Department for Education

FE Commissioner Intervention Summary: East Sussex College Group

December 2019

Update on progress since FEC intervention assessment

Following the FEC intervention assessment, the college has made progress despite the turbulent circumstances during which existing challenges, including financial ones, have been exacerbated by the COVID-19 pandemic.

Following the departure of several senior leaders, interim arrangements were rapidly put in place to secure and stabilise the leadership team, with very good use being made of support from national leaders of further education (NLFE) and national leaders of governance (NLG). The governing body membership has been significantly refreshed, with 5 new appointments. The recent staff survey reveals that communications and staff morale have improved significantly.

However, as the college fully recognises, there is still much to do and, despite the positive work by the interim team, the longer-term future sustainability, organisational effectiveness and strategic direction of the college need to be secured. This includes the recruitment of a strong, capable and experienced CEO, and clarifying both the strategic direction and organisational structure of the college, which are essential steps for the college to undertake as swiftly as possible.

Contents

FE Commissioner Intervention Assessment Summary Report:

East Sussex College Group

Name and address of college	East Sussex College Group Station Approach Hastings East Sussex TN34 1BA
Assessment undertaken by	Frances Wadsworth – Deputy FE Commissioner Esme Winch – FE Adviser Nigel Duncan – FE Adviser
Chair of the college	Henry Ball
Principal / Chief Executive of the college	Clive Cooke
Director of Governance	Mia Brown
Date of assessment	19 to 20 November and 4 December

Background to FE Commissioner Intervention Assessment

East Sussex College Group was referred for an FE Commissioner (FEC) assessment following the issue of a Notice to Improve (NtI) by the Education and Skills Funding Agency (ESFA) in November 2019 to report on the college's Inadequate financial health grade.

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 East Sussex College Group 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

East Sussex College Group (ESCG) was established in March 2018 following the merger between Sussex Coast College Hastings and Sussex Downs College, which had campuses in Lewes and Eastbourne. There are now 3 main campuses: Eastbourne, Hastings Station Plaza, and Lewes, with a small amount of provision also being delivered at Ore Valley (in Hastings) and Newhaven.

Since the merger, ongoing and emerging issues have impacted negatively on the college's financial health:

- There has been a downward trend in 16 to 18 recruitment over recent years.
- There is a potential recovery of funds relating to ineligible apprenticeship provision delivered by a former subcontractor at Sussex Coast College Hastings in 2011/12 and 2012/13.
- Data submitted to the ESFA in October 2019 did not capture an accurate level of student activity. The ESFA is allowing the college to resubmit evidence; however, part of the 2020/21 allocation remains at risk.
- There is a challenging cash flow forecast.

Leadership and governance

Role, composition and operation of the board

The chair has planned a 2 year transition period for the board following the merger of the 2 colleges.

The merged board originally had 21 members but moved to 18 members, comprising 2 staff, 2 students, the CEO, the chair, 4 members from each of the pre-merger colleges, 3 externally recruited members and one further member from East Sussex County Council.

There are now potentially 8 vacancies. The board were considering extending the length of tenure of some members in order to retain skills and ease transition, alongside the need to refresh the board. Recruitment of new members would give the opportunity to source the required skills and to address the current lack of diversity.

The chair will stand down in March 2020 and a new chair has been appointed through an external agency and national advert. The chair knows the pre-merger colleges and the area very well. The chair designate also has a strong local knowledge and is engaging actively with the college and board.

The chair and chair designate outlined actions being taken to review the current board structure and rethink the constituent committees to refresh the board and its operations. This includes streamlining meetings and committees.

The chair designate had hoped to consider these revisions with the recently appointed director of governance and also the CEO designate when they had been selected. The recent recruitment and selection process for a new CEO was not successful, so the chair designate will go ahead and progress this without further delay.

The chair designate and director of governance are both positive about receiving support from a National Leader of Governance (NLG).

The board's oversight and challenge of the executive requires significant strengthening, in particular the audit committee. There was a lack of clarity regarding the operation of risk management and the management of risk needs to be improved, clarified and embedded within the organisation. Appropriate control, monitoring and challenge should be more forthcoming from governors.

The current performance management systems for senior post holders should be reviewed as soon as possible. Smarter targets and stronger governor engagement are needed to secure a robust process and help board monitoring.

The board's self-assessment survey received responses from 10 governors. Responses were generally 'strongly agree' or 'agree' with statements. However, the covering report stated that, "one 'outlier' responded to most of the questions with a 'disagree' or 'neither agree nor disagree'", and that they added comments to explain those responses. The survey outcomes were considered at the search and governance meeting but minutes show that there was little discussion of the survey or of these comments. Whilst the less positive responses were minority views, they should have been considered further to ensure rounded reflection. The survey responses had not been collated into a board self-assessment review (SAR) and had not fed into the college SAR.

A board SAR and quality improvement plan (QIP) that inform the college's SAR and QIP need to be developed as a matter of urgency.

Leadership and senior management team

The CEO leads a team of 6 senior managers: executive director resources and organisational development, executive director strategic partnership and engagement, chief finance officer and 3 college principals – one each for the main college campuses/colleges of Hastings, Eastbourne and Lewes.

Following the unsuccessful CEO recruitment campaign, the opportunity to reflect on the recruitment process and identify any lessons learned should not be lost. This also gives a chance to reconsider the role, role description and the best means of recruitment for a CEO. FEC advice at both shortlisting and selection stages is recommended to support and assist with the recruitment decisions.

The current senior management team is large by sector standards and not having the impact required to secure good strategic, curriculum or financial leadership. There needs to be a review to establish a structure and focus that suits the size and complexity of the college and brings the required drive, monitoring and appropriate span of control. Roles need to be refocused.

Strategic priorities and planning need to be strengthened and clarified. Finance, estates, people, curriculum and business planning strategies and priorities should be incorporated into a coherent overarching ESCG strategic plan and set of objectives that are understood and owned by all staff.

There is acknowledgement that revisions to the management structure are required. Feedback from the staff survey shows that improvement in the effectiveness of leadership and management is necessary.

Financial leadership and management capacity, controls, reporting and monitoring are weak. There is a lack of reliable forecasting and management accounts need to be more readable for governors and produced in a timely manner.

FEC support is advised to ensure that a revised structure addresses the leadership and management concerns.

Governance and leadership are currently not strong at ESCG and are starting to undergo a period of transition.

Curriculum and quality improvement

Curriculum and provision overview

The college offers a wide range of academic and technical qualifications through both full-time and part-time modes of study. The college also manages a range of apprenticeship pathways through direct and subcontracted provision.

The apprenticeships are mainly in local priority areas: health and social care, business administration, construction and engineering. However, subcontracted provision expands nationally with providers based in areas such as the south west and the midlands, some of which is specialist provision.

The college recognises that the proportion of provision delivered through subcontractors is too high and presents a significant risk for the college. The college is reviewing its subcontracted activity at the completion of each contract period with a view to reducing it by 25% in 2020/2021. The college plans to replace the income with local direct delivery. However, it is unclear how this will be achieved. This is an ambitious target and if it is not carefully planned it could destabilise the college, so a prudent approach to budgeting the replacement or reduction in income is vital.

Given that around 73% of provision is foundation and transition (levels 0 to 2), the need to review progression and recruitment to level 3 is important. Increasing the proportion of advanced and higher-level provision should be a strategic priority for senior leaders.

At campus level, curriculum profiles differ. For example, Lewes has a larger proportion of level 3 and has traditionally focused on A level provision, whereas Eastbourne and Hastings have a broader range of curriculum. Eastbourne’s A level provision is poor and declining.

The college is preparing for phase one T levels in all 3 subject areas (construction, digital and education). However, the strategy for implementation is weak, with little evidence of preparation for the start of these qualifications in 2020 and some shared doubt amongst senior managers as to whether they were likely to run. The college appears unclear about the market position of T levels in the level 3 landscape, the best way to promote T levels, and their strategic fit in the group. The college needs to seriously consider the steps required to ensure a good experience for phase one T level learners.

Offering such a broad provision across multiple sites has created inefficiencies which need to be addressed. Further work must be undertaken to profile the curriculum across the college campuses. This will help to create centres of excellence across the group and improve efficiency. With low numbers on several courses, the college needs to systematically review provision across the group.

Curriculum planning and development

ESCG commissioned a curriculum review that made a series of recommendations for the future development of curriculum across FE and HE for the period 2020 to 2025. There will be a consultation on this with staff and employers in 2020 and an updated curriculum offer will be available from 2020/21. Further work on curriculum planning and design is therefore required.

Curriculum planning and design is underdeveloped. The college is receiving support from a national leader of FE (NLFE) to share good practice and invest in the implementation of a tried and tested curriculum planning and resourcing model. Senior managers are working to have the system fully implemented by February 2020. The college estimates that this will require a further 25 days of external support. Progress to date is positive but further delays or inefficiencies in curriculum planning could compromise the anticipated benefits for next year. The risk of failure to achieve the required progress should be included in the risk register and progress needs to be monitored carefully.

Quality Improvement and self-assessment

The group has not been formally inspected since merger but received an Ofsted monitoring visit in December 2018. Broadly, the visiting inspectors found that the quality of education and training had made ‘significant progress’ in 3 areas identified for improvement, and ‘reasonable progress’ in 2 other aspects. Teaching, learning and assessment is cited as an area for improvement in the college’s 2018/19 SAR.

2018/19 outcomes illustrate that the college has made progress in addressing areas of underperformance in 2017/18 in most areas, leading to an overall improvement of

1%. Overall, the college's classroom-based outcomes are in line with national averages, except A levels which achieve well below national averages. The college attributes this to legacy 16 to 18 retention from 2017/18 which led to the poor outcome in 2018/19. In-year A level retention is better. At the largest campus in the college, 16 to 18 retention remains a concern.

Apprenticeship outcomes overall declined in 2018/19 and are now on, or are slightly above, national averages.

The college's approach to self-assessment is inconsistent across the group. The draft report contained descriptive narrative based on an education inspection framework structure but lacked sufficient evaluative comments and allied data linked to strategic priorities.

The SAR needs detailed referencing that can be directly linked to quality improvement plan actions and progress monitoring.

The ESCG strategic plan contains 3 strategic priorities (standards, sustainability and partnerships), each with objectives which should drive planning and improvement. The plan lacks tangible targets that can be disseminated down to course level and is not referenced through self-assessment. There is a disconnect between the group strategy and its performance.

Risk assessment is not used effectively in relation to organisational performance. The combination of quality improvement and the achievement of strategic priorities needs to be strengthened.

The college principals are working well together to improve the existing provision and organisational performance at college level. However, there is a lack of group strategic oversight and direction which needs to be established with the appointment of a new permanent principal/CEO. In the meantime, the senior team need to review existing structures and workflows to prevent duplication and allow for better systems development and planning.

Although a mixed profile across campuses, the group SAR will assess the 2018/19 performance as Requires Improvement, which the FEC team would agree seems realistic.

Trends in student recruitment and retention

The level of 16 to 19 recruitment has seen a sharp decline over recent years and current figures in 2019/20 suggest a further fall.

Leaders and managers anticipated this trend and factored this into budget forecasts for 2021/22.

It is accepted that the closure of Central Sussex College Haywards Heath provision has cushioned the decline at ESCG; however, the planned re-opening of Haywards Heath College by a competitor group in September 2020 will intensify competition. Clarifying the campus provision, addressing areas of underperformance and a concerted approach to marketing will be needed if the college is to achieve its growth targets.

It is a concern that 16 to 18 retention is below national averages and that recruitment is also declining and is forecast to decline further.

Whilst an increasing demographic may offer the group an opportunity for future growth, senior leaders need to consider the adverse impact of:

- Poor recruitment to T levels.
- Increasing competition, particularly from organisations that successfully start T levels and/or have high quality A level provision.
- Inconsistencies in the curriculum offer between campuses (being reviewed as part of the education case work).
- Reputational issues associated with poor quality and deteriorating estate.
- A campus at Eastbourne with very limited utilisation at present and plenty of excess space. Such scenarios can be uninviting to potential learners.

Student views

Students whom the FEC team met were all positive about their learning experiences and their time at the college. They appreciated the support of staff and tutors and commented on having knowledgeable teachers. There was particularly positive comment about support given with university applications.

A level students at Eastbourne spoke of their relative isolation in their separate A level building, which is set apart on the campus. They regretted this, saying it had precluded positive mixing with other students and they had not used the central facilities as well as they might. They also commented that the building was in poor repair, dingy and cold.

There were some comments that though induction was mostly good, further support in transitioning from school to college would be helpful as some had found the move and expectations of staff hard to cope with.

Staff views

The FEC team met with a group of staff and trade union representatives. Staff were largely positive. They spoke of commitment to their students; best practice sharing now operating across the previously separate colleges; the benefits of a wider support network; and how the colleges were now coming together, albeit with some issues across college and needing to stabilise.

It was mentioned that some staff in the former Sussex Coast College felt that they had 'lost out' in terms of financial and quality strength through the merger process. There were others who felt that neither of the mergers that the former Sussex Downs College had been engaged with during previous years had brought a unified shared culture.

Union representatives spoke of very low staff morale and fear of job loss amongst staff. They said morale had been low before merger but had dropped further since.

The outcomes of the recent staff survey highlighted particular areas of concern as: communication, the quality of leadership and management, visibility and accessibility of the executive, the college's reputation for the quality of its provision, and the decision making of managers.

The executive has met to consider the responses and are forming an action plan to address the issues outlined. They have said that staff and unions will be fully consulted. This needs to be addressed urgently.

Finance and audit

Following the merger, unforeseen additional staff costs were identified and extensive savings in pay were made in 2018/19. This, in addition to the 2018 deficit, expended a greater proportion of the Transaction Unit merger funding than planned and has depleted reserves and cash in hand. After pension liabilities increased in 2019, reserves are now negative.

The ESFA review of the July 2019 financial plan resulted in an Inadequate grade assessment for 2018/19 and an NtI. The Provider Market Oversight (PMO) team have highlighted a range of concerns about accuracy and consistency of financial reporting which limits their confidence in the quality of management information supplied. The 2019 financial health score is based on low levels of borrowings with a zero score for EBITDA and adjusted current ratio tests. The updated forecast for 2020 improves the health score, bringing it to Requires Improvement, but only a minor reduction in EBITDA would revert it back to Inadequate. The current plan for

2021 indicates a slight improvement in EBITDA but remains at Requires Improvement.

Financial performance remains a high risk for the college given the instability of some numbers, major capital development plans and the additional savings required in year to meet the forecast.

Recent financial history and forecasts for coming years

The financial history of the newly merged group has been turbulent. Whilst striving to improve its financial health from Inadequate, its status remains a very weak Requires Improvement grade in 2019/20 and there is only small improvement for 2021.

The approved budget for 2018/19 was prepared with poor quality data, including for payroll from the previous Sussex Downs College. Financial reporting has been complicated by many emerging issues, and the college had to respond with substantial in-year reductions in costs in order to try and establish a stable base. This level of fluidity in the in-year reporting makes it difficult to confidently plan and monitor the college's financial recovery.

The 2019/20 budget was prepared with accurate staff numbers which were matched to the curriculum plan. There remains significant savings to be made to achieve the latest forecast, although in-year pay savings have been identified and agreed for immediate implementation.

The college is implementing a new curriculum and resource planning model from another college for 2020/21, which should highlight potential cost efficiencies. If appropriately implemented and led it should provide a more stable and affordable baseline that will improve EBITDA and financial health. It should also improve financial awareness and accountability across the wider management team and challenge to the quality of the management information. Since the merger, the oversight of finance within the group has been below sector standards.

Financial performance 2018/19

The July 2019 final accounts show a large deficit which is a significant variance to the original approved budget and the April reforecast. Corporation members were advised of statutory accounts adjustments appropriately.

Although staffing levels showed an improvement in affordability compared to the prior year, the college struggled to reduce staff costs during the year despite several restructuring programmes.

The late notification of the ESFA clawback in connection with a former subcontractor is included in the final results, although repayment is assumed during 2020/21 and 2021/22.

Financial forecast 2019/20 and 2020/21

The updated forecast for the current year targets an improved position. The review of the estates development costs reduced estates professional fees and estates strategy capital expenditure. This is offset by an increase for further staff restructuring during November and December 2019, which brings about a pay saving.

Staffing costs in the latest forecast appear higher than budget, despite further restructuring in July 2019 and further in-year reductions.

Non-pay expenses are forecast to reduce, including a reduction in payments to subcontractors. A substantial list of non-pay savings, many of which are procurement related, has been prepared for implementation during the next 2 years and will require oversight to ensure sufficient savings and optimum value for money is achieved.

A minimum education specific EBITDA target is being set for 2020/21 to improve financial performance. It is heavily reliant on the NLFE college's support and the introduction of the new curriculum and resource planning model. The outputs are yet to be considered and fully scoped in the financial plan but are crucial to the future financial recovery of the college. Any resulting reductions must be fully costed and planned in a timely manner to achieve the necessary financial impact.

Cashflow / liquidity

The reforecast reflects the availability of the additional facilities from the bank and the lower capital and estates plans. It indicates that the revolving credit facility will be utilised in part, or in full, from January 2020 but the overdraft should not be used. Bank covenants should be met.

The outline plan for 2020/21 shows an improving position, with less use of short-term borrowing despite the partial repayment of the clawback and no receipts from the estate's masterplan.

Internal and external audit

The internal audit opinion was that "the organisation has an adequate and effective framework for risk management, governance and internal control". Their work indicated 'partial assurance' for key financial controls and for safeguarding.

‘Reasonable assurance’ was given for financial planning and for merger implementation. Evidence the FEC team saw did not support some of these opinions.

The audit completion report for the year ended July 2019 indicated that an unqualified opinion without modification would be used subject to the satisfactory conclusion of the remaining work and there were no going concern issues.

Estates and capital plans

Senior leaders recognise that the college’s estate needs significant investment. A strong theme is the need to reduce space and consolidate and improve facilities on the Eastbourne and Lewes campuses. This will also release significant proceeds to repair the college’s balance sheet and strengthen financial resilience for the future.

An ambitious estates strategy, with associated plans, has been drawn up. This involves an innovative partnership arrangement with the local authority. The plans will rationalise existing estate to reinvest receipts into a combination of new build and refurbishment. However, due to current financial pressures, the college has had to significantly reduce its capital development enabling budget which could stall the planned estates refresh. Leading up to and during the planned developments, further work needs to be undertaken by senior managers to assess and mitigate the reputational risk and costs associated with maintaining a deteriorating estate.

Conclusions

The merged college has been through a period of turbulence and has some significant concerns, challenges and issues to address.

A chair designate has been recruited and a period of transition is in progress. Handover to the new chair is planned for March 2020. Plans to streamline the governance structure need to be progressed and recruitment to the governor vacancies effected.

Strong leadership is urgently needed to secure strategic direction. The recent unsuccessful recruitment process for a new CEO needs reviewing and the best way to recruit to this key position should be reconsidered. Advice from the FE Commissioner should be sought during this process. Executive financial leadership needs strengthening to ensure effective financial management and controls, which is currently of significant concern.

The curriculum planning process and systems being introduced to support the college’s efficiency are positive but require careful and considered implementation.

Risk management was referred to by some as work in progress. Insufficient embedding of the process has led to a lack of clarity around the risk management process, reporting and its monitoring. With so many significant risks, this is concerning. The audit committee currently lacks appropriate focus and challenge relating to risk.

The quantity of subcontracted activity is of concern, as is the resulting inconsistent quality across 16 to 18 and apprenticeship provision. This should be addressed systematically as contracts expire. Any reductions in subcontracting are likely to lead to a need to reduce costs within the core college.

The self-assessment process is realistic about the performance of the college. However, further work needs to be undertaken to present the information consistently across the group and in a way that can be clearly understood by multiple audiences. Allied to self-assessment, quality improvement action planning and monitoring should be enhanced to ensure timely progress.

The implementation of T levels is a strategic priority for the college, but currently represents a high risk of failure, as preparations to date are insufficient.

Recommendations

1. The board urgently needs to clarify and communicate effectively the college's strategic direction and core values. This should bring together the overarching vision for the college's future – combining its estates strategy, finance and workforce strategies, curriculum and business plans and associated curriculum strategy. It is critical that this strategy includes measurable, time-constrained targets. This process should include consultation with staff and subsequent effective communication with all staff and key stakeholders. This should be completed by July 2020.

2. Strong and effective leadership must be secured as soon as possible. A review of the unsuccessful recruitment exercise for the CEO post and 'lessons learnt' should take place to determine the best way to secure a strong CEO. A member of the FEC should be engaged to advise during the recruitment and selection process as an observer. The recruitment process should begin immediately, with the aim of having a new CEO by 1 September 2020.

3. A review of management capacity and capability needs to be conducted by the new CEO to establish a structure that suits the size and complexity of the college.

4. The board must ensure there is appropriate strength and capability in the financial leadership of the college and that there are effective controls, reporting and monitoring in place at board and senior management team level. An independent review of the financial capacity and capability of the college management should be completed by July 2020.

5. Plans need to be implemented to strengthen, streamline and focus the board's work, and reduce the number of committees and meetings. An NLG will support the chair designate, director of governance, new governors and newly forming board through this significant period of transition. One NLG will begin work with the chair designate in February 2020 and another NLG will work with the director of governance from February 2020.

6. The audit committee and the new chair of audit must oversee a significant improvement of risk management and business controls processes and the board's assurance framework. It is strongly recommended that the new chair of audit receives mentoring from an experienced chair of audit from another college, to begin by April 2020.

7. The college should urgently agree and implement a plan to significantly reduce its dependency on subcontracted activity. This plan should be time

constrained, with target milestones and should aim to eliminate the current subsidy of core activity. The plan is to be agreed by the board by July 2020.

8. Self-assessment and quality improvement processes need further refinement to ensure they are aligned and monitored effectively. This is ongoing.

9. Senior leaders should urgently review the current level of readiness for each T Level pathway. They should assess the associated risk of failing to recruit to and deliver a positive experience for students studying on these qualifications for the coming year. Decisions on T Level developments should be made by May 2020.

10. A robust plan is urgently needed to address the significant concerns expressed by some staff during the FEC team's visit and in the staff survey. The board should ensure they have means of monitoring the plan and testing the impact of the proposed actions. The Head of HR should provide regular reports to the board on staff morale.

11. The estates strategy must be developed to improve the physical infrastructure for students and staff. However, this must not distract leadership and governors from the core business of teaching, learning and assessment or place the college at further financial risk. A revised estates strategy should be produced by November 2020.

The FEC team will return to ESCG for a stocktake visit in April 2020. The FEC will make a one day strategic visit to the college in January 2020.

Annex A - Information reviewed

Updated Self-Assessment Reports

Quality improvement plans and progress against it

Annual accounts

Latest management accounts, including cashflow

Financial plan for 2 years

Finance Records for the two previous years

Finance position paper

Student numbers, including retention and performance data

ESFA briefing

Ofsted monitoring report

Organisational charts

Estates strategy

Corporation membership with CVs and latest skills audit,

Self-Assessment and governor development plans

Risk Registers

Annual reports - internal auditors and finance auditors.

Governor minutes and papers including confidential minutes

Governor sub-committee minutes and papers

Staff Survey

Student Survey

Senior Post Holders Appraisal documentation

Strategic Plan

'Beyond 2020' Curriculum Plan

T Level Implementation Plan

Annex B - Interviewees

Chair of Governors

Chair Designate

Principal and Chief Executive

Director of Governance

Executive Director Resource and OD

Chief Finance Officer

Principal Hastings College

Principal Eastbourne College

Principal, Lewes College

Executive Director Strategic Partnerships and Engagement

Head of Quality

Quality Leads

Director of MIS

Chair of Finance Committee

Chair of Audit

Lead Governor Quality and

Chairs of local boards

Independent governors

Union Representatives

HR Business Partner

Group of staff

Group of students

Department
for Education

About this publication:

enquiries www.education.gov.uk/contactus
download www.gov.uk/government/publications

Reference: DfE-00171-2020

Follow us on Twitter:
@educationgovuk

Like us on Facebook:
facebook.com/educationgovuk