FURTHER EDUCATION COMMISSIONER ASSESSMENT SUMMARY

North Shropshire College

SEPTEMBER 2015

Assessment

Background

North Shropshire College (formally Walford and North Shropshire College) was formed in 2001 as a result of a merger between a rural tertiary College based in Oswestry and Shropshire's specialist land-based College based in Walford. It is a small General Further Education College serving North Shropshire at two main sites in Walford and Oswestry and 3 smaller centres including a commercial dairy, sheep and arable farm;

The focus of the Walford campus is on land-based delivery with a commercially-managed farm with livestock, an animal care centre, a grooming parlour, and an equine centre with stabling. The site has specialist engineering and motor vehicle workshops with the latest diagnostic equipment, a range of cars, tractors and machinery and includes CNC and robotic equipment. There are mature woodlands and new plantations, fishing pools, a rough game shoot and a sports hall with modern facilities and a gym, plus outdoor sports pitches. There are also halls of residence, including a recently built residential block.

The college's site at Oswestry is a modern campus on a shared site with Oswestry Leisure Centre. The curriculum offer is broad including A and AS Levels, Apprenticeships, GCSE's, Vocational Courses and Higher Education. The specialist facilities include: computer classrooms plus a graphics/multimedia workshop with a suite of Apple Macs; newly developed plumbing, electrical and construction facilities; a new training restaurant and a teaching kitchen. In 13/14 the College had over 3,000 adult learners including 430 Apprentices (all ages).

Following the notification by the Skills Funding Agency that North Shropshire College had requested exceptional financial support the Minister for Skills and Enterprise 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*.

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 range 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

The FE Commissioner, supported by two FE Advisers, carried out an assessment during the period 7th - 11th September 2015. 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 representatives of the SFA and EFA.

The Role, Composition and Activities of the Board

The Chair of the Corporation was appointed in February 2012, having been a governor since 2007. The Chair of the Finance & Resources Committee and the Chair of the Quality & Standards Committee have both recently been renewed and an additional sub-group of the board, which meets monthly, has been set up specifically to monitor the college's recovery plan.

Five new Governors joined the Board this year but despite determined efforts the Board has not managed to recruit a suitably qualified person with appropriate financial expertise. As a result financial information presented at Board meetings has frequently been accepted without sufficient scrutiny or challenge. Much of it has been muddled and obscure, making interpretation extremely difficult. As a consequence, until the recent appointment of an interim financial manager Governors felt out of their depth and ill equipped to challenge verbal presentations intended to provide assurance as to the financial security of the college.

The Chair of the Board is acutely conscious of the precarious financial position of the college but also recognises that it is imperative that Governors adopt a parallel and keen focus on improving the quality of provision. Governors are encouraged, for example, to take part in 'Learning Walks' so that they become more involved with, and aware of, the quality of provision.

The Board recognises that the college can no longer continue to operate as a stand-alone organisation. At the last Board meeting the Principal presented a paper to Governors based on the BIS Structured Prospects Appraisal Process to help them to explore possible models and options for the future of the college. Governors appreciate that the needs of the locality, its students and employers are paramount and personal feelings about the continuation of the existing college must be set aside. They are convinced that they need to act swiftly and find a secure way forward through merger or formal partnership with one or more providers.

The Executive Team

The Principal has been in post for approximately a year. She has very effectively gained the good will of managers and staff alike; she has fostered an open and honest approach to solving problems and set about ensuring that accurate and timely information is available to encourage responsibility and accountability at an individual level. Progress has been made in streamlining processes and procedures but lack of capacity and capability at senior management level are hampering progress and the pace of improvement remains slow.

Managers and staff have welcomed the arrival of the new Principal and are committed to achievement of her vision to increase the size and reputation of the college. They are firm in their commitment and belief that they can 'grow' the college and turn the current deficit into a surplus. However, the college is in a highly competitive and difficult environment;

geographically it abuts Wales limiting recruitment, it is in close proximity to a VIth form school with good GCE A level results, demographics indicate a declining 16-19 year-old cohort and this testing scenario is compounded by the current stringent economic climate. The forecast growth in student numbers would appear to be over optimistic and hence it is unlikely that the college will able to grow its way to an independent future.

Finance

The College has experienced a decline in its financial health over the last four years moving from a financial health grade of ‘Good’ in 2011/12 to ‘Inadequate’ by 2013/14. There have been two consecutive years of operating deficits as per the audited financial statements, with a further operating deficit in 2014/15 as shown in the draft unaudited accounts. Income has reduced by almost 20% in this period, without a corresponding reduction in costs. This has led to the current very weak financial position, with poor liquidity, and the college being reliant on third party support to continue its day- to-day operations.

One of the major weaknesses in budget planning and monitoring has been the lack of a curriculum plan. In previous years it appears that the budget setting process was very much a top down process, with no devolved budgets in place. Therefore no real financial targets were set for the management team, and budgets did not necessarily correspond with activity. This has led to a lack control over staff hours and has resulted in small average group sizes.

There is clear evidence that the college have carried out a much more thorough curriculum planning exercise for 2015/16, and a definite intent from the management team to link this directly with the budget planning.

The college’s financial plan for 2015/16 therefore appears to be more prudent than in previous years, but it does rely on growing income particularly in 2016/17. This is particularly concerning given the likely scale of future funding reductions that will come out of the forthcoming CSR. The management team stated that the plan includes the significant known impacts of salary increments, pension contribution changes and National Insurance rate changes, although this was not clear from a review of the budget working papers.

The college’s income is planned to grow by approximately £1m in 2016/17, largely as a result of the planned increased learners in 16-18 numbers and apprenticeships referred to above in 15/16. There is also growth planned in HE income and other commercial income. There is clearly significant risk attached to the ability of the college to achieve these growth targets given the declining demographics for the next three years, likely future funding reductions, and an assumption that the current Notice of Concern relating to Apprenticeship provision will be lifted in 2015/16.

The college has undertaken some piecemeal capital projects over recent years. These have been largely financed through various long term borrowings. However the plan for the next three years recognizes the severe financial constraints likely to be faced and therefore now focuses primarily on the potential for asset disposals. Whilst the college are confident of achieving the values attached to each of the disposals there is clearly a very significant risk that the timings of the cash amounts could be delayed, by circumstances that will be beyond its direct control.

The college needs therefore to ensure that it is monitoring its cash flow very closely as there are significant risks associated with the achievement of the cash targets set out in the financial plan. There is a high risk that there will not be sufficient funds to meet the needs of the college over the coming months.

Governors now provide a strong financial challenge in what has recently proved to be very difficult circumstances. There is clear evidence in the papers and minutes from various meetings in 2014/15 that governors were repeatedly asking for better quality and more timely financial information. In March there was still no full year forecast for 2014/15. When this was eventually provided it proved to be inaccurate. As a result the Director of Finance tendered his resignation and a new Interim Finance Director with Further Education experience has been appointed.

The process used by the College to set its budget has historically not accorded with best practice, with the absence of a proper curriculum plan that links to the budget, and very little or no devolved budgets in place. Without such targets managers cannot have ownership of budgets and therefore are not being held accountable for budget overspends. This situation has been addressed for 2015/16.

The college's External Auditors are Grant Thornton. Having reviewed the published accounts for 2013/14, they gave the college a clean audit opinion and there were no major matters requiring comment. In view of the college's current financial situation it may be expected that in reviewing the 2014/15 accounts the External Auditors will raise concerns about the college as a going concern.

Quality Improvement

The college was inspected by Ofsted in October 2014 with its overall effectiveness graded as 3 - Requires Improvement. The previous inspection in May 2013 was also 3 - Requires Improvement.

The college quality improvement plan (QIP) is broad-brushed and lacks sufficient detail to give confidence that there are appropriate plans in place to effect swift improvement. Because there is little detail about the intended actions the monitoring of outcomes is vague and often overoptimistic.

Success rates for GCE A and AS levels have not improved significantly over the last three years and GCE maths and English success rates remain very low. Data for vocational programmes for 2014/15 was not fully available at the time of the visit but early indications suggested that some further progress had been made. College ILR data shows a 3% increase in classroom based learning and overall success rates for apprenticeships increasing by 8% on the previous year. Attendance in all lessons across the college has improved but is still some way below the college target and the rate expected in similar colleges.

The college is subject to a notice of concern for apprenticeship provision for falling below minimum standards. In response the college has appointed an Employer Engagement Manager and consolidated and centralised management of provision to improve consistency and facilitate monitoring. Key areas of weakness have begun to be addressed, for example maths and English is embedded in students' main learning programme from early in the first term. Recruitment of apprentices is showing some increase but the curriculum and financial plans based on extensive growth together with an aspiration to exceed target are both ambitious and risky.

Students, however, are positive about their experiences and students at the Walford campus particularly relish the opportunities they have to undertake real working experiences on the land or farm. They also clearly appreciate the help and support that the staff give and feel that they will achieve well in their chosen careers.

Last year the lesson observation process was changed to focus on the development of the individual rather than aiming to grade the quality of teaching and learning at the first observation. Staff welcomed this less threatening and more supportive approach and report feeling ‘freer’ to try new methods and approaches. As a result, the observation of teaching and learning grades have risen significantly.

Conclusions

The Principal, SLT and governors are working hard to deal with some very difficult financial problems at a time when the funding environment has been and will continue to be very challenging. They have recognised that in the circumstances the college is not sustainable in its current form and are exploring options to ensure that the needs of learners and employers in the area continue to be met.

In the meantime, there are a number of areas that they will need to focus on over the coming months. In particular management information has improved but remains inconsistent and incomplete. This needs to improve. Process and procedures to raise the quality of provision have also been implemented and some improvements are evident but as yet confidence in the ability of the college to develop its provision to an acceptable standard remains limited.

The predicted growth in the recovery plan appears to be too optimistic, especially in light of the further anticipated funding reductions likely to come out of the forthcoming CSR. As a result this could have implications for the future cash forecasts. There is consequently a high risk that the college will require additional financial support above that which has been identified, not only due to the challenging income targets, but also critically in 2015/16 due to the timing of the sale of land and property and the result of an increased 2014-15 deficit.

Recommendations from Further Education Commissioner

1) **The Board of Governors should continue to explore alternative options for the future of the college to ensure that the needs of employers, students and the community are met, recognising that the college in its present form is not sustainable.**
2) **The governing body should seek to appoint a new governor with expertise in financial management as soon as possible.**
3) **The timeliness, relevance and accuracy of management information should be improved to support decision making.**
4) **The college should implement a developmental programme to ensure that managers are able to adopt a more consistent and robust approach to supporting and challenging staff.**
5) **There is a concern about the capacity and capability of the finance team. Consideration should be given to bringing in a temporary Finance Manager.**
6) **A review of the viability of GCE A level provision should be undertaken as a matter of urgency.**

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