

# **Further Education Commissioner assessment summary**

**Bracknell and Wokingham College**

**June 2017**

# Contents

Assessment	3
Context for Commissioner Intervention	3
Background	3
Assessment Methodology	4
Leadership and Governance	4
Curriculum and Quality Improvement	5
Curriculum Quality	5
Curriculum management and development	6
The College's Financial Position	7
Background and Context	7
Current Financial Position 2016/17	7
Borrowing	8
Budget 2017/18 and Plan 2018/19	8
Balance Sheet and Cash Flow	9
Budget 2017/18 Conclusion	9
Plan 2018/19	9
Conclusions	10
Recommendations	11

# Assessment

## Context for Commissioner Intervention

The College was subject to FE Commissioner intervention in June 2017 due to the College's declining financial health, following a number of ESFA Notices of Concern in recent years. It was also an opportunity to review the current status of the College's position with respect to the outcomes of the Area Based Review,

The Area Review recommendation was for Bracknell & Wokingham College to remain as a standalone college at present and to explore merger with the East Berkshire (EBC)/Strode's college group in 2018.

The EBC/Strode's College merger was due to take place in February 2017 but actually took place on 9<sup>th</sup> May 2017. Discussions on merger have taken place over the past year between the two colleges. Bracknell and Wokingham College has been working on the assumption that EBC/Strode's would not be able to engage with further exploration until late 2017 given the delays in merger and its need to establish the new entity. The College is also known to be concerned about EBC's November 2016 Ofsted inspection which was downgraded from good to 'requires improvement' (Strode's College progressed from RI to good at the same time). The first meeting between Chairs and Principals of both colleges following the establishment of the EBC/Strode's College Group has been arranged for 6<sup>th</sup> July 2017.

Bracknell and Wokingham College have also been in dialogue with Farnborough College of Technology (FCOT) around collaboration opportunities including HE and Apprenticeships and, informally, with Activate Learning. FCOT has also been in discussions with Guildford College about formal merger.

## Background

Bracknell & Wokingham College is a relatively small general further education college with a turnover of £12.1m in 2015/16 located in Bracknell within the Berkshire unitary authority of Bracknell Forest Council. It relocated to its current location in Church Road, Bracknell in 2009 after a £28m investment. In November 2013, the College was inspected by Ofsted and was judged as **Good**. In February 2015, the College's HE provision was inspected by the QAA and judged as meeting expectations.

The College serves primarily the local communities of Bracknell Forest and Wokingham Borough Councils. Berkshire is split into six unitary authorities of which Bracknell Forest and Wokingham are two, however the College sites also border two other Berkshire unitary authorities. The College also draws in learners from Hampshire and Surrey, the borders of which are only seven miles away.

There is a growing population in the area and Bracknell currently has around 117,000 residents and Wokingham 158,000. Both local authorities have major new housing developments with 24,000 houses planned. The College competes in a very challenging market as all the local schools have sixth forms of varying size and within close proximity. There are four other further education colleges, with a sixth form college just over the Berkshire/Oxfordshire border in Henley, with another sixth form college and another further education college just over the Berkshire/Hampshire border in Farnborough. The

vast majority of classroom based delivery takes place at the main college campus where there are approximately 950 16-18 learners studying full-time programmes ranging from entry to level 3 including GCSEs, A levels and vocational provision including Apprenticeships. Adult provision includes adult and community learning activity, foundation degrees and professional work-related qualifications.

## Assessment Methodology

An FEC team comprising a Deputy FE Commissioner, and two FE Advisers visited the College for three days in June 2017. During the visit, the FEC team met with senior managers and governors. The team also reviewed written material provided by the ESFA and by the College.

The scope of the assessment was as follows:

To advise the Minister and Chief Executive of the funding agencies on:

- The capacity and capability of the College's leadership and governance to secure a sustained financial recovery within an acceptable timetable;
- 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
- How and when progress should be monitored and reviewed, taking into account the Agencies' regular monitoring arrangements.

## Leadership and Governance

The College has a Senior Leadership team of four. The current Principal was appointed in 2011. He was previously a Commodore in the Royal Navy responsible for all training and education as the Professional Head of the Training Cadre of Officers. The Director of Finance and has been in post since June 2015. His previous experience was 27 years in local authority finance. The Vice Principal Curriculum and Quality has 22 years' experience at the College. The Head of Human Resources and Development has considerable experience of HR, including 17 years at the College.

The Chair of the Corporation has 30 years' experience with 3M UK Plc. He was also chair of the Bracknell Forest Council Economic and Skills Partnership and a member of the University of Winchester's governing body and Chair of Optalis (a care and support services company). The Clerk to the Corporation is a certified chartered accountant.

In discussion with Governors and evidenced in the minutes of Governor meetings, it is apparent that the Board does a good job in holding the Principal and SLT accountable through close regular monitoring providing both support and challenge. These challenges are highlighted in bold in the committee meeting minutes. Agenda and minutes are helpfully colour coded (Red, Amber, Green) to highlight issues of concern, and an electronic portal gives easy access to information. Governors participate in the College's self-assessment meetings and are a very visible and a welcomed presence around the College. In our meetings Governors displayed a realistic knowledge and assessment of the College's current situation.

The Board skills matrix demonstrates a range of skills and professions held by the Governors, which includes a number of members from business and the local community. However, over recent years the Board has overseen a financial performance at the College that has continually set income targets that have not been met. Whilst the Governor skills matrix shows that there are a significant number of Corporation members with business expertise, there is only one currently with financial professional qualifications and experience (who is currently Chair of the Audit committee) and we would recommend the recruitment of another Governor with financial qualifications and experience.

The new chair was appointed from outside the current governing body with significant strategic leadership experience in December 2016. He has considerable local knowledge of businesses and employment needs, and a critical awareness of the demands upon the College to continue to be financially sustainable.

In our view, there is sufficient expertise within the Governing Body to secure a more sustainable future for the College. The new Chair and the three other Governors that we met were positive about the need to undertake a broader Structure and Prospects Appraisal of the College's opportunities to grow and work in partnership with other providers to secure the provision.

## **Curriculum and Quality Improvement**

### **Curriculum Quality**

The College was inspected by Ofsted in November 2013 with its overall effectiveness graded as 'good', and quality of teaching, learning and assessment and effectiveness of leadership and management also graded as 'good'. At that time, Outcome for learners was graded as a 'requires improvement', but there is strong evidence that learner outcomes have continued to improve over the last four years and overall achievement rates are now above national benchmarks. Leaders have made good progress in pushing forward the recommendations made.

During our visit, we saw evidence to support the view that the College has done a good job in recent years to maintain the 'Good' Ofsted grade that it received in November 2013. The College's current level of performance reflects their strong emphasis on Teaching and Learning quality, and this is a critical element of their local reputation. It is important, therefore, that the governors and management continue to focus on student performance in order to ensure they maintain their 'good' grade when Ofsted next visit.

Aligned to this keen focus on students and teaching and learning, the processes that the Principal and senior team have put in place to assure high quality performance over the last five years are of a high standard. Outcomes are high in many areas and the College has a caring and community ethos and strong commitment to pastoral care. There continues to be strong leadership from the Principal, leadership team and governors that has contributed to the improvements in the quality of provision.

The Apprenticeship provision is now well managed and timely completion rates are above the national average, the College's direct delivery outcomes remain inadequate, despite improvements over earlier years. Poor achievement for both intermediate and advanced Apprenticeships particularly in electrical installation, office skills and health and social care were the main areas for improvement in 2016. There is also now a clearer

focus on internal delivery and systems for closer monitoring of learner performance, which should further improve timely achievement.

Senior leaders and governors have an accurate picture of what the College needs to do to improve. Improvements have been made in raising the quality of teaching and learning with an increase in overall achievement rates to above the national benchmarks, however the SLT are clear, further action needs to take place particularly for 19+ learners and the development of English and Maths. Data is readily available and is used by curriculum staff and managers to prepare for review at six weekly performance meetings where managers are held accountable for their learners' performance. During these meetings, there is a detailed focus on the curriculum areas performance to date and how they are raising standards.

In 2016 the College had 74 high needs learners and the College has grown this provision in recent years and sees it as continuing to be a growth area. The area is rated as outstanding in the College's SAR. Learners with high needs make outstanding progress. The SEND learners are taught within a specialist unit, which has recently been housed on the main campus to allow greater integration with full-time learners. The vast majority of high needs learners are fully integrated into the full-time provision with tailored support provided.

In terms of satisfaction levels amongst learners and employers, the College has performed well. With regard to its small number of HE students, the College was subject to a QAA inspection in February 2015 and judged as meeting expectations against all 4 criteria.

## **Curriculum management and development**

The College offers both vocational and academic courses ('from Art to Motor Vehicle' is the marketing strap line) for 16-18 learners, and the curriculum offer is extremely broad for a small college with the consequent single groups and small group sizes, and this was evident during our visit. There is significant competition in the area from school sixth forms and difficulty for potential students in gaining access to independent Advice and Guidance. This has resulted in a small decline in 16-18 numbers at the College in recent years, and it is difficult to envisage further growth in 16-18 recruitment until at least 2019, when there is a demographic increase in this age group.

The College's Adult recruitment was the subject of a considerable decrease in 2016-17, which contributed to the significant fall in the SFA Adult budget reported in January 2017. The fact that this came as a surprise as late as January raises concerns about future recruitment predictions in this area and the knowledge and operation of the local market.

The Curriculum is reviewed annually to confirm that it remains fit for purpose. This process summates the feedback to Curriculum Departments from employers and the wider community. The process also takes account of the Thames Valley Berkshire Local Enterprise Partnership's (TVBLEP's) Skills Priority Statement and the Bracknell Forest Economic & Skills Development Partnership's Skills Survey.

The College has clearly had a focus over the last two years on reducing staff costs. A major Curriculum Review took place in early 2016, which led to significant savings from the start of 2016/17. In parallel and working collaboratively with the Unions, the number of annual teaching hours was raised and annual leave arrangements were modified to allow teaching staff to be used more flexibly – both actions at no extra staff cost.

As part of the update to the strategic plan the Corporation are considering a strategy in developing core Centres of Excellence, based on where the College believes there are opportunities for future growth. These are outline ideas at present and there is much work to do in order to shape these into properly costed plans and therefore test feasibility. There is a recognition by the College of a need to change its curriculum offer, but at the same time this is constrained by a concern about the potential loss of income in stopping work in other areas. Even though the College operates with small average class sizes, a loss of students due to closure of certain courses against the cost savings generated provide a difficult balance and presents real financial risk to the College given its current small size.

## **The College's Financial Position**

### **Background and Context**

The College has struggled to maintain satisfactory financial health for many years, with an inadequate assessment in three of the last six years. The College has a number of structural issues impacting its financial position. Its relatively small size means that it has not been able to benefit from the economies of scale enjoyed by larger institutions. The new Church Road building, completed in 2008, required the college to accept a high level of debt, with consequent high servicing charges. Anticipated growth in student numbers arising from the new building have not materialised, perhaps because of strong completion from local school sixth forms and other FE colleges in the area. Additionally, the College has faced the reductions in funding and demographic dip common to most other FE colleges. The College has been unable to develop an effective strategy to counter these challenges.

The College has sought independent advice to review its cost base. There was a significant restructuring in 2016 and a balanced budget set for 2016/17, which the College hoped would be the start of the College's return to at least satisfactory financial health.

### **Current Financial Position 2016/17**

The College is currently forecasting a significant operating deficit compared to the break-even budget. Costs, overall, have broadly been contained within budget, but expected income is significantly less than budget. The out-turn forecast for funded income appears prudent. Whilst staff costs, overall, are within budget, because of the shortfall in income, the staff costs/income ratio is forecast to increase by the end of the financial year. Staff numbers have not changed over the last 12 months. For non-staff costs, the College is forecasting a relatively small overspend.

Both the ESFA and the College Corporation have been surprised and disappointed by the rapid down-grading of the out-turn forecast in early 2017. The forecast out-turn was revised from a surplus in December to a deficit in January. The sharp decline in adult learners caught management unawares and the late discovery of the issue left managers unable to take mitigating action. This was a clear failure of control which management has acknowledged.

There have been 4 MIS managers this financial year, two of which were interim managers. The current permanent incumbent has only been in post since the end of

February 2017. She should, as soon as possible, develop appropriate and timely reporting of enrolments, funding and related income earned and expected. This should inform the more robust and earlier monitoring of recruitment activity, to enable a more accurate prediction of funding generation from different sources and allow prompt intervention to manage cost budgets appropriately.

## **Borrowing**

The financing package for the Church Road campus required the college to accept a significant amount of debt. Added to this, the College has needed an overdraft to support its deficit operating position over the last two years. The total anticipated debt at 31 July 2017 is significantly higher than the suggested maximum of 40%. Loan servicing costs are high and the resulting debt burden is unsustainable for a college of this size. A particular issue is the high interest charges payable on the fixed rate loan.

## **Budget 2017/18 and Plan 2018/19**

The senior team have produced a draft budget and Plan which is to be discussed by the Resources Committee at its meeting on 4<sup>th</sup> July 2017. In each of the last three years the College has seen a reduction in income, which it has compensated for by a reduction in operating costs. However, the level of savings has not been sufficient to maintain the surplus before interest and depreciation, which has declined. Whilst staff costs have been reduced, they have remained significantly higher than the FE Commissioner's benchmark of 65% of income during this three-year period.

The budget for 2017/18 assumes an increase in income and only a relatively small increase in staff costs, therefore the staff costs/income ratio is predicted to fall, but remain above the FE Commissioner benchmark. Other operating costs are to be held at the 2016/17 level. The budget assumes the disposal of Wick Hill, so interest payments start to fall, as does the borrowing/income ratio. The proposed budget is another operating deficit.

The draft income budget appears to contain a number of optimistic assumptions bearing in mind the recent history of the College preparing accurate projections of income.

The College is facing upward pressure on its staff costs for next year with a number of unavoidable cost increases including pay increments and increases in LGPS pension fund costs. The pension lump sum annual payments are of particular concern. The college is in discussions with the LGPS about the feasibility of these payments, but for now they are included in the draft budget and plan.

The College has carried out a curriculum and staff review for 2017/18. This involved the preparation of a detailed curriculum plan, which was split into areas for discussion with curriculum heads. It was then updated following negotiation and the revised plan used to agree staff numbers. However, the original plan was not updated and the audit trail lost. The College should review this process to establish clearer links between the curriculum plan and the budget plan.



## **Balance Sheet and Cash Flow**

Working capital will remain the key issue for the college in 2017/18. Central to the understanding of the cash position is the planned Wick Hill disposal. This is currently assumed to complete in October 2017.

Clearly, the use of the disposal proceeds of Wick Hill is of critical strategic importance to the College. It is the last remaining surplus asset and the College should, therefore, consider very carefully how to utilise these funds, including taking account of the proposed Structure and Prospects Appraisal.

## **Budget 2017/18 Conclusion**

The draft budget being put forward to governors for their approval contains a number of areas of financial risk. Also, it does not appear to reflect the request by governors for management to produce a cautious income budget. Therefore, it is essential that there is a robust risk and sensitivity analysis with a supporting contingency plan produced. Subsequent to our visit we were informed that following the meeting of the Resources Committee on 4<sup>th</sup> July the Finance Director informed us that they were challenged on all of the points that we had expressed concerns about, particularly the income assumptions. They have been told to go away and come up with a balanced budget for approval by the Corporation meeting the following week. Therefore, the management team are looking for more savings, which may make the budget look even more optimistic.

## **Plan 2018/19**

The financial forecast for 2018/19 moves on the 2017/18 budget position based upon known cost increases and an assumption about reduced 16-19 Full Time Learner income. It does not include any further income growth assumptions as these are pending the revision of the College's Strategic Plan. The 2018/19 financial forecast is still an unfinished piece of work and requires significant further development over the coming 12 months.

The College has calculated that if the Wick Hill disposal goes ahead as planned, it can survive without any ESFA financial support until February 2020. If the Wick Hill disposal is delayed, then ESFA support will be required in January 2018.

## Conclusions

In summary, the Principal and Leadership team are doing a good job in terms of teaching and learning quality and have made significant improvements in recent years. They have strong student centred values, which has established a clear college ethos based around providing students at all levels with opportunities to succeed. There is also significant evidence of low turnover and high standards amongst staff, who are clearly committed to ensuring students' progress.

Financially, the College is relatively small and cannot benefit from the economies of scale enjoyed by larger institutions. It is also more sensitive to changes in government funding policy. It faces significant competition from other providers and student numbers have declined. It has been unable to reduce its cost base sufficiently to compensate for the reduced income and its level of debt places an unsustainable burden on its limited resources. It appears that there is now an acceptance that the site disposal is not the solution to the financial problems and attention has now switched to growing the College to a sustainable size. The growth strategy, although not excessive, is still fraught with risk and expectations of exercising a strict control of costs could be optimistic. The College has a large overdraft and therefore no resilience to budget variances or unexpected events. Its cash flow is tight and relatively small variances could push it over the edge. The College has had a difficult year, in 2016/17 with some surprises caused by control weaknesses.

The College is therefore, in our opinion unsustainable in its current form and the only realistic option is for it to seek a substantive collaborative partner, probably a merger with another institution. This would allow for economies of scale and would open the door for an application to the Transaction Unit for support to restructure its debt.

The SLT and Governors have recently started to revise the College's strategic plan for 2017-20, and were open to a discussion around the need to urgently assess the future options. During our visit, we concluded that a broad and open options review or structure and prospects appraisal was the most effective way forward for the College, and this was positively received by Principal and Governors. Such an options review, led by an FE Commissioner team working in partnership with the College, should include,

- An assessment of the opportunities identified by the College for income growth, as well as an appraisal of the possibilities of developing new curriculum areas.
- An appraisal of the capability, expertise and agility of the current College's leadership and governance to make the radical changes in staffing and systems to ensure the College's long-term sustainability
- An evaluation of potential partnership models with other colleges, schools and businesses, which could enable the sustainability and growth of the current College's provision. This should include the original area review recommendation.

## Recommendations

1. Given the current weak financial health of the College and the concerns about future financial viability urgent action should be taken to secure the future of the College's provision.
2. To undertake a Structure and Prospects Appraisal (SPA) led by the FE Commissioner team working in partnership with the College. Exact scope of work to be agreed. We expect this would be undertaken early in the autumn term, with a view to have the flexibility to make a bid to the restructuring facility that has a deadline of March 2018.
3. Whilst we recognise work has started on future curriculum development the College should urgently clarify its future strategic direction and curriculum offer supported by costed business plans. This can then be used to feed into the SPA.
4. The disposal of the last remaining surplus asset at Wick Hill will require the College to use the proceeds to the optimum strategic advantage. Therefore, the governors should very carefully consider how to utilise these funds, including taking account of the proposed SPA.
5. The draft budget being put forward to governors for their approval contains a number of areas of financial risk. Therefore, it is essential that there is a robust risk and sensitivity analysis with a supporting contingency plan.
6. To establish clearer links between the curriculum plan and the budget plan.
7. There needs to be more robust and earlier monitoring of recruitment activity to enable a more accurate prediction of funding generation from different sources and prompt intervention to manage cost budgets appropriately.
8. Providing clear summary of the key issues in the opening executive summary could enhance the current comprehensive nature of the financial reporting.
9. Continue with the work of refreshing membership of the governing body and in particular, to prioritise a strengthening of financial expertise.
10. It is important that the governors and management continue to focus on student performance in order to ensure they maintain their 'good' grade when OFSTED next visit.
11. The FE Commissioner team should undertake a stocktake visit within six months to monitor progress with implementation of these recommendations.

This publication (not including logos) is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3)

email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

write to Information Policy Team, The National Archives, Kew, London, TW9 4DU

About this publication:

enquiries [www.education.gov.uk/contactus](http://www.education.gov.uk/contactus)

download [www.gov.uk/government/publications](http://www.gov.uk/government/publications)