



Department
for Education

Christine Russell
Chair of Governors
West Cheshire College
Ellesmere Port Campus
Off Sutton Way Ellesmere
Port
CH65 7BF



Department
for Business
Innovation & Skills

Minister for Skills and
Equalities

1 Victoria Street
London
SW1H 0ET
T +44 (0) 20 7215.5000
E enquiries@bis.gov.uk
www.gov.uk/bis
www.education.gov.uk

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I am writing to inform you of the government's view of your College's position in light of the FE Commissioner's review, and the next steps that will be taken to secure improvement at West Cheshire College.

As you are aware, following the notification by the Skills Funding Agency that West Cheshire College has been assessed as inadequate for financial health, I decided that the FE Commissioner should carry out an assessment of the College in line with the intervention process set out in *Rigour and Responsiveness in Skills*. The FE Commissioner concluded his assessment on 19 September 2014.

I have now considered the FE Commissioner's assessment, which includes a set of recommendations. I have accepted all these recommendations. A summary of the assessment and the recommendations is provided with this letter.

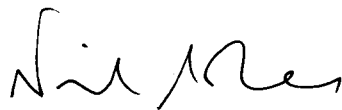
As you will see, the FE Commissioner's assessment recognises the action that your College has taken to deliver quality improvement and financial recovery. I welcome the steps your College has taken to strengthen the governance arrangements and to appoint a strong senior management team. Strong governance is vital to a college's success. Governors are responsible for the strategic oversight of the college, and in holding the Principal and executive to account for delivery. They are also guardians of public money, ensuring its effective and efficient use. It is therefore essential that the governing body has the skills and experience necessary to fulfil these responsibilities. For West Cheshire College, this includes ensuring there is strong financial expertise on the Corporation who can support the College with its financial recovery. I would therefore encourage you to continue refreshing the governing body and ensuring your audit arrangements are as robust as they can be.

The FE Commissioner's report confirms that the College is seeking to consolidate its estate on to one campus. As you will appreciate, any decision to close a site should not be taken lightly, and should only be done with a clear and detailed understanding of the impact of those changes on learners, employers and the local community and on the long term sustainability of the College. I recognise that the College has considered a number of options and completed a preliminary review, however in light of the likely impact on local learners a more detailed review should be completed before any site is closed. This review should consider the impact of the proposal on learners, employers and the community, the costs and benefits, and the viability of the proposal on the long term financial position on the College, and thoroughly test any assumptions. I have asked two FE Advisers to lead this review, working with the College, as it is important that there is an independent, 'institution blind' perspective to the analysis. The review should take account of the views of local stakeholders, including LEPs.

I would be grateful if you could confirm in writing, within two weeks of the date of this letter, the steps you will take to implement the FE Commissioner's recommendations. Your letter should be copied to the FE Commissioner and Claire Blott, Deputy Director, Skills Funding Agency. My officials at the Skills Funding Agency will be in touch shortly to arrange a meeting between you, the Principal and the FE Commissioner to discuss the content of this letter, the attached summary and the viability review.

In line with the published intervention process (April 2014) summaries of the findings from all FE Commissioner assessments are published to enable the college or institution subject to intervention, and the sector more widely, to see and learn lessons. The West Cheshire College summary will be published once you have provided me and my officials with your action plan.

If you have any questions about the FE Commissioner's assessment or this letter please contact John Myers (John.Myers@sfa.gsi.gov.uk) in the first instance.



NICK BOLES MP

Further Education Commissioner
Assessment Report; Summary and Recommendations
West Cheshire College

Background

1. West Cheshire College came into being in 1948 with the amalgamation of the existing further education establishments in the Chester area under one name; Chester College of Further Education. In 1963 the Handbridge Campus was opened and since then the College has developed and expanded, having campuses at Blacon, Greenbank and Ellesmere Port.
2. There has been a recent rationalisation of the college's estate and the present West Cheshire College campuses are in Chester (6000 sq. meters) and Ellesmere Port (21,000 sq. meters), approximately 8 miles apart. The Handbridge Campus was rebuilt and a new building was established on Ellesmere Port Campus, both of which opened in 2011 having been supported by £47.9m of Capital Investment from the Learning and Skills Council.
3. The College offers learning opportunities, including Apprenticeships and full-time programmes, to young people aged 14 to 19 and part-time opportunities to adults, including professional qualifications, HNCs and HNDs, and Foundation Degrees.
4. The College's curriculum is currently arranged across the two sites as follows:
 - a. Handbridge Campus at Chester providing facilities for engineering, manufacturing, logistics, wood trades, plumbing, painting & decorating & brickwork, computing and IT, science and pharmacy.
 - b. Ellesmere Port Campus providing facilities for the Creative and Service Industries including hospitality and catering, travel and tourism, hairdressing and beauty therapy, health and social care, business, childcare, sport, public services and the creative arts.
5. Following the notification by the Skills Funding Agency that West Cheshire College had been assessed as inadequate for financial health, the Minister for Skills and Equalities decided that the FE Commissioner should assess the position of the College in line with the government's intervention policy set out in *Rigour and Responsiveness in Skills*.
6. The FE Commissioner's report is intended to advise the Minister and the Chief Executives of the funding agencies on:
 - a. the capacity and capability of the College's leadership and governance to secure a sustained financial recovery within an acceptable timetable;
 - b. any actions that should be taken to deliver a sustained financial recovery within an agreed timetable (considering the suite of interventions set out in *Rigour and Responsiveness in Skills*); and
 - c. how and when progress should be monitored and reviewed taking into account

the Agency's regular monitoring arrangements.

Assessment Methodology

7. The FE Commissioner, supported by an FE Adviser, carried out an assessment during the period 9th September to 13th September 2014. They received in advance extensive briefing information provided by the Skills Funding Agency and the Education Funding Agency and reviewed a wide range of College documentation. They interviewed board members, managers and staff, as well as speaking to representatives of the SFA and EFA. They also toured both of the college's main sites.

The Role, Composition and Activities of the Board

8. Since 2011, there have been a number of new governors appointed to the Governing Body. These changes, together with the appointment of a new Principal and a new chair, have enabled the Governing Body to become more involved in strategic decision making and provide the necessary challenge and debate. The participation of all members is now actively encouraged and monitoring and review functions have significantly improved. Prior to this the Governing Body has been characterised as a 'passive, approval body'. As a result poor decisions were made.
9. There are signs that this situation has changed but the skills mix of the Governing urgently requires further refinement as there is only one qualified accountant on the Board and no one with FE experience.
10. The College has recently moved to a new committee structure underpinning the main Corporation, disbanding the previous finance and curriculum focused committees and moving to an Operations Committee, which will meet every 6 weeks. The rationale for this is that curriculum and quality cannot be divorced from the financial performance of the College and thus a single meeting considering both aspects will ensure that decisions take account of their impact on both key aspects of the college's operations.
11. Clerking arrangements have been poor. Governor training has been minimal and there is no governor appraisal process in operation or detailed skills audits. Minutes of meetings are inadequate and suggest that there has been only limited debate and discussion of issues.

The Senior Leadership Team

12. A new senior management team has been put in place over the past 15 months and is addressing the considerable legacy issues that it has inherited. The team is well qualified and experienced and has made considerable progress in turning the College around, both in terms of improving quality and addressing its precarious financial position.
13. The size of the task should not be underestimated but a clear focus on the student experience is leading to improvements in success rates in 2013/14, while the systematic rebuilding of the budget from the bottom up and a significant restructuring are allowing the college to forecast a marginal cash surplus for 2014/15.
14. However, the excessive long term borrowing which the college faces as a result of the

previous leadership decisions on the size, location and financing of the new builds and the unsuitability of much of its accommodation will continue to present quality and financial challenges. The senior leadership team will need to consider a radical solution to dealing these issues if it is to reduce the college's debt to manageable proportions. Consolidating the estate onto one campus by selling the Handbridge campus and relocating all learners to the Ellesmere Port site offers, on the face of it, the most cost effective and beneficial solution to this problem. A preliminary review of the possible effects on learners would suggest that there would be no significant fall off in numbers were this to take place but the College should complete a detailed viability review, working with the funding agencies, to consider the costs, impact and benefits in more detail before a final decision is taken.

The Quality of Provision

15. The College was inspected by Ofsted in March 2014 with its overall effectiveness and all component areas graded as 3 (Requires Improvement). A series of Ofsted support and challenge visits is in progress with re-inspection due in spring 2015. The previous inspection in April 2010 judged the overall effectiveness as 2 (Good).
16. The latest Ofsted report commented positively on the progress that the senior team were making. It noted in particular in the college's strengths that "The energetic and inclusive senior leadership team has strengthened the focus on improving the quality of provision".
17. Since the report data for the 2013/14 academic year has become available demonstrating significant progress in success rates, particularly at level 3.

The Financial Position

18. The college's weak financial position is due to a high level of borrowing taken out to finance the college re-build and its declining trading position as it has failed to control costs adequately and align them to income.
19. Since the employment of an experienced interim Finance Director in March 2014, the accuracy, robustness and confidence in financial management and reporting have improved at all levels within the College. Governors are now confident they get high quality accurate reports which reflect the reality of the College's position and are made aware of the risks and issues. As a result they are well informed and are empowered to challenge and debate.

Conclusions

20. West Cheshire College is in a very difficult financial position largely due to mistakes that were made in the past with regard to the size, location and financing of its new builds. The new management team are working hard to resolve the twin issues of unsuitable accommodation and high levels of debt but more radical action will be needed to bring the situation under control within a reasonable timeframe, and before further financial support is needed, to ensure high quality educational provision for those living and working in the Chester area.
21. The College has a significant amount of excess space which is costly and inefficient. It

therefore makes sense to consolidate provision on one site – that at Ellesmere Port – and to sell the Handbridge campus. The Ellesmere Port campus is well served by transport links, is only eight miles from Handbridge and has 21000 sq meters of space, which with some adaptation will provide an excellent education facility. The Handbridge site in contrast is relatively difficult to reach by public transport, much smaller at 6000 square meters and unsuitable for the provision that it currently offers. Coupled with the cost saving measures undertaken and planned, this should ensure that the College reduces its debt to manageable proportions and achieves financial stability.

Recommendations

- 1. The College needs urgently to recruit new Governors with accountancy and FE experience to ensure the skills mix is right for the needs of the College. All appointments should be made through an open and competitive process.**
- 2. The College should review its clerking arrangements and put in place appropriate clerking arrangements as soon as practicable.**
- 3. The College's financial regulations should be updated by the end of October 2014**
- 4. The Audit Committee should ensure that at all meetings there is the opportunity for a minuted private meeting of Audit Committee members with both External and Internal Auditors.**
- 5. The post of Director of Finance should be filled with a permanent appointment as a matter of urgency. The person appointed to the post should be a senior post holder.**
- 6. The College should complete a viability review, working with the funding agencies, into consolidating its estates onto a single campus as soon as possible. Subject to the outcome of this review confirming that alternative provision at Ellesmere Port would not significantly disadvantage learners, the Handbridge site should be closed and mainstream provision moved to the Ellesmere Port site.**

