



Department
for Education

FE Commissioner Intervention Summary:

West Kent and Ashford College

February 2019

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FE Commissioner Intervention Assessment summary report

West Kent and Ashford College

Name and Address of College	West Kent and Ashford 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	Mr P Dubrow
Principal / Chief Executive of the College	Mr P Hannan
Clerk to the Corporation	Mr J Allen
Date of Assessment	7,8,15 February

Background to FE Commissioner Intervention Assessment

West Kent and Ashford College is a medium-sized general further education college with approximately 5,300 students most of whom live in south and west Kent.

West Kent and Ashford College is currently in formal ESFA intervention for financial health as a consequence of a notice of concern originally issued to K College, its predecessor, in 2012. The financial notice has remained in force due to ongoing concerns about the viability of the college as a stand-alone entity.

Concerns regarding the financial sustainability of West Kent and Ashford College were reinforced during the Kent and Medway area review which concluded in March 2017 with a recommendation that:

“West Kent and Ashford College to remain a standalone institution subject to the completion, by 30 June 2017, of an evaluation by the FE Commissioner to confirm the financial sustainability of the college and the legal status of the relationship between Hadlow College and West Kent and Ashford College”.

The FE Commissioner (FEC) met with the chairs of both colleges in April 2017 to reinforce his concerns about the relationship between the two colleges; the approaching cliff-edge of funding as the three-year funding protections were coming to an end; and the risks of over-optimistic forecasting given the imminent introduction of the insolvency regime. The FEC's subsequent evaluation in May 2017 concluded that a merger with Hadlow College 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 about the college's financial performance including a potentially 'inadequate' financial health grade and 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 alerted ESFA that both West Kent and Ashford College and Hadlow College may require EFS.

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 West Kent and Ashford 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

West Kent and Ashford College is a medium-sized general further education college with two main sites in Tonbridge and Ashford. The college offers provision ranging from foundation learning to higher education across all curriculum areas other than land-based. Annual turnover in 2017/18 was £21 million with 5,300 students in total, including 2,219 full-time FE students, 321 apprenticeships and 285 HE students. The college works with one main sub-contractor (Go Train) which delivers employability programmes in Kent.

Following the demise of K College in 2014, Hadlow College assumed operational management of three-fifths of K College's provision and the name was changed to West Kent and Ashford College. Substantial funding protection for West Kent & Ashford College was initially granted by the EFA and SFA for a two-year period (2014/15 to 2015/16) and then extended for a further year (2016/17).

Despite its close working relationship with Hadlow College under the 'Hadlow Group' brand, West Kent and Ashford College remains an independent corporation and is

subject to separate Ofsted inspection arrangements. The most recent Ofsted inspection (November 2018) judged overall effectiveness as 'requires improvement'.

Leadership and Governance

Role, Composition and Operation of the Board

West Kent and Ashford College has 14 governors: 8 external members, the principal, 2 staff and 3 students.

Governance arrangements for the college are linked across those of the other various organisations within the 'Hadlow Group' in a complicated network of associations and memberships.

The chair at West Kent and Ashford College (WKAC) is also the vice chair of Hadlow College and the vice chair of WKAC is also chair of Hadlow College. (*The chair of West Kent and Ashford College 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 is one committee which explicitly serves the West Kent and Ashford College board: the curriculum and quality committee.

The 'Hadlow Group' is not a legal entity, but has a group board which oversees the operation of the organisations in the group, which include West Kent and Ashford College, Hadlow Rural Community School, Hadlow College, 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, which only has advisory status in law, 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; 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.

As a result of these arrangements a few individuals have considerable influence across all organisations within the group and the related property portfolio. It has 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 on the group board are in excess of three terms) and the skills coverage provided by the various members. There is no qualified accountant on either the group or West Kent and Ashford College's board and overall 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.

Amongst many serious concerns regarding governance, are inappropriate business dealings, and a lack of oversight of conflicts of interest.

Board self-assessment has not been sufficiently robust. In 2017/18 the board judged governance at West Kent and Ashford College to be good, with judgement that 'governors provide robust scrutiny and challenge.' The curriculum and quality committee, where there is closer governor engagement with, and oversight of, matters and good engagement with executive members minutes do reflect suitable challenge. However, it is not mirrored in other aspects of college business, operation and decision making in governors' meetings. The assertion in the self-assessment that governors possess a good range of skills is questionable as there was no qualified accountant on the college or group board or anyone with sufficient financial experience or skills to be able to provide appropriate challenge.

Governors have only recently, and belatedly, become fully aware of the extremely serious financial situation that West Kent and Ashford College now faces.

An independent, peripatetic clerk serves West Kent and Ashford College board, Hadlow College board and the group and college committees. He also works for several 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 during the initial intervention visit and deputy principal/CEO was already on garden leave having resigned before the FEC team arrived. The board is ensuring support for them both and sourcing interim cover.

The West Kent and Ashford College board and Hadlow Group board appear to have failed in their fiduciary duties and in so doing put the sustainability of two colleges and their learners at risk. Governance at West Kent and Ashford College has been inadequate.

Leadership and Senior Management team

The management structure of Hadlow Group determines that most post holders have responsibilities that span the two FE colleges: West Kent and Ashford College and Hadlow College.

The group principal/CEO and deputy principal/CEOs' roles cover both West Kent and Ashford and Hadlow 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 several of them, along with those they line managed, also had 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 intervention visit because he was already on garden leave, following his resignation in January. 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.

Ofsted's judgement that, *'Leaders, managers and teachers have high expectations of, and aspirations for, their students and apprentices,'* was clearly demonstrated by those whom the FEC team met. There was determination to improve the student learning experience and this has led to the Ofsted judgement that, *'The quality of teaching, learning and assessment is now good.'* Recently reconfigured responsibilities, with more clearly defined responsibilities for apprenticeship provision, have been welcomed by the executive team, who clearly work well as a team.

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 who the FEC team 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 on anything more than a superficial level. 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 college provides a range of post-16 provision, including 16-19 study programmes, adult learning programmes, apprenticeships and courses for students with high needs.

The curriculum covers all the sector subject areas, over two distinct sites in Kent. Although West Kent and Ashford College has a single UKPRN it is branded as being two colleges with distinct identities, reflecting the local areas in which they deliver. West Kent College is based in Tonbridge with a construction and motor vehicle site in Hadlow. Ashford College moved to the Elwick Road site in Ashford in 2017/18. Some practical provision remained at Jemmett Road but was closed in July 2018 and provision relocated. Approximately one-third of the college's students attend Ashford campus.

It was clear from meetings with managers that more open and transparent leadership and management was needed from senior leaders to engage managers in a holistic, robust curriculum and resource planning process, which would be used to inform the estates

strategy, resource requirements and staffing needs of the curriculum offer. A potential shortfall in specialist construction accommodation, for example, had not been properly considered or prepared for. Managers also spoke of partnerships that had been crafted in isolation by senior leaders, with curriculum delivery and implications which they had not had the chance to consider, discuss, cost or evaluate. An example is the partnership arrangement with Rosemary Shrager Cookery School.

Ofsted inspections and Quality Improvement

West Kent and Ashford College was inspected for the first time in 2016/17 and judged to be 'requires improvement' for overall effectiveness.

It was re-inspected in October 2018 where it was judged 'good' in leadership and management; personal development behaviour and welfare; teaching, learning and assessment; study programmes; adults; and high needs learners. Outcomes and Apprenticeships were judged 'requires improvement' and the college was again judged overall as 'requires improvement'.

Included in the table below are the college's own SAR judgements for 2017/18 showing that Ofsted did not agree with either the SAR judgements for outcomes or the overall judgement which they deemed remained as 'Requires Improvement'. Despite this the report is positive about the direction of travel and impact that is being had on teaching learning and assessment, which is judged to be 'good'.

The need for rapid improvement in apprenticeship provision, which requires improvement, was accepted by the VP curriculum at WKAC, who now has responsibility for this area of work. He is working with the VP curriculum at Hadlow to share best practice.

	Ofsted Judgements in 2016	2017/18 WKAC Self-assessment report	Ofsted Judgements; October 2018
Overall Effectiveness	RI	Good	RI
1. Leadership and Management	RI	Good	Good
2. Teaching, Learning and Assessment	RI	Good	Good
3. Personal Development, Behaviour and Welfare	RI	Good	Good
4. Outcomes for Learners, including:	RI	Good	RI
16-18 Study Programme	RI	Good	Good
Adult Learners	Good	Good	Good
High Needs	Good	Good	Good
Apprenticeships	RI	RI	RI

Outcomes

Outcomes were judged by Ofsted, in their November 2018 inspection of the college, as 'requires improvement' and although the WKAC SAR had rated this aspect more highly, the executive did accept the Ofsted judgement.

Ofsted noted that *'too few students aged 16-18 stay to the end of their course and, as a result, too few achieve'* (Ofsted 2018) and executive members agreed that retention is a critical issue for the college to address.

Apprenticeship outcomes were judged by Ofsted as follows, *'Too many apprentices make slow progress and the proportion who achieve within their planned time is too low.'* Note was also made in the inspection report that *'leaders and managers are unable to evaluate the effectiveness of the training all apprentices receive as they do not know what happens to a quarter of the apprentices once they finish their programmes.'*

Areas of improvement in outcomes in the inspection report were outlined, such as for adult students on Access to HE and A level, but *'Too few students aged 16-18 on diploma courses achieve at levels 1 and 3.'* Whilst in areas other than sports and media there is improvement in level 2 achievement, Ofsted noted, *'this proportion is not yet high enough.'*

Teaching, learning and assessment

Managers, students, staff and governors were all clear that there had been significant improvements in teaching, learning and assessment at WKAC in recent years. Ofsted agreed with this in their November 2018 inspection. The previous inspection grade of 'requires improvement' has now risen to 'good' in the recent inspection.

'Teachers and managers have taken successful action to improve their practice. As a result, the quality of teaching, learning and assessment has improved since the previous inspection and is now good' (Ofsted 2018).

Student views

The students whom the FEC team met were positive about their learning experience at West Kent and Ashford College. Several had long journeys each day and all had made a positive choice to come to the college. Students thought the interviewing, advice guidance and induction they had experienced were good and were enjoying their learning. They were clear about their targets and that they and their teachers were monitoring progress, with very positive comments about the support from tutors and tutorials. Most of the students thought the feedback they received on submitted work was generally thorough, but some said that there were issues of consistency across the teaching teams, with some staff being more helpful than others. Students thought teaching was generally good and well planned but that in some instances resources were

an issue. IT and wifi were mentioned by a few as examples. From students comments it appears that there are a number of small classes where retention has depleted numbers to such an extent that viability might be an issue.

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 informed about 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. Staff believed that the Hadlow, Tonbridge and Ashford college sites were working well together on improving provision for learners.

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 allegations which indicated the breakdown of trust that has taken place.

Finance and Audit

Recent financial history and forecasts for coming years

2014/15 to 2016/17

For the first three years of operation since the demise of K College in 2014, West Kent and Ashford College benefited from substantial funding protection. This protection was agreed by the ESFA as part of a wider agreement to secure locally delivered FE provision.

Income remained broadly stable during 2014/15 and 2015/16 before falling significantly in 2016/17 despite the extended protection agreement. This factor coupled with increasing pay costs resulted in a substantial operating deficit by 2016/17.

Financial health in 2014/15 and 2015/16 was assessed as good thanks to positive scores for the adjusted current ratio and EBITDA. High levels of borrowing as a percentage of turnover coupled with the poor operating performance in 2016/17 resulted in a decline in the financial health autoscore to inadequate. This was an important warning signal that was masked by protracted delays by the college in completing an accurate finance record return well into 2018.

2017/18

Despite the significant operating loss in 2016/17 and the prospect of a sharp reduction in income from 2017/18 (the first year without funding protection), the college forecast a return to good financial health based on a budgeted operating surplus.

The original budget reflected a forecast drop in income offset by pay savings and significant reductions in other operating expenses. The significant draft out-turn deficit reflects a much steeper decline in income due largely to recovery of the 2016/17 over-claims for ALS; a significant under-performance against the 2017/18 AEB allocation and an overspend on interest charges due to the delay in refinancing the bank loan.

The significant draft operating deficit is still subject to year-end adjustments and audit. The impact of further provisions for recovery of funds, VAT liabilities and write-offs is likely to increase the final deficit further. The draft finance record shows financial health as firmly inadequate (nil autoscore). The draft financial position for 2017/18 compared to the FE benchmarks, which confirms that the college fails five out of six benchmarks for operating deficit as % of income; borrowing as a percentage of income; current ratio; staff costs as a percentage of income; and financial health.

2018/19

The current year financial position is based on the December 2018 management accounts along with the revised financial forecast for 2019/20 submitted to ESFA in January 2019.

The current position indicates that the college anticipates a substantial underperformance in 2018/19 against budget resulting in a significant forecast operating loss.

The key movements in forecast 2018/19 performance compared to budget include:

- A shortfall in 16-19 ESFA income offset partly by release of contingency provision in other operating expenses
- A shortfall in AEB funding of reflecting the significant underperformance in 2017/18
- A shortfall in apprenticeships income
- A shortfall in HE income
- Modest net savings on pay expenditure
- Higher than anticipated interest charges due in part to later than anticipated restructuring of bank debt

The most significant issue is the shortfall in 16-19 student numbers. Whereas the original budget was based in an in-year growth allocation, the college now faces a substantial cut in lagged funding from 2019/20. This raises fundamental questions about the credibility of the college's curriculum planning and budgeting processes.

2019/20

The revised financial plan for 2019/20 assumes income broadly in line with the forecast out-turn for the current year and cost reductions to achieve an operating surplus. Income assumptions looks wholly unrealistic considering a likely reduction in lagged 16-19 funding and continuing shortfalls in AEB performance.

Analysis of income and expenditure

The college is heavily dependent on ESFA funding, which accounts for over 80% of total revenues (apprenticeships account for 5% of income, as does HE grants/loans).

Over-optimistic growth targets have been a critical weakness in the college's strategy and financial plan. The substantial shortfall in 16-19 student growth assumed for 2018/19 now calls for a major rebasing exercise. The college's forward curriculum plan will need to be much more realistic and consider potential adverse impacts on recruitment (e.g. decisions about the future location of students currently housed in temporary leased premises).

The college also needs to urgently review a number of joint ventures, notably the Rosemary Shrager Cookery School which posted a loss in the first five months of 2018/19.

Depreciation charges are comparatively high for a college of this size but should be seen in the context of annual release of capital grants (both are non-cash items).

Interest charges have been significantly reduced as a result of the refinancing of the loan inherited from K College with very high fixed rates.

Performance against funding allocations

The college benefited throughout the period 2014/15 to 2016/17 from protected lagged funding at 2013/14 levels and tolerance of up to 10% on AEB funding allocations. On removal of funding protection, 16-19 funding fell 25% from 2016/17 to 2017/18.

Final funding performance in 2017/18 confirms:

- Overperformance on 16-19 student numbers
- AEB underperformance

Current data for 2018/19 indicates:

- Underperformance on 16-19 student numbers
- AEB underperformance

The independent review of ILR funding completed in July 2018 indicates a systematic overstatement of 16-19 student numbers and funding in ILR returns.

Staff costs

Although the college has undertaken significant staff restructuring in recent years, pay costs as a percentage of turnover remain well above the FEC benchmark of 65%.

The 2018/19 forecast out-turn pay costs are equivalent to 74% of turnover and the college's latest financial plan for 2019/20 aims to reduce pay expenditure substantially. This presents a significant challenge given the continuing need to improve quality.

Budget setting arrangements

The budget setting process is poor with consistently over-optimistic assumptions of income growth.

Financial (budgetary) control, management and record keeping

Management Accounts 2017/18

Financial control and management accounts have not been effective in containing 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

In April 2018 the management accounts showed a surplus in line with budget, but the draft financial outturn for the year is a significant deficit.

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. The management accounts should be prepared for each month 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 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 not yet completed their audit of the 2017/18 financial statements and the college has requested an extension to the end of February 2019.

The draft audit findings report raises many significant issues that are as yet unresolved. As such achievement of the revised February 2019 deadline for signing off the accounts looks challenging. The auditors will need to revisit the question of going concern considering the stalled merger plans (the previous working assumption was that the West Kent and Ashford financial statements would not need to be prepared on a going concern basis given the expectation of a merger with Hadlow College in January 2019).

The opinion of the internal auditors for 2017/18 was that the 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'.

Management of financial risk

Despite a comprehensive risk management system, governors and senior leaders at West Kent and Ashford College have failed to recognise the significant risks of the informal group relationship with Hadlow College which are now all too visible.

The college has consistently overestimated the potential for growth and overstated student numbers and claims for additional learning support despite having benefited enormously from three years of funding protection. The scale of recovery of funds has contributed to the substantial operating loss for 2017/18 and the requirement for short notice EFS.

Since summer 2018, the college reversed its reluctance to merge and made an overoptimistic expectation of substantial RF support which included an assumption that an ESFA clawback would be funded from RF. The fall-back option of a sale and leaseback scheme was reliant on timely completion of the merger and the approval of lenders, both of which are now unlikely.

Estates and Capital Plans

Use and maximisation of college estates and assets

West Kent and Ashford College operates out of two main sites:

Ashford

- New build at Elwick Road opened in summer 2017. The Ashford campus provides 4,712 m² of category A accommodation on a freehold site of 0.82 ha which was almost fully funded by grants from SELEP, ESFA and Ashford Borough Council
- Plans for further expansion at Elwick Road are currently on hold and are now likely to incur VAT given the elapsed time since completion of the initial new build
- The former Jemmett Road campus was sold for redevelopment in 2017

Tonbridge

- New build campus (Brook St) inherited from K College comprising 22,712 m² of category A accommodation on a freehold site of 4 ha
- The former nursery, overspill car park and Oak building at Brook St were sold for redevelopment in 2018

- The former leased facility at North Farm has been vacated giving rise to potential dilapidation obligations

The college also operates from three other smaller sites:

- The Ashford College Construction Workshops based in premises at Wotton Road, Ashford on a short-term rental agreement which is due to expire in June 2019. The college has an option to buy the 1,411 m² workshops at the end of the rental agreement
- Rosemary Shrager's Cookery School in Royal Tunbridge Wells
- The relocated motor vehicle workshops now based at Court Lane, Hadlow following purchase of the 4.23 ha site from Hadlow College

Property management and investment

In support of its RF application the two colleges commissioned an estates plan from Fusion which was completed in September 2018. The plan confirms the excellent condition of both of West Kent and Ashford's main campuses and no significant maintenance backlog.

The estates plan confirms that college has made significant capital investment in the estate since 2014. Much of this investment has been focused on the impressive new build at Ashford.

At the same time, the college has benefited from substantial capital grant funding and receipts.

The college faces an imminent shortfall in specialist construction accommodation unless it can extend the current rental agreement at Wotton Road which runs out in June 2019. It is also worth noting that the estates plan anticipates significant pressure on accommodation at the college even assuming retention of the Wotton Road workshops, though this was predicated on annual growth in student numbers of 5%.

Conclusions

In the FEC's opinion, the West Kent and Ashford board have failed in their 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 including a failure to protect West Kent and Ashford College's interests within the operation of the wider 'Hadlow Group'.

Issues of poor communication and lack of transparency have prevented 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 which further call into question fundamental aspects of governance and leadership.

Despite having had protected funding for three years, at substantially higher level than other colleges, West Kent and Ashford College faces significant financial challenges.

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 vital FE provision for south and west Kent.

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 West Kent and Ashford College which reflects an appropriate arm's length relationship with Hadlow College pending the outcome of the proposed structure and prospects appraisal.
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 and the need to improve overall effectiveness to 'good'. Budget plans for 2019/20 will however need to address the underlying budget deficit and drive pay costs down to 65% or less of turnover.
6. 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.
7. An FEC led Structure and Prospects Appraisal should take place for both West Kent and Ashford College and Hadlow College to confirm structural options to secure high-quality sustainable FE provision in south and west Kent.
8. 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.
9. The FEC team should carry out stocktakes at West Kent and Ashford College on a monthly basis 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 (Edscencio)
Hadlow Group Property Strategy
Various Valuation Reports
Contracts for Consultancy Services
Ground Rent Scheme
Grant agreement with SELEP re Ashford campus
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

Group of Students



Department
for Education

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