

**Further Education Commissioner
assessment summary**

Easton and Otley College

September 2017

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Assessment

Context

Easton and Otley College was inspected by Ofsted on the 15th – 18th May 2017. The College was judged to be overall inadequate and was referred to the FE Commissioner for intervention.

In addition to the inspection in May 2017 Ofsted also inspected the residential facilities at the college on the 19th June 2017. This unannounced visit identified that several issues and that some of the National Minimum Standards (NMS) for Accommodation of Students under Eighteen by Further Education Colleges were not being met.

The FE Commissioner's report is intended to advise the Minister and the Chief Executive of the Education and Skills Funding Agency (ESFA) on;

- a. The capacity and capability of Easton and Otley's leadership and governance to implement the required improvements within an agreed timeframe
- b. Any action that should be taken by the Minister and/or the Chief Executive of the ESFA to ensure the delivery of quality improvement (considering the suite of interventions set out in 'Rigour and Responsiveness in Skills)' and financial recovery
- c. How progress should be monitored and reviewed, taking into account the ESFA's regular monitoring arrangements.

Assessment Methodology

The FE Commissioner, supported by a Deputy FE Commissioner and an FE Adviser, carried out an assessment during the period 26th to 28th September 2017. They had previously attended the College for a one-day scoping visit on 19th July 2017. They received in advance of the intervention visit briefing information provided by the ESFA and reviewed a wide range of College documentation. They interviewed board members, managers, staff and students.

Area Based Review

The College was part of the Wave 5 area New Anglia review that concluded in March 2017. The final agreed recommendation was for "Easton and Otley College to remain as a stand-alone College, developing the land-based specialist offer to meet the needs of learners and employers and working on reducing costs to meet benchmarks and develop greater financial resilience."

Overview and Background to the College

Easton College, Norwich and Otley College, Ipswich merged in August 2012 to form Easton & Otley College, a Land Based College (Agriculture and Horticulture). The College operates across two campuses. The Easton Campus is situated 8 miles to the west of Norwich (Norfolk), whilst the Otley Campus, 50 miles south, is situated 8 miles north of Ipswich (Suffolk).

The College has approximately 5,000 students and offers a range of provision for all ages from 14 years upwards including full-time, part-time and short courses together with Full-Cost provision. Levels range from Level 1 to Level 4+. The College does not offer A or AS levels. Both campuses offer a range of curriculum areas.

Learner numbers are in decline and the ESFA issued the College with an advisory letter on its minimum standards for 19+ 2015-16 and it has previously had a Notice of Concern for minimum standards. College finances have triggered early intervention status in 2016-17. Financial health has declined to satisfactory and the College is forecasting significant operating deficits for the next two years.

College Estate

Easton campus has an estate of some 560 acres, which is farmed commercially as well as providing horticultural, equine and sporting facilities. It has heavily invested in improving its learning resources with the development of two new teaching buildings, new sports fields, workshop and farm improvements. The College completed its capital programme to cope with student number growth and further development of its specialist provision.

Easton has residential accommodation in Halls of Residence (122 single study bedrooms) with a further 14 beds in College owned houses.

Governance and Leadership

The Role and Composition of the Board

The Board consists of twenty members. A significant number of existing Governors were appointed at or before the 2012 merger, with terms of office due to finish over the course of the next year.

Shortly after the FE Commissioner's visit in July 2017, the outgoing Chair confirmed her intention to step down from the Board. A new Chair was appointed at a special Board meeting held in August 2017. The new Chair is a high-profile business figure with extensive local commitments including (until the end of September) Chairmanship of the New Anglia Local Enterprise Partnership.

Since his appointment, the Chair has been highly proactive in focussing the Board on the immediate implications of the “inadequate” Ofsted grade and the need to consider changes to College leadership as recommended by the FE Commissioner at his July 2017 visit.

The Chair has identified the need for Governors to review and re-assert the College’s mission and vision, following several years of mission drift.

Clerk to the Corporation

The Clerk to the Corporation is a qualified legal practitioner who was appointed in August 2016 on a part-time basis (she is also Clerk to Lowestoft Sixth Form College). The Clerk demonstrates a sound understanding of FE governance and has supported the Chair and the Board very effectively during a busy period of significant uncertainty for the College, where clear and timely decision-making by Governors has been the order of the day.

Executive Leadership Team

The Executive Leadership Team consists of five members: (Interim Principal and Chief Executive; Deputy Principal (Curriculum); Acting Vice Principal (Estates); Acting Vice Principal (Finance) and Director of Human Resources.

The Interim Principal and Chief Executive was appointed on a six-month contract in August 2017 on the departure of the outgoing Principal. She has previously held the role of Principal and chief accounting officer for a six month period at a land based college and she has significant experience of curriculum and quality improvement.

The Vice Principal (Finance) position was established in August 2017 as a means of addressing the FE Commissioner’s recommendation from the July 2017 visit that there should be a senior post-holder who is financially qualified and who can report regularly to the Board. This position is being filled on an acting basis by the Director of Finance, who has worked at the College for four years.

The Executive Leadership Team has moved quickly to put recovery and quality improvement actions in place and has worked hard to communicate clearly to the staff the issues and challenges the College faces and the immediate actions required, which has been well received by staff. The majority of the Leadership team are however still very new to the College, largely untested and with three out of five members interim or acting-up.

Despite the College’s past underperformance, there is in our view the potential for rapid and sustained improvement which (if delivered) offers the prospect of a bright future as a standalone specialist land-based College. We are therefore supportive of the steps the Board has agreed to move quickly to recruit a permanent Principal and Chief Executive.

This will make a clear statement to staff, students and external stakeholders of the Board's confidence in its recovery strategy.

Quality and Curriculum

Ofsted grades and judgements

The College was inspected by Ofsted in May 2017 and was judged to be overall inadequate. Leadership and Management was judged as 'requires improvement'.

In summary, the Ofsted report found that teaching learning and assessment needed to be improved, that outcomes for students were poor and that study programmes were inadequate.

Post Inspection Improvement Plan (PIAP)

The College has developed a detailed PIAP and has started to introduce improvement initiatives across all curriculum areas including a new weekly tutorial programme which has been well received by the students. However, discussions with a number of curriculum managers suggests that there is still a degree of inconsistency across curriculum areas with regard to the implementation of improvement strategies.

The College must ensure that the actions detailed in the PIAP are followed through consistently across all areas of the College and that staff are aware of the priorities for quality improvement that have been identified.

Teaching, Learning and Assessment

Since the inspection the College has introduced revised procedures for ensuring the quality of teaching, learning and assessment. A new Deputy Principal took up post at the beginning of September 2017 who is tasked with ensuring that such improvements take place. The Quality improvement team who oversee the systems for improving the performance of teaching staff has been strengthened and there are now dedicated quality improvement staff based on both sites.

However, whilst it was reported that as many as 20% of teaching staff have been identified as at risk of under-performance it was also noted that no teaching staff were currently going through the formal capability process (as identified by the HR department).

Curriculum managers were aware of the new procedures for ensuring the quality of teaching but the application of the procedures varied. Staff commented that in their view the performance management of the teaching staff could be more effective and more consistently applied.

Improving the quality of teaching was a major theme in the Ofsted report and whilst the College has recognized this in its planning for improvement and has identified those staff at risk of under-performance there needs to be swift follow through action and implementation in order to address quality improvements in-year.

Student Outcomes

Student outcomes for 2016-17 have shown a small improvement for 16-18 year olds and a further decline in performance for adults. Overall outcomes remain significantly below national benchmark. There does not appear to be any systematic monitoring of student performance throughout the year and staff report that the selection of students to courses has not been consistent or focused on the abilities of the student.

There is little discrete provision for adults with most being integrated into programmes of study designed for 16-18 year olds. The College needs to put in place a process for ensuring that all adults are being monitored effectively throughout their programmes and that those at risk of under-performance are quickly identified and supported to succeed.

The Curriculum Offer

In addition to the specialist land based curriculum, the College offers a number of curriculum areas, such as construction, motor vehicle and sport and public services that sit within the wider general FE vocational offer.

In order to provide a necessary steer for the College in determining its future curriculum and to avoid mission drift, the Board of Governors and the College leadership need to consider the purpose and priorities for the College and develop a curriculum strategy that reflects this.

MIS

The College has made significant investment in implementing the ProSolutions MIS system alongside the 4cast curriculum planning software. This provides the tools to enable effective curriculum planning and the optimisation of curriculum efficiency. Despite this, the College's own analysis identifies a range of classroom-based courses where the class size is well below the College average of 15 (including equine, arboriculture and floristry).

In addition to short-term measures to maximise staff utilisation and review group viability, the College needs to undertake a comprehensive review of its curriculum offer for 2018-19 onwards and use the curriculum planning tools it has available to achieve a step change in curriculum efficiency/contribution rates. Notwithstanding the range of expertise in the College, a degree of external review and challenge during this process would help to ensure that experience from the best and most efficient Colleges in the sector is taken on board.

Safeguarding

In June 2017 the College were subject to an unannounced monitoring visit from Ofsted. The visit arose because Ofsted received information that gave cause for concern regarding safeguarding practice in the residential provision at the Easton campus. The

College had been assessed as good at the previous inspection of residential provision by Ofsted which took place 27-29 September 2016.

During the unannounced visit in June 2017 a number of concerns were identified and Ofsted commented that some of the National Minimum Standards (NMS) for Accommodation of students under Eighteen by Further Education Colleges were not being met.

Residential students and in particular those just commencing their second year of study confirmed that new access procedures were in place in the residential accommodation which were far more rigorous than had previously been the case. The students also confirmed that they were aware of the new lockdown procedures and that the system had been tested with them since the start of the current term.

Non-residential students confirmed the introduction of the 'red button' system on Moodle and the majority were aware of its purpose.

The College has acted swiftly to respond to the concerns raised by Ofsted during the unannounced monitoring visit and has put in place revised or new procedures to ensure the safety of students, particularly those living in the residential accommodation. Senior managers need to ensure that the revised policies that have been put in place are working and that all staff and students are applying the policies consistently across the College.

The Financial Position

Income and Expenditure Account

The turnover of the College has fallen by 16% between 2012-13 and 2016-17. Part of this is the result of changes in the accounting for the release of capital grants, but even discounting this the reduction is 13%. The majority of the decline reflects reductions in student recruitment resulting in reductions in funding for both 16-18-year-olds and adults.

Despite a series of staff restructuring exercises (particularly in 2014), pay costs have risen in 2016-17. Pay costs as a percentage of expenditure are substantially higher than the average for the FE sector of around 63% and those of specialist land-based Colleges, where pay costs are typically well below 60% of turnover.

The pattern of substantial operating losses since 2013-14 is not sustainable and has contributed to the more recent decline in financial health from "outstanding" as recently as 2014-15 to an expected "inadequate" grade for 2016-17.

2017-18 and Future Years

The 2017-18 budget shows a small reduction in the operating deficit, with a further reduction in 2018-19. These projections are based on the achievement of target staff savings from 2017 which are still the subject of consultation/ implementation. The core budget assumptions about student numbers and funding/income were over-optimistic and are been recognized as such by the Board. An early assessment by the Acting VP

Finance suggests that further savings by 2018-19 may be required to deliver the target operating deficits outlined in the 2017-19 Financial Plan.

Since the FE Commissioner's visit in July 2017, the Interim Principal and the Executive Team have moved quickly to confirm how the target saving can be achieved and they are already working on further actions necessary to contain the deficit to the budget target. Potential for delayed implementation may put the budget targets for 2017-18 at risk. The continuing level of forecast deficits and the pressures already evident on this year's budget plan point to the need for a more fundamental re-assessment by the College of its financial strategy informed by a comprehensive review of the curriculum plan to improve contribution rates; remove unviable provision; and optimise teaching staff utilisation. Whilst it is important to continue strategies to grow income (including Higher Education and Apprenticeships), the College will need to re-double its efforts to reduce costs in particular pay, which currently account for two thirds of all costs.

The Balance Sheet

Liquidity/cash

The College's previously strong cash position has rapidly deteriorated. Over the next two years, cash is forecast to fall further by July 2019. Whilst much of the reduction in cash to date is the result of planned capital investment, it has been accelerated by several years of substantial operating deficits and ongoing debt servicing costs.

The College's financial strategy needs to give careful consideration as to how best to maintain adequate cash balances and avoid the potential risk of a shortfall in working capital by 2019.

Assets/Indebtedness

The strong net assets reflect the fact that Easton and Otley is in many respects an asset-rich College, with extensive land holdings at Easton (approx. 500 acres of farmland) and a substantial estate (Easton 37,700m² and Otley 20,200 m²), over 80% of which is condition A/B.

Due partly to the decline in student numbers over the past five years, there is significant overcapacity at both campuses. Space utilisation across the whole College is low at 22% but particularly so at Otley (18%).

The College is pursuing a number of initiatives to sub-let small parts of the Otley campus, which will improve space utilisation at the margins and generate modest additional income. Options for any major rationalization at the Otley campus would need to take into account the terms on which the site is leased.

Liabilities

So far as long-term liabilities are concerned, the College currently has two fixed rate bank loans and one interest free loan. Neither bank loans are currently secured and overall borrowing as a percentage of turnover is within sector norms.

Financial Health

Despite the recent history of substantial operating losses, the College's financial health since merger was either "good" or "outstanding" until 2016-17 thanks to a particularly strong current ratio.

Financial health for 2016-17 is expected to decline to "inadequate" before returning in 2017-18 to "satisfactory". This event will trigger a financial notice to improve which underlines the imperative of actions to bring the operating position back into balance.

Financial Management and Control

The Finance team is led by the Acting VP Finance, who is a qualified accountant with a number of years' experience in the FE and skills sector. Until recently the senior finance role at the College was not a senior post-holder but the Board have addressed this with Finance Director Acting as Interim VP Finance.

The College has a track record of unqualified audit opinions and to date has not been the subject of financial notices for financial health or financial control since merger.

However, the rapid downward trajectory of the College's finances is a serious concern and the newly established Governor Financial Strategy Committee and VP Finance will need to drive a step-change in the College's operating performance, whilst supporting necessary quality improvement priorities.

Conclusions

The College needs to ensure that actions to bring about quality improvement are given priority and are implemented swiftly and consistently across all curriculum areas. Actions to improve student performance and outcomes must remain the key focus throughout the year to ensure that measurable improvements can be evidenced. The College leadership must ensure that under-performance is being addressed in such a way that students are not subject to poor teaching and assessment.

The College also needs to take urgent and decisive action to address the pattern of substantial operating losses over the past four years and reverse the erosion of cash balances. In the context of an equally challenging quality improvement agenda, this will require skilled and effective direction and oversight by Governors and the Strategic Finance Committee. Working closely with the Executive Team, the Acting VP Finance needs to demonstrate the potential to change the trajectory of the College's finances, whilst ensuring this does not compromise or cut-across essential improvements in quality.

Measures that have been introduced to address non-compliance with the National Minimum Standards, particularly within the residential facilities must be rigorously monitored to ensure consistent full compliance by staff and students.

Recommendations

1. The new Chair supported by the Clerk should continue the steps being taken to strengthen the effectiveness of the Board, including the appointment of new governors with appropriate skills and experience particularly curriculum, quality and finance.
2. The Corporation should move quickly to consider the timely recruitment of a permanent Principal to drive forward the quality improvement plan; reverse the decline in financial health; and work with the Board to develop a clear long-term vision and mission for the College.
3. Curriculum Leaders should maximise the positive impact of the recently introduced daily tutorial system for students and ensure there is a rigorous and consistent approach to weekly monitoring of student performance and progress.
4. Strategies to rapidly and significantly improve student outcomes (particularly for adults) need to be prioritised and implemented consistently across all curriculum areas.
5. The College should ensure that the effective measures that have recently been introduced to improve student safety on-site continue to provide a safe environment for students (particularly within the residential facilities).
6. The Senior Leadership Team should monitor closely the implementation of its new performance management policy and its effectiveness in supporting improvements in the quality of teaching.
7. The College should use its curriculum planning tools and skills to inform a comprehensive review of the curriculum to ensure there is a viable curriculum offer for 2018 and improve utilisation of teaching staff.
8. The College should take timely and decisive action to address the pattern of substantial operating losses and reverse the rapid erosion of cash balances, monitored actively by the Board and its new finance strategy group

Subject to the outcome of a further stocktake visit by the FE Commissioner's team in January 2018, Easton and Otley College should remain in formal FE Commissioner intervention.

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