



Department
for Education

FE Commissioner Intervention Summary: St Mary's College

November 2019

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FE Commissioner Intervention Assessment Report: St Mary's College

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|---|--|
| Name and address of college | St Mary's College Shear Brow Blackburn BB1 8DX |
| Assessment undertaken by | Martin Sim – Deputy FE Commissioner Esme Winch – FE Adviser John Boyle – FE Adviser |
| Chair of the college | Chris Beesley (interim) |
| Principal / Chief Executive of the college | Elissa Best (interim) |
| Clerk to the Corporation | Lisa Farnhill |
| Date of assessment | 25 to 26 November 2019 |

Background to FE Commissioner intervention assessment

St Mary's College has been under a Financial Notice to Improve (FNTI) since February 2017 and is in formal intervention.

The most recent stocktake visit by the FEC (July 2019) recommended the college remain standalone pending a further review in the autumn when the new student numbers would be known. The college's financial position has subsequently deteriorated so the planned autumn review was converted to an intervention assessment.

The FEC report is intended to advise the minister and the chief executive of the ESFA on:

1. The capacity and capability of the college's leadership and governance to secure a sustained financial recovery within an acceptable timetable;
2. Any actions that should be taken by St Mary's College to deliver a sustainable financial recovery within an acceptable timetable; and
3. How and when progress should be monitored and reviewed taking into account the ESFA's regular monitoring arrangements.

Overview of the college

St Mary's College operates under the trusteeship of the Society of Mary, also known as the Marist Fathers. Whilst located within the Roman Catholic Diocese of Salford, ultimate control, oversight and ownership rests with the trustees.

The college is located in the northern outskirts of Blackburn, Lancashire, within the unitary authority of Blackburn with Darwen Borough Council. It occupies a single site consisting of a small number of buildings which have been built over a number of years, together with playing fields. It attracts a diverse student cohort from the town and surrounding areas. Less than 7% of students are Roman Catholic. The college provides 16 to 19 study programmes, mainly through advanced-level programmes. Of these, around half are A level and half are vocational subjects. With a capacity of about 1,250, student numbers have been declining over a period of time and there were 653 students on roll at the time of the visit. The college offers Higher Education (HE) in conjunction with Liverpool Hope University (LHU) and the University of Central Lancashire (UCLAN). It also operates three children's nurseries on a commercial basis. Measured by student numbers, the college is the smallest designated sixth form college in England (ESFA benchmarking tool as at July 2018).

In December 2016, during the Lancashire Area Review, the college submitted a revised financial plan to the ESFA indicating a seriously deteriorating position. Inadequate financial health was forecast for 2017 and 2018. The primary causes of this financial weakness were falling student numbers, over-optimistic expectations for student recruitment and the college's failure to react.

The area review recommendation was that, "*the college should continue to take short-term actions to improve its financial position pending confirmation by 28 April 2017 of a structural option such as merger or academisation which delivers a financially sustainable solution for implementation in the 2017/18 academic year*".

Plans were then developed to create a formal federation (The Federation of Hope) between LHU and Cheadle and Marple Sixth Form College (CAMSFC) which would facilitate collaboration and enable shared services with unified ethos and governance. This proposed federation did not address the financial weaknesses at St Mary's directly.

The FEC Team visited St Mary's College in July 2019 and found that little progress had been made with the implementation of The Federation of Hope. The FEC Team found that the college was financially viable, only due to the income received from its pre-school nurseries and its Higher Education provision, and therefore remained at serious risk of financial failure. The FEC team recommended that the college continue on a standalone basis subject to ongoing oversight by the FEC team and ESFA and the college setting a balanced budget for 2019/20.

In October 2019, the college reported satisfactory level 3 recruitment to the ESFA but HE recruitment was significantly lower than forecast. Consequently, the budget for 2019/20 was revised and indicated a deficit at the year-end resulting in a financial health grade of Inadequate.

Leadership and governance

Role, composition and operation of the board

The college is an exempt charity and its constitution requires it to have at least eight foundation governors, and for the foundation governors to outnumber other governors by two or more.

The trustees are concerned that the college does not meet its constitutional objectives as a Catholic institution and is not meeting the charitable requirements through their articles of government in terms of the trust. Issues range from non-Catholic senior staff to very low numbers of Catholic students. They recognise the college's value to the local community and wish to preserve the college and the availability of educational opportunity. They also conclude that the college is not financially viable as a stand-alone

entity and to impose mandatory Catholic requirements that have significant financial implications would be unfeasible.

Their proposal is to dissolve the trust through a 'managed withdrawal' removing the constraints on the college and allowing it to seek a non-Catholic partner as part of any restructuring process. Whilst land and leasing arrangements are complex, there is a willingness to negotiate a long-term agreement to the benefit of both the trust and college.

The governors whom the FEC team met are well qualified, purposeful and united in their wish to drive the college forward. They remain focussed on ensuring that the college is responsive to the need of local students.' The recent appointment of a current FE senior leader to chair the standards committee will further enhance scrutiny of performance.

The current board has no permanent chair following the sudden resignation of the former chair in September 2019. An interim chair has been appointed, pending a permanent appointment which is expected to be made internally.

The current board operates in an inefficient manner. Committees remain in place but result in duplication of business. The clerking arrangements have improved since the role was taken on by the current post-holder but still present significant risk due to limited training and experience of governance.

Leadership and senior management team

In July 2019, the board appointed the existing vice principal as interim principal. The trust require the principalship to be held by someone who is Catholic; the appointee is not Catholic so is not eligible for the permanent post. There have been a number of internal temporary appointments to the senior team; one member of the senior team is on sick leave and another is a secondee from CAMSFC.

The interim principal has created an effective senior unit with newly appointed individuals making a full contribution. Communication with staff is exemplary; the staff and senior leadership are a single unit.

However, the experience of the interim principal and leadership team in dealing with difficult financial situations is limited; any structural process will add further pressures. The interim principal would benefit from mentoring and enhanced external leadership support.

Curriculum and quality improvement

Curriculum and provision overview

St Mary's College offers a range of academic and vocational provision including A levels, level 2 and 3, BTECs and GCSEs; approximately 85% of students study at level 3 with the majority aspiring to university.

The college also has a university centre which offers single honours and foundation degrees, working in partnership with LHU and UCLAN. The college provides facilities and support for the LHU qualifications and directly delivers UCLAN qualifications.

Curriculum planning and development

Curriculum managers whom the FEC team met are knowledgeable about their curriculum and confirm their involvement in the planning process. The managers are proactive and do not avoid making difficult decisions. There is a good understanding that, given the current financial challenges of the college, there is a need to develop cost efficient delivery models.

Managers and staff said it has been challenging for the college to find a balance between delivering good quality provision in a safe college and delivering to the set budget.

The college undertook a curriculum plan review during enrolment to remove small groups, with the risk that reduction of choice may cause students to choose a different college. No cost solutions have been found and implemented; student drop out has been minimised. Average class sizes are around expected sector norms.

Quality improvement and self-assessment

Self-assessment is detailed and supported by a comprehensive quality improvement plan. Qualification achievement rates at the college have recovered in academic year 2018/19 following a significant dip in 2017/18. However, they remain below national averages.

All governors and staff whom the FEC team met aspired to a culture of high expectations and continuous improvement.

The college made use of the Strategic College Improvement Fund in a creative way in partnership with CAMSFC focused on teaching and learning.

Quality improvement is supported by an enhanced reporting system which enables positive interventions through early identification of off-track students.

Value added with BTEC level 3 has moved positively from ALPS grade 4 to 3; however, A Level has dipped from ALPS 6 to 8. In the context of college outcomes improvement, the interim principal has set challenging targets. Board members, through the new standards committee, are prioritising their scrutiny of progress data. It is too early to assess the impact of this approach although student and staff feedback is encouraging.

Trends in student recruitment and retention

College recruitment has been in decline for several years.

Enrolments from the college's local area are increasing but at a slower rate than students who travel into the college from schools in the Ribble Valley. This situation is not helped by a general demographic downturn over the same time period; this will reverse over the next few years.

The college currently forecasts that the number of students will rise in 2020/21. This is not unreasonable based on current demographic data. However, this degree of optimism needs to be balanced against inaccurate historic growth predictions.

Blackburn with Darwen demographics are increasing; potential number of students will increase. The retention rate in the college increased by 7.2% in 2018/19 but is still slightly below the national average.

Higher Education remains problematic and difficult to predict although LHU states that it is planning to support recruitment at St Mary's more energetically.

Student views

Students whom the FEC team met were from a range of level 3 courses, years and diverse backgrounds. The students lived locally and ease of travel was significant in their choice of college. They were very positive about their learning journey; initial enquiries and applications were dealt with in a warm, supportive manner. The students were made to feel that they were important, part of a large family, and welcomed this homely environment. Some class sizes were over 20 but students felt staff treated them as individuals. Comments by these students regarding teaching, learning and support were positive; they acknowledged the hard work of the staff. The students' unanimous view was that they were all on the right course and confident they would achieve their desired outcomes and destinations. Most intend to progress to Higher Education when they leave St Mary's. They felt the college had a good reputation locally and many had heard recommendations about the college from friends and family before applying.

Staff views

Staff whom the FEC team expressed how proud they were of the college. They reported that workloads have significantly increased but they have strived to ensure minimal

impact on the student experience. . They acknowledged that the impact of falling student numbers and the resulting financial issues has had a detrimental effect on their morale but they work hard to support each other. Concerns range from the impact of financial cuts on the quality of learning to the implications for staff job security. However, the main concern is about the negative impact any closure of the college would have on the locality.

Staff are very supportive of the approach adopted by the interim principal and have welcomed the move towards openness and transparency. Staff had embraced the need to make in year savings and felt they had made a substantial contribution. They recognise that structural change can never be ruled out but presented strong views that future partners must share their values, together with passion and commitment for students.

Finance and audit

The college is the smallest designated sixth form college in England. The mainstream ESFA funded level 2 and 3 delivery is not sustainable on a stand-alone basis and the college is reliant on income from the pre-school nurseries and HE.

Income from the three nurseries has been variable over the years – they are currently profitable but this cannot be relied upon beyond the short term.

HE income is received from LHU and UCLAN. LHU also pay a rental for the use of the building described as the ‘university centre’. There is an agreement that LHU would pay rent for five years (currently in year 3) but there is no formal lease.

The forecast for HE numbers and income in the current year were over optimistic and this is likely to also be the case for 2020/21 and cannot be relied upon.

Internal financial management and control is good. Accurate and comprehensive records are maintained and produced in a timely manner. Senior leaders are aware of the college’s financial position and costs are rigorously controlled. The chair of the finance committee, the chair of the audit committee and the finance director of LHU are qualified accountants. There is strong financial challenge and oversight from the governing body.

The college has been able to survive financially in recent years but only by embarking on a cost-cutting exercise including a substantial staff re-structure. Essential building maintenance has not been carried out due to lack of funds. Many staff undertake multiple roles. Falling student numbers have impacted on the college’s financial situation.

Financial performance 2018/19

In the year ending July 2019 the college outturned a deficit.

Although the FEC benchmark was met for cash days in hand, the adjusted current ratio fell below standard. This is a weak balance sheet which provides no resilience against unforeseen events and raises questions as to future solvency.

Delivery of the core level 2 and 3 courses was again only achieved due to the contribution from the other income sources.

The staff costs to total income ratio is higher than the FEC benchmarks.

Financial forecast 2019/20 & 2020/21

Recruitment for level 2 and 3 courses in September 2019 was satisfactory and on target. The ESFA income for the current and future year is assured and associated costs are known.

HE recruitment in 2019 was significantly lower than forecast and some courses were withdrawn.

The forecast for HE income in 2020/21 is optimistic and as a result the likelihood of an overall income surplus outcome for the college as a whole is low.

It is clear that the college is now operating under extreme financial pressure. Its reserves have been extinguished and cash is forecast to be below levels that can provide resilience and sustain operations, especially in the event of unforeseen circumstances. These pressures are the result of years of falling student numbers.

Cashflow / liquidity (including overdraft details and usage if appropriate)

Cash levels are low and continue to fall.

The college is forecasting that it will run out of cash at the end of March 2020 and external support will be needed to resolve timing differences until the next month. Year-end cash is forecast to drop well below the FEC benchmark and will be insufficient for ongoing operational purposes.

Cash flow and balances are insufficient to ensure continued operations beyond the current year, 2019/20

Financial liabilities / loans

There is a bank loan with fixed interest for the full period which extends until 2033.

The bank is aware of the college's current financial situation. It is expected that the bank will continue its support through any period of structural change but would wish to reassess its position once any new structure is identified.

Internal and external audit

The college engages an internal audit service which is conducting a three year audit cycle.

Having obtained confirmation of continued support from the college's main HE partner, it is expected that the board and external auditors can confirm a satisfactory 'going concern' statement in the financial statements for the year ending July 2019.

Estates and capital plans

The freehold of the whole site rests with the trustees of the Society of Mary. The college has a 50-year peppercorn lease for the land footprint of the original college buildings and this is charged as security to the bank. The college has extended the original building beyond the lease footprint and erected further buildings on land which is not subject to the lease.

The current 'book value' of the whole site is recognised in the college balance sheet.

As the college no longer fulfils the requirements of a Catholic college, the trustees are legally obliged to amend the terms of the lease but do not plan to do so until a structural solution for the college is in place.

A joint area review delivery unit estates report was undertaken in September 2016.

Without any changes to timetable or curriculum the college could accommodate 1,250 students, compared with the 653 currently on roll.

Conclusions

St Mary's College is operating in an extremely difficult environment. The college is not sustainable as a stand-alone entity beyond the current year and urgently requires a structural solution. However, it provides good academic experience and outcomes to students, many of whom are very local to the college and reluctant to travel.

The college continues to benefit from the support of its trustees) and LHU. However, the trustees are bound by their charitable objectives which limits their continued involvement with the college. They have indicated a willingness to be flexible in negotiations with any new partner in relation to their involvement and lease arrangements regarding the college site. The trustees and LHU are content to fully support a structural solution that preserves delivery from the current site.

Governance is in a transition and in its current form is not strong enough to support structural change. The interim chair is due to stand down and the replacement will need to have the personal qualities to lead the corporation to the completion of any structural change.

The interim principal and senior leadership team are relatively new to post. They are passionate about teaching and learning and continue to make improvements. Communication with staff is effective and facilitates a community spirit. However, the process of structural change will bring added pressure and a requirement to ensure adequate leadership and support is in place.

ESFA income is insufficient to sustain the mainstream level 3 programme. The college has only been able to maintain operations because of the income it receives from its nursery and HE provisions. These external income streams cannot be relied upon. There is a net cash outflow in the current year to the extent that cash is almost exhausted at year end.

Recommendations

1. The FEC team should carry out a structure and prospects appraisal to assess options for structural change. This process will be started by February 2020 and should be completed by May 2020. It is likely to lead to a merger.
2. The board should appoint a permanent chair by January 2020 who can lead the process of structural change and merger.
3. The college chair and board need to work with a National Leader of Governance to support the process of structural change. This work should begin by February 2020.
4. The interim principal should meet regularly with a National Leader of Further Education for mentoring support and coaching. This work should begin by February 2020.
5. The chair and board need to review and address deficiencies in clerking arrangements as a matter of urgency. The FEC team will review this in April 2020 as part of a stocktake visit.
6. The board and interim principal must work with their bankers, the FEC team and the ESFA to secure short-term stability and solvency. The FEC team will review this in April 2020 as part of a stocktake visit.
7. The college should be placed in supervised status by December 2019; provision should be made for ESFA to observe board meetings.

The FEC team will undertake a stocktake visit in April 2020.

Annex A - Information reviewed

Draft financial statements for year-end July 2019

Financial statements for year-end July 2018

Latest management accounts including cash flow

Revised financial plan and budget

Bank loan agreement

Property title documents and lease

Trust deed

Finance record

Governor details

Board agenda and minutes

Instrument and articles

Minutes of board and committee meetings

Draft self-assessment and quality improvement plan

Learning support review

Curriculum plan

Power of coaching – delegate booklet

Data file (achievement/retention/recruitment/value added/destinations)

Annex B - Interviewees

Principal

Interim chair

Clerk

Business manager

Panel of students x 6

Panel of staff x 6

Panel of governors x 5

Senior leadership team x 5

Trustees & Diocesan representative

Chair of finance committee and finance director of LHU.

Chair of quality and standards committee

Assistant Principal Curriculum

Acting Assistant Principal Quality

Director of Teaching and Learning



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