Further Education Commissioner assessment summary

Epping Forest College

January 2017

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Assessment

Background

Epping Forest College is a small general FE college offering a broad range of vocational qualifications and an Arts focussed A-level provision. The College's catchment area for 16-18 years old students is a mixture of rural Essex and the boroughs of East and North-East London. About 3,000 students attend full-time and part-time courses including apprenticeships. It is one of seven GFE colleges in the county of Essex.

The College is located in Loughton in Essex, on the fringes of North East London and is within the M25 boundary. The majority of students attending Epping Forest College: in 2015/16 came from LB Waltham Forest 522 (33%), with Epping Forest second 427 (27%). Epping Forest is a local government district in Essex. The district is contiguous with Greater London to the south and southwest, and the area around Buckhurst Hill, Chigwell, Waltham Abbey and Loughton is considered to be part of the London urban area in all respects except governance and politics.

The College's most recent Ofsted inspection was in November 2016 and the grade for all areas was grade 4 – 'inadequate', having been last inspected in 2014 when the College was judged to be 'Requires Improvement'.

Following the notification by the Skills Funding Agency that Epping Forrest College has been graded as Inadequate by Ofsted during the inspection held on 15th-18th November 2106, the Minister for Skills and Apprenticeships 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 Executive of the funding agencies on;

a) The capacity and capability of the College's leadership and governance to secure rapid and sustained quality improvements for learners within an acceptable timetable

b) Any actions that should be taken to deliver a sustained quality improvements 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

An Associate FE Commissioner, supported by an FE Adviser, carried out an assessment during the period 11th-13th January 2017. 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, EFA, learners, the trade unions and external stakeholders.

The Role and Composition of the Board of Governors

The Board consists of 16 members, including the Principal, 2 staff and 2 student members. There are currently 4 vacancies. The Board operates a traditional board and committee structure although the whole Corporation only meets 4 times a year. Over several years, the Board has been too slow to react to declining performance. Governor attendance at both full Corporation meetings and Committee meetings is unacceptably low.

The recently appointed Chair of the Corporation (December 2016) resigned immediately after the Intervention. Against a backdrop of failed governance, this sudden change of new leadership raises further doubts as to whether any Board actions can facilitate change sufficiently quickly. In the light of the challenges facing the College, especially in governance, the poor quality and the emerging financial challenges, the future of the College as a successful standalone College will need to be carefully considered as part of the area review process. There is interest in partnership/structural change from neighbouring colleges and a Commissioner-led Structure and Prospects Appraisal would enable the Board to consider options for the future without distracting the senior team.

The Board is trying hard to recruit new members to the existing vacancies. They are positive about the impact of the new Principal but recognise that she will need a strengthened and permanent leadership team to achieve improvements at pace.

Governors have been unable to demonstrate sufficient challenges to the senior team that have been effective in driving improvements. Minutes are brief and governors feel that the minutes do not evidence the challenge which some members claim has been taking place. In driving the required changes, it is essential that the new Chair recognises the distinct roles between the Chair, Principal and Clerk.

Quality Monitoring Committee

Even though this Committee has met frequently, governors have not responded swiftly to the acute concerns about performance nor put in place specific actions to improve outcomes for learners and apprentices nor have held leaders to account to improve weak provision.

Financial Oversight by the Board

Financial oversight by governors takes place at Corporation level. The College has a Finance Committee which does not include a qualified accountant. It meets four times a year. The Corporation minutes do not confirm that robust discussions take place about the College's financial targets and performance.

Audit Committee

The expected level of challenge is also not reflected in the Audit Committee minutes. On occasion Governors have been precluded from questioning issues deemed by management to be too operational.

Clerk to the Corporation

An unqualified, inexperienced Clerk was appointed in 2014 on a 0.3 pro rata contract. The current Clerk has received no formal training and her expected focus is predominantly around the administrative aspects of the role. The Board will struggle to improve its performance without sufficient independent governance advice and guidance from its Clerk.

Executive Team

The Executive team consists of a recently appointed Principal (September 2016), a temporary Deputy Principal Learning and Standards (January 2017) and an interim Director of Finance and Operations (January 2017). Two inexperienced VPs also acted up during 2015/2016 and shared the operational management of the curriculum. The manager for apprenticeship provision also left post in July 2016. The senior team has therefore been subject to very significant change for more than 2 years and these leaders have failed to provide governors with accurate and timely information on the achievement and progress of learners and apprentices. Continual change in staffing has also played a key part in the decline of outcomes for learners and apprentices over time. The senior team remains unstable.

Safeguarding

Ofsted judged the arrangements for safeguarding to be ineffective, particularly for learners aged 14 to 16, vulnerable adult learners and apprentices. Leaders have not ensured that appropriate risk assessments are conducted for these groups of learners. Since inspection, the local Council has reported that they are now satisfied with the rate of progress against the safeguarding action plan.

College Culture and Communications

Across the College both staff and managers are enthusiastic about the early impact of the new Principal. They recognise a much more open culture, the elimination of blame and the introduction of many new innovative ideas. Communications are perceived to have also dramatically improved. The vision for the College going forward is understood and the Principal is highly visible and accessible. The Trade Unions also report a dramatic improvement in their access to senior leaders. Students talk very positively about the College describing it as being a friendly place with a safe and supportive environment.

Quality

Over the past two years there have been too many changes in the leadership of teaching, learning and assessment. In the absence of objective monitoring, performance started to decline. In 2015/2016 the inexperienced VPs were unable to ensure that accurate reporting occurred and consequently the data available to leaders and governors became inflated and over optimistic and non-compliance and poor performance were not evidenced, challenged or rectified.

Ofsted grades and judgements

The College was inspected by Ofsted in November 2016 and judged to be inadequate for overall effectiveness. Ofsted judged that:

- Effectiveness of leadership and management Inadequate
- Quality of Teaching, learning and assessment Inadequate
- Personal development, behaviour and welfare Inadequate
- Outcomes for learners Inadequate
- 16-19 study programmes Inadequate
- Adult learning programmes Inadequate
- Apprenticeships Inadequate

At the time of the intervention Ofsted had not completed any monitoring visits.

Quality Improvement Plan

The College self-assessed 15/16 to be Inadequate. But, despite this degree of honest review, Ofsted judged that analysis lacked sufficient focus on the reasons behind identified weaknesses. The College QIP (Quality Improvement Plan) has been further amended and refined to concentrate on measuring the impact that the improvements outlined in the plan are having on learners. The Intervention visit took place before the first review update had been completed. The new senior team are demanding an urgent renewed quality focus which includes many elements of setting clear expectations and the requirement of 100% compliance by staff.

Observation of Teaching and Learning

Since the Inspection, significant changes have been made to increase the rigour. All English and maths teaching was observed at the end of December 2016. Although these observations were not graded, it is clear that the challenges still remain to improve the quality of teaching, learning and assessment in this area.

Apprenticeship Provision

The leadership of apprenticeship provision is inadequate. The College has recently appointed a consultant as the Head of Innovation and Enterprise. It is too early to assess the impact of this role across the College.

Outcomes for Learners

The College's outcomes for learners have fallen over the past 2 years and are now significantly below national benchmarks. In 2015/16 the overall achievement rate was 73.3%. The overall pass rates for GCSE and Maths and Apprenticeships also remain below national averages. The College's retention rate 2015/16 is 7.6% below the national average of 95.9%. Attendance (to date) in 2016/7 is 88.1% and remains an ongoing challenge.

The Financial Position

Income and Expenditure Account

The significant deterioration in the College's financial position indicates that the College's SFA financial health score for 2016/17 and 2017/18 would fall from the budget assessment of "Good" to "Inadequate". Whilst the turnover of the College has increased by 3% between 2012/13 and 2015/16, total expenditure has increased by 6%. The College Corporation revised its forecast in January 2017 reducing a surplus of £3,000 to a deficit of £1.9m.

EFA Income - The College's 16-19 programme funding is projected to fall from £8.8m in 2016/17 to £7.3m in 2017/18, a reduction of £1.6m (18%) due to poor student recruitment in 2016/17 with serious consequences for the following year particularly in terms of cash flow.

SFA Income - The College's total Skills Funding Agency (SFA) funding is forecast to decrease in 2016/17 from the allocation included in the budget of £1.759m to £1.324m. The reductions are in primarily in apprenticeship activity along with a small expected drop in SFA classroom based funding:

Full Cost Income - The College has revised down the forecast increase in full cost income in the budget from £500,000 to £100,000.

Staff costs - Staff costs are budgeted to increase by £887,000 (11%) to £8.621m. Staff costs as a percentage of income are forecast to increase to 73.5% of income.

Non pay costs - Other operating expenses are planned to increase by £184,000 (6%).

The Balance Sheet

Liquidity/cash

The College's cash position has deteriorated in recent years from £3.9m in 2012/13 to £2.4m as at July 2016. This represents cash days in hand of 60. The revised forecast prepared as part of the November 2016 management accounts indicates a reduction in cash in 2016/17 of only £0.4m to £2m. The failure to produce timely and accurate cash flow information is likely to result in serious cash flow difficulties for the College within the next twelve months unless rapid action is taken.

Assets/Indebtedness

Borrowing levels are high relative to the sector norm (over 50% of income as at the end of 2015/16).

Student Number Projections and Learner Data

The College is forecasting under-delivery against both EFA and SFA contracts, with a substantial shortfall in 16-18 recruitment. The underperformance against all funding lines in 2016/17 raises a question of credibility in respect of the assumptions underpinning the

College's financial plans for 2016/17 and 2017/18. Reliability and timeliness of data has been highlighted as an issue by several sources across the College.

The Data Funding Audit report highlighted that the College had not fully complied with subcontracting funding rules. There were also a number of required amendments to the ILR. Therefore, a manual adjustment was made on the College's funding reconciliation to take this into consideration.

The Estate and Capital Plans

The buildings were completed in 2008. They are considered to be in good condition and broadly fit for purpose. Whilst the educational and economic case for a proposed health and wellbeing capital project appears to be strong, the timing of this capital development is a potential concern given the further short term pressure this could put on working capital.

Financial Management and Control

The budget development process has not been problematic for the College. Income assumptions appear to be based on a flawed planning process for 2016/17 especially around full cost income.

Pay

Despite the reduction in funding allocations of over £1.3m for 2016/17, the Corporation made limited cuts in staffing. As of November 2016 pay costs are forecast to be almost £900,000 over budget for the year. This situation has been exacerbated by the extensive use of external consultants and the implementation of a shadow management structure. The achievement of significant savings in 2016/17 now appears to be unlikely.

Budget monitoring

The management accounts follow a typical format but the deadline has not been achieved in 2016/17. The first draft of the November 2016 management accounts indicated that the forecast updates are not always accurate. Payroll costs in excess of budget have been incurred as a result of poor control of agency expenditure and failure to restructure on a timely basis in the light of reduced allocations for 2016/17. The current instability in the finance team may cause difficulties with the flow of critical financial information in the short term.

Internal audit

Although there is no substantial backlog of out-standing internal audit recommendations, not all recommendations are swiftly implemented

External audit

The auditors issued an unqualified audit opinion on the College's 2015/16 financial statements and did not highlight any particular areas of concern / focus in terms of the Financial Statements or regularity matters.

Risk Management

The College has a risk management register. The College does not operate a discrete risk management group. There was little evidence that ownership and understanding of risk management extended across the organisation. As at November 2016, the risk register did not identify as very high risks the safeguarding issues nor the significant number of weaknesses in teaching and learning identified in the Ofsted report in the same month. The poor Ofsted Inspection and the deteriorating financial position indicate that risk management is not effective and should be addressed alongside the quality improvement and financial recovery plans.

Conclusions

There are serious issues in Governance of the College. The new Chair appointed in December 2016 has now resigned (January 2017), alongside another governor. The College appointed a new chair to support the College through its next phase. There has been exceptional churn in senior roles and there continues to be discontinuity in the leadership of the Board. Whilst the new Principal has clear plans for a new organisational structure, implementation is not yet complete and there may be issues around the affordability of the plans. The implementation of governance improvement plans will take several months and are now delayed.

The College has failed to provide high quality teaching, learning and assessment for over 10 years; impacting on reputation, staff retention and learner recruitment. Both the senior team (until the appointment of the current Principal in September 2016) and the Board have been too slow to recognise the declining quality and financial performance.

Significant measures, many prescriptive, have been put in place that should now have a positive impact on the quality of the learner experience and the standard of teaching, learning and assessment. However, it is too early to judge their impact and in year learner performance still remains of concern.

The College has enjoyed outstanding / good financial health for the past few years. However, there has been an insufficient focus on the finances of the College over the last eighteen months. The Corporation did not take sufficient timely action to address the reduced funding allocations in 2016/17 and pay costs are significantly over budget. The result is a forecast deficit of £1.9m against an original break even result of £3k. The financial improvement agenda including cash flow is now an urgent matter for the Board and Senior Managers to progress. The significant deterioration in the College's financial position indicates that the College's SFA financial health score for 2016/17 and 2017/18 would fall from the budget assessment of "Good" to "Inadequate".

Recommendations

1) **The Board must urgently fill existing vacancies. One new appointment should be a qualified accountant. The new Chair must urgently review the Board's operating structure and processes.**

2) **The Corporation needs to ensure that it has the necessary level of clerking expertise to support the Board's ability to address the significant challenges facing the College.**

3) **In the light of the College's history of senior staff discontinuity, the Corporation should ensure that adequate mentoring arrangements are put in place for the new leadership team; especially for the Principal in the light of another change of Chair.**

4) **The Corporation should take immediate action to improve its Risk Management Strategy and action planning.**

5) **Whilst there is a clear Quality Improvement plan in place, governors should ensure that they are rigorous in their analysis of progress and take immediate action where targets are not being met. The re-established Quality function should maintain the pace of improvement and rapidly evidence positive impact.**

6) **The College must rapidly establish the actual projected financial position for 2016/17 and 2017/18 and produce a financial recovery plan including a key focus on cash flow for urgent consideration and approval by the Corporation.**

7) **The Corporation must ensure that investment in improvement, especially in consultants and agency staffing, does not jeopardise the short and medium term financial viability of the College.**

8) **The College must ensure that all data is accurate and readily available for all staff, managers and governors.**

9) **Safeguarding reviews should continue to be regularly undertaken and reported to governors.**

10) **As many of the actions planned by the College are yet to have an impact, a follow-up stocktake should take place within 3 months.**

11) **Owing to the significant instability still facing the College, a Commission-led Structure and Prospects Appraisal should be carried out to inform the Area Review and ensure ongoing financial viability and the rapid improvement of the learning experience. The college's position as a standalone institution is weak, and it is likely that a stronger partner will be required to safeguard provision in the area.**

12) **Owing to the severity of the issues raised in the Ofsted report, the emerging financial challenges, and the serious governance problems, the College should be placed in Administered College status.**

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