilities in Greenwich), a large animal management centre with veterinary facilities, a developing machinery and Landscape Training Centre and equine centres with two indoor arenas and stabling for approximately 60 horses (excluding the new facilities in Greenwich).

In addition, the college has five satellite centres. Full time courses are offered at Princess Christian's Farm (Tonbridge) offering courses for students with learning difficulties and / or disabilities (SLDD) and foundation curriculum; Mottingham (South London) and Canterbury (East Kent) offering animal management; and Greenwich offering equine. Part time provision is offered at Mottingham, Canterbury, Hadlow, Greenwich and Rainham (Medway) which in the main, is in horticulture. The satellite facilities provide FE and HE for those local areas and progression to HE is to the main site at Hadlow.

Princess Christian's Farm is a collaborative partnership with Kent County Council (KCC). The farm provides education for adults with learning difficulties and disabilities as a part of KCC social services provision and has also allowed the college to further develop its provision for young people with learning development and/or disabilities (LDD) and physical disabilities, providing a safe and challenging working environment. The farm facilities have been developed over the period of the partnership to provide a piggery, calf sheds and poultry units.

The college's land is cultivated with arable crops which are utilised by the college farms and support the teaching and learning. In addition, there are two commercial garden centres, two farm shops, commercial floristry and a retail tea room which both support teaching, learning and assessment and also generate income to support learning. This is underpinned by a college commercial engagement framework covering all aspects of business on the estates (fisheries, glasshouses, property & micro business).

The college has residential accommodation on site for 225 students most of whom are 16-18, including 55 residences for over 18 students at the Grove Farm fisheries complex. The college has sporting facilities, including a fully equipped gymnasium and high-quality playing fields which are used by students (residential and non-residential) and the local community.

As a specialist land based agricultural college, Hadlow offers a range of provision in the following areas:

- Foundation/ entry courses
- GCSEs in English and mathematics
- Agriculture and agricultural engineering (predominantly levels 2 and 3)
- Animal management (levels 1-6)
- Dog grooming (adults: levels 2 and 3)
- Equestrian studies (levels 1-6)
- Fisheries management (levels 2-6)
- Floristry (levels 2, 3 with some level 4 and 5)
- Forestry and arboriculture (level 3)
- Horticulture and garden design (levels 1-6)
- Short courses and teacher training
- Apprenticeships: mostly in horticulture, but with some agriculture

Quality, Outcomes and Ofsted inspections

Hadlow College was last inspected in July 2010 and was graded 'Outstanding' by Ofsted.

The Hadlow College self-assessment report (SAR) judgements for recent years are as follows:

	2015/16	2016/17	2017/18
Overall Effectiveness	Outstanding	Outstanding	Outstanding
Leadership and Management	Outstanding	Outstanding	Outstanding
Teaching, Learning and Assessment	Outstanding	Outstanding	Outstanding
Personal Development,	Outstanding	Outstanding	Outstanding

	2015/16	2016/17	2017/18
Behaviour and Welfare			
Outcomes for Learners	Good	Outstanding	Good
16-19 Study Programme	Good	Outstanding	Good
Adult Learners	Outstanding	Outstanding	Outstanding
High Needs	Outstanding	Outstanding	Outstanding
Apprenticeships	Outstanding	Outstanding	Outstanding

SAR judgements for 2017/18 indicate the board's view that there has been a decline from Outstanding to Good in two areas: outcomes and 16-19 study programmes, however that the overall effectiveness grade for the college remains as Outstanding.

Given the emerging issues regarding leadership, management and governance it now seems unlikely that a judgement of Outstanding could be justified or evidenced for leadership, management and governance. This, coupled with the acknowledged decline in outcomes and 16-19 study programmes, brings the board's SAR judgement for overall effectiveness of the college as being Outstanding into question.

Outcomes

Hadlow College's overall achievement levels have remained reasonably consistent across the past three years, from 82.7% in 2015/16 to 83.3% in 2017/18; i.e. just below the national achievement rate for 2016/17 of 83.6%.

Achievement for 16-19 study programmes primary learning goals, however, has declined from 86.1% in 2015/16, (83.2% in 2016/17), to 83.4% in 17/18; bringing it to 5.1% below the 16/17 national achievement rate of 88.5%. The college recognises 16-18 retention for primary learning goals/study programmes is a key issue to address to improve achievement. Retention has fallen from 87.4% in 2015/16 to 85.9% in 2017/18, with the national retention rate for 2016/17 being 93%.

Adults' achievement for primary learning goals has risen from 91.9% in 2015/16 to 93.5% in 2017/18 which is 7.2% above the 2016/17 national rate of 86.3%, with rising retention as part of that improvement. Though this is positive, achievement in access to HE, though very small numbers (13 in 2015/16, now 6 in 2017/18) has declined sharply from 85.7% in 16/17 to 66.70% in 2017/18 indicating some inconsistency of quality of provision. This programme has now been closed.

High needs learners' overall achievement is pleasing - it has risen from 87.4% in 2015/16, 92% in 2016/17, to 93.5% in 2017/18, which is 5.4% above the 2016/17 national achievement rate.

From the college's data, overall apprenticeship achievement is at 80% for 2017/18, which is well above the 2016/17 national rate for agriculture, horticulture and animal care apprenticeships (+9.4%). Timely success is reported by the college at 81.7%, an improvement of 11% on 2016/17. It is to be noted that total numbers in 2017/18 (60) were much lower than those of 2016/17 (107).

In 2016/17 the college breached minimum standard threshold for applied general. ESFA noted that the number of students at the end of applied general study was 26 and the applied general score was -1.03 in relation to BTEC diploma in sport, BTEC extended diploma in sport and BTEC extended diploma in sport and exercise sciences. Hadlow College informed the ESFA that they had decided to close provision.

10.8% of college provision (cohort size 107) has fallen below minimum threshold in 2017/18, of this 74% is in functional or basic skills. SSA14 (which includes functional skills and foundation full time curriculum) achievement for 16-19-year olds has declined by 3.2% over the past three years, from 68.3% in 2015/16 to 65.1% in 2017/18.

College supplied data was used in this report. As noted earlier in the report there are some questions regarding the reliability of the college's student data, which are currently being explored.

Student views

Students whom the FEC team met were from a range of Hadlow College courses. They were positive about their experiences and their reasons for choosing their particular course and the college.

They had clearly had, and were still receiving, good careers and progression advice. They were clear about their own targets and progress on their courses as well as having thought through their next progression and career steps. They were positive about the stretch and challenge they experienced and the supportive nature of their teachers and other staff.

In discussion it became clear that there had been some numbers drop out across the year to date and that some classes were running with small class sizes.

Staff views

Staff whom the FEC team met were from both Hadlow and West Kent and Ashford Colleges. All were very proud of, and positive about, both colleges and the role that they had each played in ensuring a good learning experience for students. There was considerable concern regarding recent revelations regarding the colleges' financial position and how this might impact upon the colleges' futures. Some were dismayed that

they had not been kept abreast of emerging issues and others felt they had been misled. However, without exception there was a strong sense of purpose and determination that the staff would do what they could to minimise any adverse impact upon learners and learning.

Union representatives whom the FEC team met had a wide range of concerns regarding the integrity and effectiveness of senior leadership and governance of the college. They outlined a number of serious allegations which indicated the breakdown of trust that has taken place.

Finance and Audit

Financial performance 2017/18

The college's financial health is assessed as inadequate for 2017/18 and the draft finance record for Hadlow College only, shows that the college fails two of the FEC benchmarks (operating surplus as a % of income and current ratio). When the record is expanded to include its subsidiaries, the position worsens.

The college has not completed its annual accounts for 2017/18 and it may be some time before they do so as there are still significant items to be resolved.

There is a significant forecast operating deficit (subject to year-end adjustments and audit and excludes subsidiaries) that is a major adverse variance from the budgeted surplus. A full explanation for the deficit is still unclear and a number of issues need further investigation.

Financial forecast 2018/19

The financial forecast as at December 2018 for 2018/19 shows a significant deficit that, like 2017/18, is a major adverse variance from the budgeted surplus.

The college is forecasting a reduction in income most notably in HE and apprenticeships as well as commercial revenue and residential boarding fees.

In order to reduce the adverse variance from the budget, new income streams and cost savings have been included in the forecast. Many of these assumptions are unlikely to be achieved and therefore the forecast deficit is likely to worsen.

The college also needs to urgently review a number of subsidiaries and joint ventures. Notably the annual accounts for Betteshanger for 2017 show that it has significant net current liabilities and negative shareholder funds.

Financial Forecast 2019/20

The financial plan for 2019/20 assumes income broadly in line with the budget for 2018/19 and producing a modest operating surplus. However, given the forecast deficit for 2017/18 and 2018/19 the forecast operating surplus for 2019/20 is totally unrealistic and the college needs to review its financial position going forward.

Financial (budgetary) control, management and record keeping

Financial Management at the college has been poor with major failings in a number of areas.

The budget setting process has been poor and the college's forecast outturn for both 2017/18 and 2018/19 are now showing significant deficits compared to the budgeted surpluses.

The college's finance record for 2016/17 shows an automated financial health score of 'Good'. However, when this is compared to the annual accounts there are material differences, particularly in relation to loans. When the finance record is amended to reflect the annual accounts the automated health score is 'Inadequate'.

Financial control and management accounts have not been effective in controlling or reporting on the adverse financial performance of the college.

The management accounts are only reported three times in the year September, January and April. This is unacceptable and senior management and governors cannot fulfil their fiduciary duty.

The FEC team recommend that the college review the management accounts in comparison to the AoC good practice accounts and make the necessary adjustments as a matter of urgency. Monthly management accounts should be prepared from September onwards and the budgeted position should be the same as the management accounts. The college should ensure it has sufficient resources to be able to complete monthly management accounts and prepare budgets and prepare the accounts. The management accounts should be received by the board on a monthly basis so that they can fulfil their fiduciary duty to the college.

Inter-company Transactions

The senior management team and governors have confirmed to the FEC on numerous occasions during the area review process that they are not a group and that they are two separate legal entities. Despite this the two colleges have managed critical aspects of their finances as if they were a group and inter-company loans between WKAC and Hadlow College are not transparent.

Internal and external audit

The external auditors have been unable to complete their audit and the college has requested an extension to the end of February 2019 however this is unlikely to be achieved.

The internal audit opinion for 2017/18 was that 'Hadlow Group' has adequate and effective management control and governance processes in respect of the areas examined by us which should enable the group to manage and achieve its objectives.

The areas reviewed during the year were:

Audit Area	Audit Opinion
Board Assurance Framework	Full Assurance
Risk Management	Substantial Assurance
Key Financial Controls	Substantial Assurance
Income and Credit Control	Substantial Assurance
GDPR Preparedness	Not Applicable
Betteshanger Country Park – Income Generation and Financial Viability	Satisfactory Assurance

Risk Management

Despite a comprehensive risk management system, governors and senior leaders at Hadlow College have failed to recognise the significant risks of the informal group relationship with West Kent and Ashford College which are now all too visible. The Risk Management Strategy is a comprehensive document however the risk mitigation does not reflect an accurate position of the college.

Estates and Capital Plans

Use and maximisation of college estates and assets

Hadlow College comprises one main site and a number of smaller satellite sites as set out below:

- Grove Farm
- Canterbury
- Mottingham
- Betteshanger
- Greenwich
- Hildenborough

The college has residential accommodation on site for 225 students most of whom are 16-18, including 55 residences for over 18 students at the Grove Farm fisheries complex

The college commissioned an estates plan in conjunction which was completed in September 2018. No information is included regarding Betteshanger in the college's estates strategy.

Property management and investment

Recent Disposals

The college has sold land at Court Lane. The price and timing of the receipt is determined by the outcome of a planning application for housing. The current expectation is that the receipt will be received in August 2020.

A transaction took place on 31 July 2018 transferring land at Court Lane from Hadlow College to West Kent and Ashford College.

Expenditure Plans

Vineyard

Jessel Farms (owned by George Jessel, patron of Hadlow College and a governor at West Kent and Ashford College) and Hadlow College has formed a limited liability partnership joint venture (Invicta Vineyards LLP) to produce and sell wine and associated products' ownership of the joint venture is 50% Hadlow College and 50% Jessel Farms. The joint venture's key objective is to establish a working vineyard and winery so that working facilities can be provided where Hadlow students can be integrated into a commercial operated business to be trained on the making of wine.

The funding of the scheme has not been agreed.

The curriculum case for the investment and funding is unclear and the FEC team recommend that the college review the scheme in relation to its core activities.

Betteshanger Sustainable Parks

Betteshanger Country Park is a green tech social and economic regeneration scheme that combines sustainable business and commerce; education and sustainable energy; and global tourism. The Centre will comprise commercial facilities, green tech energy Centre, state of the art mining and heritage digital museum, outdoor energy facilities, residential accommodation (2019), and a 3,500-seater amphitheatre (already built). The project was secured with a dowry to support the operation of the site.

The college has no funds available to complete the project and it is currently on hold. It is unclear whether any of the grant is repayable.

The curriculum case for the investment is unclear and the FEC team recommend that the college review the scheme in relation to its core activities

Conclusions

In the FEC's opinion, the Hadlow College board has failed in its fiduciary duties and in so doing put the solvency and long-term financial sustainability of the college and its learners at risk. There has been corporate failure of leadership, financial management and governance.

Issues of poor communication and lack of transparency have mitigated against good governance and leadership and insufficient steps have been taken to avoid conflicts of interest at board and senior management level. A number of allegations are currently being investigated by the ESFA which further call into question fundamental aspects of governance and leadership.

Hadlow College faces significant financial challenges and will be reliant upon EFS to meet its obligations. The college has substantial debts which are at serious risk of default. Hadlow College also owes considerable sums to West Kent and Ashford College.

Managers, staff and students whom the FEC team met were positive in their determination to do whatever they could to continue the college's direction of quality improvement. Their continued commitment and support will be critical during a challenging period ahead whilst a sustainable long-term solution is found to secure specialist land-based provision in Kent.

Serious questions remain regarding the college's involvement in a number of projects and commercial ventures of which Betteshanger is a particular concern.

Recommendations

1. There has been a serious corporate failure at this college. The corporation should urgently improve the effectiveness of governance, clerking and audit. The FEC team recommend the recruitment of at least two governors with financial credentials as soon as possible.
2. Revised governance and leadership arrangements must ensure that there is full transparency regarding the finances, staffing and assets of Hadlow College which reflects an appropriate arm's length relationship with West Kent and Ashford College, pending the outcome of the proposed options review.
3. Notwithstanding the need to consider the wellbeing of senior post holders, the board must hold senior staff to account for any role they may have had in the collapse in the college's finances and non-compliance with standing orders and financial regulations.

4. The college must urgently recruit an interim chief financial officer who can give top priority to the development of a robust cash flow forecast to identify scope to minimise the requirement for EFS and identify potential to repay sums advanced. External support should be brought in as necessary.
5. In the short term, disruption for teaching staff and students should be minimised so that college life continues normally. There should be a continued focus on teaching, learning and support for learners. Budget plans for 2019/20 will however need to address the underlying budget deficit.
6. The college should undertake a full review of the Betteshanger project to confirm the educational rationale for the college's involvement and also assess the outstanding obligations and commitments to funders and contractors. It needs to protect itself from potential liabilities and consider a forward plan that achieves a positive return on the investment already made by the college.
7. To understand and clarify the true financial position of each of Hadlow College and West Kent and Ashford College it is essential that any loans or financial arrangements between Hadlow College and West Kent College are thoroughly investigated.
8. An FEC led Options Review should take place for both Hadlow College and West Kent and Ashford College to confirm structural options to secure high-quality sustainable FE provision in south and west Kent.
9. The college should be placed in supervised college status with immediate effect, with ESFA observers attending all future board and 'group' board meetings. The college should work closely with ESFA regarding ongoing investigations and to manage the critical relationship with lenders and key creditors in light of the risks of insolvency.
- 10.** The FEC team should make monthly stocktake visits to Hadlow College until July 2019 when the outcomes from the structure and prospects appraisal should be known.

Annex A - Information reviewed

Interim Management Structure January 2018
Directorships of Subsidiary Companies and Joint Ventures
Self-Assessment Report 2017/18
Quality Improvement Plan
Ofsted Inspection Report
Student Numbers, Retention and Performance Data
Corporation and Committee Membership and CVs
Board Self-Assessment
Appraisal Records (Principal)
Risk Register
Internal and External Audit Reports
VAT advice re Sale of Property
Board and Committee agenda's and minutes 2017-2019
Finance Record 2016/17 and 2017/18 (draft – college only)
Draft Financial Statements 2017/18 (3 December 2018)
Revised Three Year Financial Plan 2018/20 (17 January 2019)
Funding Claim Submissions 2016/17 and 2017/18
Transactions Unit Model Assumptions and Narrative
BDO Independent Financial Review (21 November 2018)
Financial Performance Report Periods 1 – 5 2018/19
Monthly cashflow forecast (4 February 2019)
Barclays Loan Facility Agreements
Review of Financial Position January 2019 (Descension)
Hadlow Group Property Strategy
Various Valuation Reports
Contracts for Consultancy Services
Ground Rent Scheme
ESFA briefing paper

Annex B – Interviewees

Chair of Governors

Vice Chair of Governors

Governors

Clerk

Interim Principal

Group VP Student Support and Services

VP Curriculum (Hadlow)/Apprenticeships

VP Curriculum (West Kent and Ashford)

Apprenticeships

Group VP Quality, Standards and Performance

/ HE / Admissions / CEIAG / Pre-school

Heads of Faculty

Group Chief Financial Officer

Group Director of Finance

Edscencio

MIS Officers

Group Director of HR

Head of HR

Director of Estates Strategy and Commercial

Development

Estates Officers

Group Head of Recruitment, Partnerships and

Contracts, Apprenticeships and Training

Union Representatives

Group of Staff



Department
for Education

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Reference: DFE-00104-2019



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