Department
for Business
Innovation & Skills

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To: All Chairs and Principals/CEOs of Corporations and FE Institutions

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Dear Colleague

Few people, if any, would argue against the fact that prevention is better than cure and in the twenty or so assessments undertaken to date warning signs have been apparent well before an intervention has been triggered. So what might Boards be looking for in particular to suggest that a Financial Notice of Concern or an Ofsted 'Inadequate' report might be on the way? The following list is not exhaustive but highlights some of the areas discovered to date where an early questioning of the Principal and/or senior team might prevent the situation from becoming worse.

Financial

1) Financial forecasts, not for the first time, are significantly different to the actual outturn
2) Management accounts show significant swings from month to month or large variations from the summer to the end of year
3) Borrowing as a percentage of turn over exceeds 60% (40% would seem to be a reasonable affordable target)
4) Staff costs are in excess of 65% of turnover (Circa 60% would be a reasonable target)
5) Creditor days are in excess of 45-60 at any one time

Organisational

6) Board papers are late or tabled
7) Data provision and management information are poor and the Board does not receive a regular Key Performance Indicator (KPI) dashboard of relevant information
8) A mid-morning walk around finds a high number of empty classrooms and class sizes below 15
9) There is an absence of detailed curriculum planning that demonstrates a match with the needs of learners and takes into account the cost of provision

10) Engagement with employers is not systematic and no regular reports are produced with regard to the extent of this engagement or its effectiveness

Quality Improvement

11) Average student attendance rates are below 85%-90%

12) Success rates (Retention * Achievement) are 5% below benchmark and not improving

13) Teacher observation grades of good or better, independently verified, are below 80%

14) Student surveys/focus groups show levels of satisfaction below 90%

15) Quality Improvement plans or post inspection action plans do not state clearly for each issue the college's starting position, the targeted outcome, actions that will be taken to achieve that outcome, milestones along the way, monitoring arrangements and the individual responsible for overseeing delivery.

General

16) Board members are generally discouraged from formally meeting and discussing the college's performance with students and staff

17) Minutes and ensuing actions from senior management team meetings are not published or do not cover the key issues faced by the college (e.g. financial health and quality improvement)

18) Restructuring is an annual rather than an occasional occurrence

19) Increasing levels of sub-contracting are being used to cover shortfalls in recruitment

20) The college does not know the destinations of more than 10% of its students

Exhibiting some the above characteristics, of course, does not necessarily mean that a college is heading for trouble. However, it may well be. Acting to understand the reasons behind any of these problems and putting them right will stop the situation from deteriorating further – and make a Financial Notice of Concern or an Ofsted Inadequate judgement much less likely.

With best wishes,

Yours faithfully,

Dr David Collins CBE

FE Commissioner