Department for Education

# FE Commissioner Intervention Summary: Hartlepool College of Further Education

June 2019

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# FE Commissioner Intervention Summary Report for Hartlepool College of Further Education

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| **Name and address of college** | **Hartlepool College of Further Education<br>Stockton Street<br>Hartlepool<br>TS24 7NT** |
| **Assessment undertaken by** | **Steve Hutchinson – Deputy FE Commissioner<br><br>Lynne Craig – FE Adviser<br><br>Mandy Exley – FE Adviser** |
| **Chair of the college** | **Aidan Mullan** |
| **Principal / Chief Executive of the college** | **Darren Hankey** |
| **Clerk to the Corporation** | **Alan Theakston** |
| **Date of assessment** | **6 to 7 June 2019** |

# Background to FE Commissioner Intervention Assessment

Hartlepool College of Further Education was referred for FE Commissioner-led (FEC) intervention following the issue of a Notice of Concern by the Education and Skills Funding Agency (ESFA) on 3 April 2019 as a result of inadequate financial health.

The FEC's 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 by Hartlepool College to deliver a sustainable financial recovery within an acceptable timetable (considering the suite of interventions set out in 'College oversight: support and intervention' (2019); and
- How and when progress should be monitored and reviewed taking into account the ESFA's regular monitoring arrangements.

# Overview of the college

Hartlepool College of Further Education (HCFE) is within the local authority of Hartlepool and is based on one site in the town centre. Hartlepool is within the Tees Valley Combined Authority which has devolved responsibilities for adult education and skills. In 2011, the college opened its new building.

The majority of 16 to 19-year-old students (79%) attending HCFE in the last academic year (2017 to 2018, based on R14 return) came from Hartlepool local authority area (866) with neighbouring County Durham second (124) and Stockton third (98).

The college's area review recommendation was a merger with Hartlepool Sixth Form College (HSFC) which did not progress. Instead, HSFC successfully took forward a merger with Sunderland College.

The college was visited by an FEC team in May 2018 for a Diagnostic Assessment. Subsequently the FEC team undertook a Structure and Prospects Appraisal (SPA) between June and October 2018. The result of the SPA was a recommendation by the board for a standalone solution, with the FE Commissioner raising concerns about the college's long-term financial sustainability.

In October 2018 the college made the ESFA aware that they would have inadequate financial health for their 2018 financial return (submitted December 2018). As a result, the college entered formal intervention in April 2019.

# Leadership and Governance

## Role, Composition and Operation of the Board

The chair of the board was first appointed in 2001, then was made chair in 2006/07 and re-appointed to this role in 2017. He had intended to step down in the summer of 2018 but felt that there should be continuity during the SPA and the immediate period after the outcome. The chair has extensive experience of the health sector and is also very well connected to local businesses. He provides several network contacts for the college which have facilitated a number of curriculum and business developments. Good practice in the sector is that a chair's term of office is less than 12 years and there is an urgent need for the Hartlepool College of FE board to put in place succession planning for both the chair and governors more generally.

Most independent board members have service that is longer than is considered good practice (five members with 10 to 15 year service). The clerk is proposing a governor succession planning policy at the next board meeting in July. This draft paper is a policy paper and does not therefore detail the series of actions needed to address board membership and length of service. It also suggests that new board members would be interviewed by the principal along with the chair and another governor from the search committee. It is not good practice for the principal to recruit and interview governors, but merely to be in attendance at such meetings. The clerk and chair need to reflect on this aspect of the policy. The board, however, should urgently address the issue of board membership and begin an active and targeted search for new governors including a potential replacement for the chair as well as chairs for college committees.

The governor recruitment process will need to address several skills gaps in the current board. In particular it should address the lack of experience from the FE sector; the evolving apprenticeship and higher skills landscape; and current business experience in the engineering sector. It will also be important to consider BME and gender balance amongst board members.

The clerk and governors report that meetings are challenging and robust but there is no evidence from the minutes of board meetings that this is the case. There is limited evidence of clear direction and action from the board to the senior leadership team. The board agendas are long and more recently have been dominated by financial issues. Committee minutes are taken at the beginning of the meetings and agendas typically have 15 to 20 agenda items with extensive subheadings within. It is not clear how so many items could be discussed with any value within the meeting duration. The minutes reflected very little discussion or consequent actions from these items. A formal self-assessment of the board's performance should take place that also includes the board's responsibilities under the new Ofsted framework.

A meeting with a group of governors confirmed that they would welcome the opportunity to see how other governing bodies operate in an “outstanding college”. This would allow them to review how they are currently working and help them to benchmark themselves against best practice. They asked if they could get such advice independently from the chair, principal and clerk and there were some concerns expressed that they were not as in control of agendas and governance practices as they would like. This group of governors were very committed and loyal to the college with a strong focus on the community of Hartlepool. During the discussion they recognised the challenges of being a board with members of long service and the importance of refreshing the membership. They welcomed the idea that the forthcoming planned strategy day was in fact the board’s strategy day. Both the chair, clerk and the governors commented that they had been “invited to the Senior Leaderships Strategy day” rather than the board holding a strategy session to which the senior leadership team (SLT) were invited.

The board should seek independent advice and support from a National Leader of Governance to help them reflect on and review all governance practices and processes. The FE Commissioner Office at DfE will introduce the Hartlepool chair and clerk to an NLG.

The chair and governors continue to believe that the college made the right decision to stand alone following the SPA despite the current financial challenges. They are confident that the college will be back on track by the end of this academic/financial year. The chair stated that there are both curriculum and shared service actions taking place with respect to continuing dialogue with other local colleges, particularly East Durham and the FE+ group of Teesside colleges. Whilst this was confirmed by both the principal and the senior team there is no evidence at this stage of any formal, planned or costed actions to share services or curriculum. Discussions seem to be at a very preliminary stage and not to have progressed much further than when covered during the diagnostic assessment. Governors felt that their priority was to “survive, get stronger and then develop”. They acknowledged that this was not a long-term sustainability strategy and remained open to consider options that retained the local integrity and brand of Hartlepool. Considering that there has been no change to governors or governance since the decision to remain stand-alone in October 2018 the board needs to increase the pace of change to address several governance issues and give confidence that the college can lead itself into recovery. Governance at Hartlepool College of FE requires improvement.

## Leadership and Senior Management Team

The college principal was appointed to his role in April 2013. He joined the college in 2001 and was assistant principal from 2009 until his appointment as principal. He has a strong background and understanding of teaching, learning and assessment. Staff and managers speak very highly of him and his team. Members of the board confirmed that there is a close working relationship between the chair and the principal. This partnership is now very longstanding, and it was unclear from board minutes how much challenge there is.

There are three assistant principals supporting the principal; curriculum and standards; corporate services; and external relations. They have all been at the college for several years and two of the three were internal appointments to their current roles.

Curriculum leadership under the assistant principal is managed by eight academic heads of school and a head of student services. During the summer of 2018 the number of schools was reduced from 10 to 8 and both managers and staff spoke of this as a positive move. They commented that this change had enabled positive cross curriculum activity.

The heads of school are experienced. They have benefited from the appointment of the new assistant principal who has only been in post for one year and has worked relentlessly to understand in detail the quality and nature of the curriculum. He is able to discuss and analyse the curriculum in real time detail and has developed excellent use of data, information and curriculum planning over the last year. The heads of school have responded very well to his management approach and are beginning to take over some of the more operational aspects of their role that the assistant principal has been undertaking. This team would benefit from some further training in terms of their financial acumen so that they are fully aware of the implications of the curriculum decisions they are taking. As part of their strategy to moving towards Ofsted outstanding the heads need exposure to a current ‘Outstanding’ college.

It is acknowledged that in recent years the SLT has achieved improvements in curriculum outcomes and improved the financial position. However, during the visit to the college, strategy documents were not robust. They are in draft format but do not accurately reflect the objectives and ideas that had been apparent in the discussions during the FEC team’s visit. Further work is required to develop these documents from action plans into a coherent strategy. A clear strategic lead is needed from the board which sets out a strict timeframe for achievement of objectives.

Collaboration with other colleges, including sharing curriculum facilities or back-office services, was part of the college’s strategy before the diagnostic assessment. It was also a commitment as part of the standalone option from the SPA. At the time of the visit, no formal decisions had been made to implement this plan with apparent contentment from those spoken to. The FEC team are concerned about the lack of pace and accountability.

# Curriculum and Quality Improvement

## Curriculum overview

The college curriculum is designed to meet the needs of national skills shortages. The college has particular expertise in engineering, manufacturing, aerospace, health and digital design. The majority of the curriculum is delivered at the modern main campus in the centre of Hartlepool. There is some additional provision in an annexe, which needs some refurbishment.

The college curriculum is focused on vocational qualifications from entry level to level 3 with the majority of 16 to 18 year old students studying level 3 qualifications. The most popular sector subject area for 16 to 18 year old students is engineering and manufacturing technologies. The college has ‘Outstanding’ provision in apprenticeships.

The college delivers university provision on its campus in partnership with Teesside University. The college’s strengths lie in its specialist areas of aerospace engineering, 3D design, building services, advanced manufacturing and building services engineering.

During the current academic year there have been a variety of curriculum developments, generally with external partners.

- Working with a large, Hartlepool based construction company to create an 11-acre training facility allowing an apprenticeship in groundwork and other commercial opportunities
- Creation of an incubation centre for jobs in the creative sector based in the Hartlepool business innovation skills centre
- Introduction of performing arts curriculum planned for 2019/20
- Partnership agreement with local school to combine A level mathematics and level 3 Diploma in Engineering
- Plans for the establishment of a Process Engineering apprenticeship.

The college have made some good external partnerships bringing both financial gain and curriculum innovation. These financial contributions have supplemented the capital investments needed to ensure industry standard resources. It is acknowledged that the college have made their own internal capital investments into curriculum developments, but financial investment in curriculum generally is much lower than that expected in a college of this size. Governors have taken a decision to limit capital investment over the next three years to help the financial recovery. Currently this does not appear to be having a detrimental effect on the student experience but is not sustainable. It is essential that the financial recovery plan takes this into account.

During the diagnostic assessment it was clear that the college’s curriculum planning framework was not efficient. The framework lacked recommended hours for each component of the study programme. For 2019/20 the college adopted an industry standard approach to curriculum planning, although the FEC team were surprised that the model had not led to more savings.

For 2019/20 average class size will remain 11.5. This average class size is unsustainable if the college is to remain standalone and solvent. Such small class sizes are as a result of the new strategy for English and maths, which removes some students for small group support. The college is happy to accept this as the financial contribution is positive and at target. A strategy for increasing class size should still be considered. Some innovative curriculum design though the use of technology should be explored.

## Ofsted inspections

The college was previously inspected in March 2017 and achieved a 'Good' rating from Ofsted for overall effectiveness. Personal, development, behaviour, welfare, and apprenticeships were rated as 'Outstanding', with all other areas 'Good'. The report gave the following strengths:

- The principal and senior leaders have been highly effective in creating a college that includes and supports learners from a wide range of backgrounds.
- Apprentices receive excellent support from their teachers and assessors and make outstanding progress. Teachers and assessors use highly effective assessments and reviews to enable the large majority of apprentices to develop good vocational skills and achieve qualifications.
- Managers work well to develop the curriculum to equip learners with the skills that local, regional and more recently, international employers want.
- Senior leaders are effective in holding staff to account through managing their performance; staff have the autonomy to do their jobs well, taking responsibility for their actions.

The following areas were identified as areas for improvement.

- Use staff training and quality improvement activities to ensure that teachers plan lessons carefully, taking into account learners' starting points and information from assessment, so that activities are interesting and challenging for all learners.
- Provide training, support and challenge for teachers so that they are better able to agree specific and challenging targets with learners that help them to understand how to make good progress in developing new skills and achieving their goals.
- Increase the proportion of learners that achieve English and mathematics qualifications by: – ensuring that learners attend lessons in these subjects more frequently – further developing effective strategies to identify gaps in learners' knowledge and ensuring that teachers focus on individual learners' areas of weakness.

These areas for improvement are still threaded through the current quality improvement plan (QIP). Self-assessment for 2018/19 still reflects the Ofsted grades awarded in 2017. It is anticipated that they will remain the same for the current academic year, with an ambition to be outstanding overall in 2020/21, ready for the next formal inspection.

## Quality improvement

The college has an overall Quality Improvement Plan that is linked to the self assessment report (SAR). This plan is very brief with only 12 lines of actions, all of which have broad topics lacking focus. Discussions with the heads of school confirmed that there are other plans that underpin these headlines. A review of actions is undertaken in a series of performance reviews within the curriculum teams. Governors also review progress at the Curriculum and Standards sub-committee. The current plan shows progress in most areas but of concern is that learner achievement trends are down. The QIP should be reviewed to ensure it aligns with the college's performance issues.

The majority of quality improvement is led by the assistant principal curriculum and standards. He has established a weekly bulletin which is based on his analysis of the data at the end of each week. He highlights the relevant issues and expects actions to be taken and reported on by his heads of school. Clear dashboards of information are available for all college leaders which show the current position. They are still under development and will soon show upward and downward trends.

As part of the assistant principal's first year of development this type of management style is effective for both himself and his team. However, this is very onerous and is not encouraging the heads of school to be more proactive with managing and identifying their own areas. This should be reviewed during the next academic year.

The college has been a support partner in three Strategic College Improvement Fund (SCIF) bids linked to their outstanding Ofsted grade for apprenticeships. They have found this to be beneficial both financially and developmentally.

## Attendance

The target for overall attendance is 92%. Currently the in-year attendance is at 88% which is the same as at the time of the diagnostic assessment last year. Male attendance is 89% and female 86%. There is still a discrepancy between main programmes and English and maths. GCSE English attendance is 80% and maths 77%. Functional Skills English is 76% and maths 77%. Attendance at the end of year exams has improved from last year. During the intervention visit GCSE exams were taking place and there was a 90% attendance, which the college was pleased with.

The weekly dashboard gives managers a detailed breakdown of attendance. It shows overall against target and it details how many students are below target. Discussions on attendance are part of the quality reviews. Improving attendance is a strand of the quality improvement plan, but currently there is little improvement year on year on the overall figure. This is an area to be reviewed during further FEC intervention visits.

## Outcomes

Education and training results have not improved at the overall timely level during the last three years. There have not been any dramatic drops but not a sustained pattern of improvement. This means that the college is not maintaining the same pace of improvement as the national rate. There is an ambition to be an outstanding college and this slow pace of change is not aligned with this ambition. However, the 5% rise predicted for current year 16 to 18 achievement would be very positive. This should be validated at the next intervention visit.

Further analysis of the data shows that 16 to 18 Level 1 is the poorest performing area at 69.2% against an NR of 80.2%. The cause of this is basic skills maths and English at 62.3%. To address this the college has a strategy in place to have more detailed analysis on the areas of development needed by students. Once these have been identified students with similar needs are taught in small groups or one-to-one. They are anticipating an achievement rate of approximately 70%. 16 to 18 Level 3 performs very well at 90.9% against an NR of 85.6%.

At Level 3 the 19+ Access course did not perform well last year. At Level 2 16 to 18 is 80.6% which is 1.2% below the NR and 19+ is 84.6% which is 0.3% below NR.

The SAR is very positive about achievement but has not been revisited since the publication of the national rates for 2018/19. The SAR should be reviewed to ensure that governors and senior leaders have an accurate picture of performance. Currently the SAR is stating that the college is performing at 2% above the national rate for overall performance, whereas the college are actually at the national rate for GFE colleges.

The apprenticeship provision continues to be strong with the college ranking 6th in the country for GFE provision. 16 to 18 provision has dropped slightly, other areas have improved. There is some concern in the college that timely achievement will be lower this year. There are some issues with end point assessment availability, and the national confusion over the rules for off the job training. In the most recent bulletin to heads of school, the assistant principal is indicating that the best case timely completion for apprenticeships this academic year is 75%, which is a 5% drop. Causes for this are off the job training, functional skills and some paperwork. Although this would still be strong provision and in the top 10% in the country it is concerning that some administrative processes are holding back achievement.

During discussions with senior leaders and governors about curriculum, their main points of reference were the apprenticeships and external partnerships. This is, however, about 20% of the work of the college. Governors and senior leaders must ensure that there is equal focus on the rest of the provision. At present learner achievement rates do not align even closely with those of an outstanding college and several lines such as Level 1 require improvement.

### Staff Views

Staff were very positive about the college and were happy that the SPA outcome was to standalone. Restructuring of their line management team was seen to have been successful. They were also content with the resources that they had for delivering curriculum. A recent survey has resulted in a wellness initiative which will give staff access to gym and other health related activities. This was seen as a very good thing and some had already taken part. Union representatives were also very positive in their comments in relation to the college generally and the decision to remain as a standalone.

### Effectiveness of the college to manage and improve quality

The senior leadership team are making progress in quality improvement. The assistant principal, backed by the principal, has put in place a series of processes that ensure he has an in-depth knowledge of the issues. One example of good practice is that a series of strategies are in place to help to improve English and maths. These different approaches will be evaluated to see which is most successful and then rolled out. It was pleasing to note that the leaders are aware that in a diverse curriculum a one-size fits all approach is not always the solution and are prepared to try a variety of things in different areas. All the quality processes are supported by easy to access accurate data.

To achieve Ofsted outstanding overall there is still much work to be done as there is inconsistency in some of the areas, and up until the predictions for this year pace has been slow. However, there are signs that improvements are in hand.

## Finance and Audit

### Recent financial history and forecasts for coming years

This college has had operating deficits in each of the last two financial years. These deficits combined with a high level of bank borrowing has put significant financial pressure on the college. It has impacted significantly on cash reserves and weakened the financial health which was assessed as inadequate by ESFA following the submission of the 2018 finance record. ESFA issued a Financial Notice to Improve (FNTI) in April 2019. One of the main actions is for the college to complete a strategic financial recovery plan.

In the current financial year, the college have budgeted for a small operating surplus, which is currently on track to be delivered based on the April management accounts. The predicted financial health is to improve to ‘good’ and this is expected to be maintained into next year.

Although cash has reduced in the last two years there is no immediate risk as the college still have good cash balances. This has enabled them to withstand the impact of the operating deficits and the high levels of debt servicing. This is not sustainable in the longer term.

## Financial performance 2017/18 and 2018/19

The college recorded an actual operating deficit in 2017/18. This was primarily due to shortfalls in some key income targets on apprentices and commercial activities. The college had to increase the use of partners to deliver its AEB allocation, which resulted in additional costs. These factors were flagged up in the management accounts to March 2018 as reviewed in the May 2017 diagnostic assessment visit by the FEC team. There was a further deterioration to the final outturn due to a higher than expected pension charge, a further shortfall in apprenticeship income and a higher level of staff restructuring costs.

In 2018/19 the college have budgeted for an operating surplus. The April 2019 management accounts are predicting that this overall surplus will be achieved. Overall income is expected to be higher than budget for the year. There is a European Social Fund (ESF) project awarded in year, which was not budgeted and will provide additional income. As with last year there has been a delay in some apprentices start dates and this is currently below target based on the May individualised learner record (ILR). The college has also slightly exceeded it’s 16 to 18 learner number target, which resulted in an increased allocation for next year.

Pay costs have fallen from the previous year following the staff restructuring that took place last summer. The college reacted quickly to address the cost base from 2017/18.

As at the end of April the college were underspent against budget and the forecast expects this level of underspend to be maintained until the year end. The staff costs ratio is showing in the management accounts as 67% but is forecast to reduce to around 65% this year, which is just about on the FEC benchmark. However, if sub-contracting income is excluded from the calculation it will increase to over 66%. The college argue that this level of staff ratio is acceptable as all services include catering and cleaning are delivered in house.

Non pay costs are expected to be higher than budget in the current year. This is largely due to higher levels of partner payments for sub-contracting activity with Teesside University and delivery on apprenticeships.

The format and content of monthly management accounts have improved following recommendations made in the diagnostic report. However, there is still scope for further improvements. The commentary is still very brief and does not provide the reader with a full overview of the finances. There is no forecast balance sheet for the year end, which would give further confidence in the projected financial health score with a clear link to the current ratio in particular. There is a summary report of curriculum area financial performance, but this does not include full income for each area, so it is not possible to clearly see how each area is doing against the 50% contribution target.

If the forecast is achieved this year, the college will have done well to turnaround a significant operating deficit in 2017/18 into a small operating surplus in one year.

## Financial forecast 2019/20 and 2020/21

A draft financial forecast has been prepared by the college covering the next two financial years. This is subject to further work and approval by the board. It also needs to tie in with the strategic financial recovery plan that is required by ESFA as part of the formal intervention.

A more robust curriculum planning process has been undertaken this year in line with recommendations made in the diagnostic visit last year. This has informed the draft budget plans currently being prepared. The focus in the curriculum planning is a financial contribution target of 50% for each curriculum area. There are no specific targets set for teaching staff utilisation (current year terms 1 and 2 is reported as 92%) or average group size (current year estimated at just over 11).

The draft financial plan for the next two years shows a small operating surplus in both years. Overall income increases in 2019/20 due to a slightly higher 16 to 18 allocation, the funding to support Teachers' Pension Scheme (TPS) increases, higher AEB funding and increased apprentices income. Other income lines are forecast as remaining broadly flat. In 2020/21 the only significant change in income assumptions is the end of the ESF project.

The staff costs ratio will increase to over 65% in each of the next two years, and this will continue to be a challenge in future years for the college with upward pressures on costs and limited opportunity to grow income. One key assumption in the final year of the plan is that the TPS additional costs will continue to be funded.

Non pay costs are forecast to reduce in each year. In 2019/20 teaching costs reduce with a planned reduction in partner costs. There is a further reduction in 2020/21 as the ESF project will have finished. There is an allowance for inflation in many of the costs so this will require some more significant real cost savings to be found each year.

The current draft of the financial recovery plan is a long way from the typical content of the normal format that would be expected by ESFA under the FNTI. Preparation of the plan in line with good practice would be very beneficial to the college in supporting the new strategic plan currently being prepared by the college. It should be an integral part of the strategic plan so governors and senior leaders are confident that see delivery of the plan is affordable and appropriate resources are allocated.

### Financial liabilities / loans

The most significant financial challenge for the college is the very high level of debt and the associated annual debt servicing costs. The total borrowing costs as a percentage of income are around 57%. This means the financial health score for this ratio is very low and this will continue for several years to come. This debt burden means the college requires a higher than sector average of cash generation year on year in order to maintain strength of solvency. This also puts pressure on the capacity for ongoing investment in capital equipment.

## Estates and Capital Plans

### Use and maximisation of college estates and assets

The college is based in an impressive new building in the centre of Hartlepool, which is also close to the local transport interchange. The new building was completed in 2011.

The college has a total of 19,815m$^2$ of space including a small satellite facility also in the centre of Hartlepool delivering fabrication and welding training. Thanks to the new build, some 92% of the college's estate is graded category A/B.

A capital bid has been submitted to the combined authority for a refurbishment of the Exeter Street annex building (this is the 8% of space that is not graded category A/B). This bid is in conjunction with a local company and they would contribute some of the matched funding. The college expect to hear the outcome of this bid by December.

### Property management and investment

The main building is only seven years old, so the college have not had to invest any significant sums in recent years to address maintenance issues. A long term maintenance plan has now been developed which identifies investment required over the next three years, and this is being included in the college budget planning.

The college does not have any other land and buildings that would provide a disposal opportunity in the future.

## Conclusions

It is acknowledged that the governors of Hartlepool College have a great deal of experience and have been with the college through major changes such as the new build and changes in senior leadership. However, the majority of the membership of the current board have served for terms that are much longer than is recommended as good practice. Discussions with governors did not give confidence that they are giving a strong strategic lead to the senior leadership. It was unclear that they had a strategy for being able to make Hartlepool a sustainable college that could reinvest effectively in provision. They are aware of the difficult financial position they are in and felt they would be able to find a way through and keep break even but not increase income considerably. In order to help take governance forward and bring a fresh eye to the board it is recommended that an external review is taken by experts in the field of FE colleges. The FE Commissioner Office will introduce an NLG to the Hartlepool board.

The senior leadership team continues to be effective on the day to day running of the college. Quality and curriculum is increasingly well managed by the assistant principal who has now been in post for approximately one academic year. External partnerships are growing with new initiatives being created both commercially and through the apprenticeship route. Bids for money led by this team have had mixed success, but they are continuing to put these forward to help mitigate the lack of money available internally. There does seem to be some lack of pace or commitment to establishing solid working relationships with local colleges. Initiatives that were muted before the diagnostic assessment and during the SPA have still not been finalised. The pathway to becoming Ofsted ‘Outstanding’ needs to be documented in a strong strategy. Governors need to hold leadership to account in delivery of this strategy.

Curriculum is regularly reviewed and meets the needs of the local area. Outcomes are positive, although education and training has not had large rises in achievement over the last three years. Apprenticeships continue to be in the top 10% of GFE providers, although it is expected that the achievement will drop this year.

College managers and governors responded quickly to turnaround the inadequate financial health grading following the significant deficit in 2017/18. Costs were reduced to bring them back in line with realistic levels of income. Although cash balances have fallen over the last two years, they are still at a level that is above FEC benchmarks. This has provided some resilience. However, the scale of the debt does mean the college will have the ongoing pressure on investment in equipment. Governors have had to make choices on restricting capital expenditure in order to protect cash balances. This is not sustainable in the long term. The college will need to work hard in maximising the solvency ratio on the ESFA financial health score if they are to maintain a rating of good, as the borrowing score will be low for several years to come.

The sustainability of the college as a standalone institution will continue to be tough and finances will continue to be a challenging issue for the college in the long term.

The breach of covenant on the bank loan has not yet been resolved by the bank and the college need to continue to push for this process to be completed to obtain certainty over the future terms of the loan. The monthly management accounts have improved since the diagnostic visit but there is still room for further changes to provide a more meaningful overview of the financial position of the college.

## Recommendations

1. The FEC team have significant concerns over the financial sustainability of Hartlepool College of FE. These financial uncertainties put the student experience and opportunities for learners at risk. The FE Commissioner will consult with the Tees Valley Combined Authority, Durham County Council and the ESFA with a view to carrying out a Local Provision Review for the Tees Valley and Durham area.
2. The board should urgently commission an independent review of governance practices and processes with an emphasis on the succession of the chair, clerk and chairs of committees. The review should be supported by a National Leader of Governance. The specification for this work should be shared with the ESFA for comment before commissioning the review. This review should be completed and implementation underway by the end of this calendar year.
3. Governors should take the lead in setting the future strategy of the college. Working with the senior leadership team to set a strategy that demonstrates the path to outstanding and achieving financial recovery at pace. This should contain robust milestones and a mechanism that holds leadership to account.
4. The college should work with the bank to resolve the outstanding issue on the loan covenants as soon as possible.
5. The financial recovery plan must be an integral part of the new strategic plan for the college and cover all areas set out by the ESFA as part of the actions required in the FNTI.
6. Improvements should be made to the format and content of monthly management accounts.
7. The FE Commissioner team should carry out a stocktake visit in October 2019 to review progress against the above recommendations and to continue to assess this college's future financial sustainability

# Annex A - Information reviewed

Quality improvement plan

Financial statements 2017/18

Finance record 2018

Management accounts April 2019

Draft financial recovery plan

Draft financial plan 2019 – 2021

Estates strategy

Corporation membership details

Learner number information

Organisation chart

Self-assessment report

Governors meeting minutes for current academic year

Draft update to strategic plan

Briefing from ESFA

# Annex B - Interviewees

Chair

Principal & CEO

Clerk

Finance Director

Assistant Principal Curriculum & Standards

Heads of School

MIS & Data Services

Group of governors

Employer Services

Human Resources

Facilities

Union representatives

Staff group

Department for Education



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