Further Education Commissioner assessment summary

Bradford College

November 2017

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Assessment

Context for the FE Commissioner intervention

The ESFA judged the college to have satisfactory financial health based on plans submitted in July 2017. The new Director of Finance and Corporate Services (DFCS), appointed 1 August 2017, realised that the financial outturn would not be in line with that submitted in the July 2017 financial plan. The DFCS informed the ESFA in October 2017 to say that they had uncovered some financial issues and the college was likely to run out of money in December 2017. The college's revised high-level financial plan 2017 to 2019 shows financial health as 'Inadequate' in the current year. The college requested Exceptional Financial Support (EFS). As a result, the college was issued with a Notice To Improve (NTI) for financial health, dated 30 October 2017, and was referred to the FE Commissioner. The NTI requires the college to prepare a full financial recovery plan, ahead of a stocktake assessment in February 2018, in order to secure the financial position of the college.

Background

Bradford College Group is one of the biggest further education colleges in the country with over 20,000 students. It is also one of the largest institutions of higher education outside of the university sector. It is the largest institution providing 16 to 19 education and training within the Bradford local authority area. The 16 to 18 cohort in Bradford has been declining since 2015 and is not expected to start to increase until 2021. Bradford College offers a broad range of vocational and academic qualifications to young people and adults. Most students are undertaking vocational provision. The most popular sector subject areas over the last three years have been preparation for life and work, and health, public services and care.

The college was inspected by Ofsted week commencing 9 October 2017 and Ofsted's inspection report was published on 14 November 2017, with an overall 'requires improvement' judgement. The college was previously inspected by Ofsted in September 2014 and was graded 'good'.

Bradford College was part of the West Yorkshire Area Review that concluded in April 2016. The Area Review recommended the college "s*hould remain as a standalone college focusing on the further and higher education (HE) needs of Bradford District"* which the college agreed with, although this recommendation was not the college's preference. It had wanted a merger of Bradford College, Shipley College and Keighley College.

Assessment Methodology

An FE Commissioner team comprising a Deputy FE Commissioner, and two FE Advisers visited the college for three days in November 2017. During the visit, the team met with senior managers and governors. The team also reviewed written material provided by the ESFA and by the college. The purpose of the FE Commissioner's intervention was to review the position of the college and, in particular, to advise the Minister and the Chief Executive of ESFA on the following, as appropriate;

- 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 by 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.

Governance and Leadership

The Group Structure

Bradford College is part of Bradford College Group, which is structured as an FE college with a Principal lead and a Higher Education Centre, which is led by a Provost. The Governing body and Group CEO have oversight of both of these aspects of provision as well as further wholly owned subsidiaries within the group structure. The subsidiaries are the direct line management responsibility of the Director of Employer Responsiveness. To put the scale of the group subsidiaries into context, the total turnover for the subsidiaries is c£7.7m and the college turnover c£56.7m. Governance in a group structure can be complex and as the recent financial situation unfolded during June 2017, Governors commented about the lack of transparency around the college's relationships with its subsidiaries.

Whilst it is understandable that the college chooses to separate further and higher education (the college is large and the HE is almost the largest provision of HE in the FE sector), there are obvious and clear divides between these areas of work that are not conducive to an overall efficient and effective business. The levels of contribution to the centre are not fully understood. Developments around the internal progression of students and the sharing of good teaching and learning practice across the levels is not evident. There is evidence from the Board minutes that HE students do not feel that they get a "good deal" when it comes to accommodation and student facilities.

Role, Composition and Activities of the Board

The Bradford College Group Board has 17 members including two staff, one student and the Group CEO. There are currently three vacancies on the Board, one student and two independent members. The Clerk has advised the Board about the longevity of the appointments of several Board members. There are a number of independent Governors who have served for considerable periods of time at the college.

Committees and committee structure

The Board has been operating a Carver model of governance over the last three years. The Chair explained that this decision was made to ensure that all Governors had sufficient oversight of all aspects of college business, in particular both finance and quality. He suggested that this model has not worked as well as expected and has resulted in very long meetings with extensive papers and, on many occasions, too little time to spend on important issues. There is evidence in Board agendas of time allocated to key items standing committees of Audit, Remuneration and Search have been in place throughout. At the October 2017 Board meeting Governors agreed to the establishment of a Finance Committee, which will hold its first meeting 30 November 2017. The focus of this committee will be to oversee the development and implementation of the college's financial recovery and the longer term financial planning of the College Group. The FE Commissioner is supportive of the establishment of this Committee.

The Board was recently disappointed by the outcome of its Ofsted inspection, which saw the college's quality rating fall from 'good' in 2014 to 'requires improvement' in 2017. Governors have received considerable documentation and papers at Board meetings including a recent performance dashboard for FE, to enable them to monitor and challenge the college's quality performance. They have also agreed to the establishment of a Quality, Standards and Performance Committee to oversee quality and curriculum of Higher Education. There is a Board lead for Higher Education and this Governor has considerable experience of the sector as well as impressive knowledge of FE and matters of Governance in the education sector.

The Capacity and Capability of Governance to secure a sustained financial recovery.

A recent annual skills audit undertaken by the Governors (11 out of 15 Governors responded) which went to the Search Committee for their September 2017 meeting, shows that based on their own self-assessment, seven Governors rated themselves as either 4/5 (from a 5-point scale) for their finance knowledge and experience and five rated themselves as either 4/5 for their accountancy knowledge. When considering the CVs and profiles of Board members it appears that there are only two Governors with specific finance and accountancy experience. Governors' record of training indicates considerable input about FE and HE performance measures and the work and implications of Ofsted. There is also evidence of Governance training as a team in 2016 but there is no reference to any external or supported finance training or support. (This training record is for three years to November 2017).

The Board's self-assessment presented at the September 2016 Board meeting identified particular strengths as "a strong committed supportive team with range of relevant skills and experience", "Good provision for Financial management and control validated by external audits and reviews ensure that the college provides excellent value for money, has maintained its SFA satisfactory rating and adopted a strategy for closing the sustainability gap", and "Governors are able to provide a good level of challenge and support to the CEO."

Areas for improvement included: "Governors ensuring that the risk tolerances and risk management principles adopted by the Board are firmly embedded across the college" and "Governors will provide challenge and hold Senior Post Holders (SPH's) to account – they will take steps to ensure that reports are fit for purpose and that they are able to measure and monitor the achievement of objectives". There is little evidence from Board minutes and from the Remuneration Committee that there is significant challenge of SPH's.

As the Board operates a Carver model of governance, one might expect that monthly management accounts would be presented to these meetings. The practice for the Bradford College Group has been to present quarterly management accounts alongside a reforecast of the year based on this quarters accounts. This means that the Board has sight of financial accounts only four times in the year and in all cases during 2016/17, these accounts were presented late. The first sight the Board received of financial performance for the year 2016/17 was at the 15 December 2016 Board meeting. At this stage, there were no finance concerns highlighted and a year-end operating surplus as predicted in the budget was assured. The minutes of the 15 December 2016 meeting show that the DFCS told the Board that "there is still a gap between where the business is and where it needs to be". There is no real evidence of any discussion around this issue or future financial planning and strategy.

At the meeting of 23 March 2017, Governors received their second set of financial reports. This agenda item included 6 months' management accounts, full year financial forecast as at Quarter 2 and the latest cash flow forecast. These papers are extensive, each paper being at least 8-10 pages. They are not easy to read and there is no real summary that is clear and concise about the college's performance to date. Minutes of this meeting show the DFCS's report against the papers and discussion by governors – again reassurance is given that things are on track.

It is important to note that at this time (minutes were produced for 11th April 2017 meeting) that the Executive team were aware that they had a gap in the college's finances and were debating and producing a list of actions against pay and non-pay that would need to be taken in order to improve this. There is no evidence of this information being communicated to the Board, and when asked directly, none of the board members we spoke with could recall any discussion of these savings.

It was only at the meeting of June 22nd, 2017 (month 11 of the financial year) that the Board were made aware of management concerns around the college finances. At this stage, the Board had discussions regarding Quarter 3 and associated management accounts. No issues regarding cash flow were raised and the proposed outcome was suggested to be a large deficit. A list of actions to be taken by the Executive team during the final three months of the financial year was listed and these were mainly income associated. The Board was made aware of the year to date deficit but no minuted questions were raised at this stage about how well the Executive Team were doing against the planned savings. It is important to note that budget holders were not made aware of extent of deficit in terms of money, only in terms of a percentage reduction.

At this point, management accounts show that the college with a deficit was still due to make its budgeted surplus. The minutes of this meeting reflect discussions around the papers and the key points around weaker finances, the ESFA health score being at risk but still satisfactory, and the risks associated around the loan covenant being appraised. Limited questions were recorded in the minutes, which were approved by the board at the 28 September meeting. It was at the September 2017 Board, following the departure of the DFCS and appointment of the current DFCS, that Governors were informed that the year-end was considerably unfavourable, and that the financial health rating would be inadequate, and the College Group was likely to run out of cash before the end of the calendar year. During the period July 2016 – June 2017 there is insufficient evidence in the Board minutes to demonstrate questions being asked, actions being taken, and challenges being made to address the deteriorating financial position of the college. Management accounts were consistently late, and papers are confusing and unclear. The college now finds itself with a serious cash shortfall and inadequate financial health.

Board Confidence in the Executive Team

There is no evidence in the Remuneration Committee minutes of the Chairs appraisal of the CEO over the last two years. There is evidence of the Group CEO presenting an evaluation of his own performance. The Chair of Remuneration had been pushing for changes to this process and recently the Clerk has supported this by facilitating the introduction of a 360-degree appraisal process. This has been piloted by the Clerk and is now in the process of being rolled out to the CEO and the Executive Team. A special committee met to discuss future arrangements for the College Group leadership in the context of the CEO’s resignation, and has agreed that they wish to retain the post of Group CEO, but at the time of writing the Board has not determined whether the incumbent Group CEO or someone else should occupy the post for the foreseeable future.

Leadership and Management

The Executive Team, made up of six individuals, acknowledged that mistakes had been made between April and July 2017 when they became aware that savings needed to be made. Organisational boundaries at this senior level do not seem to be conducive to the team assuming a collective responsibility for taking the college forward. There are clear interdependencies between the three main delivery arms (HE, FE and Apprenticeships) within the draft recovery plan and the team needs to understand that growth and cost savings will only be achieved by a collective approach. Senior Managers at the Senior Leadership Team level commented that previous restructures and more recent approaches to cutting costs had not been sufficient to provide ongoing servicing of the college’s debt and therefore the college had become “dangerously dependent on growth” to meet its costs.

The Senior Leadership Team (SLT) is made up of the Executive Team plus 24 other senior managers. The SMG has not met regularly for some time and recently the new DFCS and Director of People have pulled together this SLT to discuss the recovery plan. Managers welcomed this and are expectant that there will be a reintroduction of this meeting to facilitate improved communications around the college. Managers at this level all commented on the lack of communications around difficult issues from the Executive Team and in some cases, they commented that good news was shared frequently but difficult news was kept at bay. There was a strong feeling that there was not the right balance and a "real fear about delivering bad news and too great an emphasis on celebratory news".

Assistant Principals and Heads of Department are well qualified and are fully aware of the challenges facing the college. They reported on a curriculum refocus and a new approach to curriculum planning and forecasting with greater emphasis and accountability regarding target setting and achievement. Performance management was regarded as improving and managers reported that the measures introduced by the Principal were beginning to bear fruit in increased recruitment and retention of 16-18 students this year. Recent successes in securing large apprenticeship contracts were applauded but there was some uncertainty regarding resourcing these programmes especially in difficult to recruit subjects.

This is an extensive management group and given the college's financial difficulties, it should consider how to reduce management staffing and costs, as one of the options to reduce its high pay cost percentage.

The College Estate

The current size of the college estate is c83,000m^2. A major issue for the college is that it has invested significantly in its estate over recent years with the majority of the investment being funded by the college via loan or cash reserves with only a relatively small amount being funded by grant. The funding of the capital scheme has depleted the college cash reserves and has left the college with borrowings at 75% of income. Assets held for sale at 31 July 2017 comprise of five buildings, which have become surplus to college requirements and are expected to be sold during 2017/18.

Quality of Provision

The FE Curriculum

The college has a strong professional and vocational focus and aims to provide its students with employment opportunities and prepare them for the working world. The college offers 14 sector subject areas from pre-entry level to level 4. The allocated student numbers at Bradford College have increased over a 5-year period by 7.2%. The majority of 16 to 19 students attending Bradford College in 2016/17 were from the Bradford local authority area (91.6%) The number of high needs students has increased over the past 3 years from an allocation for 78 students in 2015 to 2016 to 133 students in 2017/18 as demand in the city has increased. The college recruits over 9000 enrolments in Adult Learning on an annual basis. Whilst recognising that the college has a broad curriculum that operates out of a number of buildings, the costs associated with delivering this curriculum are high. Average group sizes are small and academic staff utilisation is low when compared with good practice in the sector.

Ofsted and Self-Assessment Reports

The college was previously inspected by Ofsted in September 2014 and was graded 'Good' (2) for overall effectiveness. The college was inspected week commencing 9 October and received a 'Requires Improvement' judgement. The college was disappointed by the outcome and had self-assessed in 2015/16 as Good for overall effectiveness. Two aspects of the Ofsted inspection were graded good; Adult Programmes and Apprenticeships, Adult Programmes managed by the FE Principal, Apprenticeships are managed by the Director of Employer responsiveness who started in December 2016.

The college produced a report for the Board meeting of 19 October to reflect on the Ofsted outcomes. However, despite the clear comments in the Ofsted report about the college being too optimistic in their self-evaluation this report has a strong theme of what is "very good" at the college and stated that "the inspection team agreed on some significant strengths which will be front page of the report". There is a clear reference to the college now developing its post inspection action plan. The college's self-assessment process for 2016/17 is not yet complete but has included significant input from Governors and a more rigorous approach to challenging the Heads of Departments' self-assessments. Governors have held two full days of meetings with academic and section heads to oversee, check and validate the self-assessments of curriculum areas. The new Assistant Principal of Quality and Standards, who is leading this process, is bringing a new level of challenge and is recognising the inconsistencies between the curriculum areas as well as the key performance indicators of attendance, retention and achievements.

Performance Review; Quality Improvement

The college Principal has placed considerable focus over the last two years

(2014/15 – 2016/17) on "bridging the quality gap". This focus has resulted in headline data sets that have shown the college improve in all areas of achievement and in most cases (based on 2016/17 outcomes) to above the national rate. This process has been at considerable cost over the two-year period. The link between the curriculum business planning process and finances and budget setting has not been good. There has been no focus over the last two years on class or group sizes and the utilisation of staff. Remission has been very varied and the FE Principal has initiated a review of this. The revised business planning process and associated performance review which is being introduced has a more comprehensive approach to all aspects of income and expenditure. The agenda checklist for performance review is beginning to balance the need for both the efficiency and the effectiveness of the curriculum.

Achievements

In terms of achievement rates, the college is performing below the provider group and national average for 16 to 18 and 19+ education and training in 2015 to 2016. Overall apprenticeship achievement rates are above provider group and national averages. The college is above the minimum standards threshold for both 19+ education and training, and apprenticeships in 2015 to 2016. In-year retention rates for 2016 to 2017 R10 are currently below both provider group and national averages.

The Higher Education Curriculum

The college has one of the largest HE portfolios of any further education college in England, offering progression routes for students from entry up to post-graduate level. There are c2400 HE students at any one time with c900 graduating each year.

The college HE Strategy has been debated considerably at Board level and the Provost, who is a senior post holder and leads this area of work, has proposed a revised strategy that considers the position of Higher Education within the college Group and the importance of being able to compete in this difficult market place. Recruitment to HE has been challenging over the last couple of years. Student recruitment this year is considerably less than last year. This has led the Provost and Deputy Provost to also begin a significant review of the management of the HE curriculum. The delivery structure is also being reviewed including remission for scholarly activity given to staff, group sizes and overall staff utilisation. The college is reviewing adult provision at level 3 with a view to improving the level of internal progression of students from FE to HE as this could be a key market for the higher education offer. The introduction of more higher level apprenticeships is also key to overall HE success and there is a clear need for these various “Directorates” with the College Group structure to work together to achieve potential growth. The draft Quality Improvement Plan for HE has clear targets.

The College’s Financial Position

The college was issued with a Financial Heath Notice to Improve (NTI) by the ESFA on 30 October 2017. The NTI was issued as the college had requested EFS from the ESFA.

Financial Position 2016/17

The college are expecting to record a very large operating deficit in 2016/17. The draft Annual Accounts 2016/17 are still subject to audit and potential further adjustments. The draft accounts for 2016/17 show deterioration in the year-end forecast position for both cash and net current liabilities. The increase in the net current liabilities is primarily due to the changing treatment of loans.

Borrowings as a percentage of income is well above the FE Commissioner benchmark. Cash days in hand is above the FE Commissioner Benchmark but has been achieved by delaying creditor payments. The current ratio is significantly below the FE Commissioner Benchmark. Staff costs as a percentage of income is difficult to calculate as the college have several pay items it does not include in its calculation of pay. These include visiting lecturer costs, maintenance staff that are outsourced, provision provided through partners and consultancy costs. All these are shown as non-pay expenditure.

The deficit in 2016/17 only became known in late August/early September 2017 when the new DFCS took up his post. The college has not carried out an investigation as to why the deficit occurred in 2016/17 however, there is a consensus that the deficit was due to a number of factors. The deficit was not caused by a failure in one area of the college, but across activities with increases in pay, sub-contracting and general non pay expenditure. The lack of understanding as to the cause of the deficit has been exacerbated by a number of key financial staff leaving the college.

A potential deficit was identified after the midyear review (January 2017) was completed, and action was agreed to save on non-pay expenditure. However, this was only agreed in April 2017 and communicated to budget holders in May 2017. Crucially, reporting against these savings was done on an exception only basis and no monitoring or reporting of the savings was undertaken. It would be highly unlikely that savings of this magnitude could be made so close to the year-end and Executive Team should have been aware of this.

The college adopted a model to produce and distribute management accounts to Governors and Senior Management on a quarterly basis. The management accounts team did produce month end accounts, but these did not comply with good practice and were not seen by Senior Management or Governors on a monthly basis. Because of staffing problems in the Finance Department these month end accounts were not produced on a timely basis – the September, October and November 2016 management accounts were only produced in December 2016 and February 2017 accounts were not produced until April 2017. Month end procedures were not fully complied with, in respect of prepayments and accruals. It was reported to the Board on the 22 June 2017 that the management accounts for the period up to April 2017 were showing a deficit position, but the supporting commentary highlighted that the year end result may range from a deficit to surplus (before pension adjustments). At the subsequent meeting of the Board on the 29 June 2017, it was reported that following the Quarter 3 financial forecast the year end result would be a surplus. However, the Board did raise risks associated with cash levels and the ability to cover liabilities as they fall due, reduction in the ESFA financial health grade points, and headroom on the loan covenants. The same report it highlighted actions that would be taken to mitigate these risks by slowing down the rate of spend on goods and services and ensuring all invoices were being raised on a timely basis. It would appear that there were no further papers presented to the Board on the financial performance for 2016/17. However, in the 2017/18 budget paper presented to the Board on 29 July 2017 there was reference to the Quarter 3 forecast, which was the basis upon which the 2017/18 budget was formulated.

Recovery Plan 2017/18 onwards

The budget was completed by the then DFCS on a top down basis, which used the Quarter 3 financial forecast and simply built in high level known changes and some expectation of savings. Unfortunately, a simultaneous process of building the budgets from the bottom up was not fully completed, therefore there was no check the top-down budget was feasible. However, whilst the initial budget allocations were communicated it appears there was no challenge from the budget holders to whether these were feasible. Consequently, the 2017/18 budget approved by Governors cannot be relied upon and the college is in the process of preparing a Financial Recovery Plan, which is to be considered by the Board on 14 December 2017.

The recovery plan has not yet been completed and work on verifying the 2017/18 budget is ongoing and may result in changes to the final budget. It is very likely that there will now be a further very large operating deficit in 2017/18. No work has yet been done on later years. The college has identified that it needs a significant cash generated surplus to pay for its loan repayments and investment in capital. The current draft Recovery Plan has identified some potential savings to achieve this. These are being discussed with budget holders to test their reasonableness and to ensure their accountability for delivery. These potential savings are at a very early stage of development and will need to be monitored closely to ensure that they are achieved, or corrective action can be taken.

At present, there are 90 different departmental budgets with 40 individual budget holders. In order to regain control over expenditure there should be a review of budget holders with the aim of substantially reducing the number of departmental budgets and budget holders to ensure greater control and accountability.

The college has a number of loans, and a large amount outstanding. Given the financial performance for the year ended 31 July 2017, Bradford College Group breached its banking covenants in respect of the 2016/17 year and, therefore, the bank loans were classified as short term. However, the college expect that repayments will continue in line with the above profile following conversations with the college's bank. The cash flow forecast for 2017/18 excludes any receipts from the sale of assets and exceptional financial support from the ESFA. The college will run out of cash in December 2017 and has requested EFS. The peak negative cash position is in March 2018.

Audit

The internal auditors have not completed the Internal Audit Annual Report for 2016/17; however, Internal Audit reports have been completed. Governors stated that they had taken comfort that the audit reviews in April 2017 of the key financial systems and controls provided reasonable or substantial assurance. The most recent annual audit opinion available to Governors (dated November 16) nevertheless stated that 'there are weaknesses in the framework of Governance, risk management and controls such that it could be, or could become inadequate and ineffective'. There were clearly significant failings in budget monitoring and reporting during 2016/17, yet the Internal Audit Reviews gave substantial assurances in this area.

Finance Team

There has been a significant staff turnover within the Finance department with the DFCS, Finance Transaction Manager and three Management Accountants leaving in 2016/17 financial year. In addition, the post of Head of Management Accounts was only filled in April 2017 having been vacant for 16 months. This was a significant loss of resource within the department and resulted in the normal controls around budget and savings monitoring being inconsistently delivered. During 2016/17, monthly reviews of budgets with budget holders were not occurring consistently as one would expect. The establishment of a fully functioning permanent Finance Team is fundamental to the implementation of the Recovery Plan. The Management Accountant posts are currently being filled by three temporary appointments and the college is taking action to appoint permanent Finance Business partner roles with each role being dedicated to one of the three main income streams, Higher Education, Further Education and Apprenticeships. They will also form a key part of the savings stream support to each Operational lead.

Conclusions

The college has some serious financial challenges to overcome, and is currently working on developing a strategic financial recovery plan to start this process. Once completed and approved by the Board the plan will require a range of significant actions to be implemented swiftly, to avoid the finances deteriorating even further. This will need clear and strong leadership from both the Board and the senior management.

It is our opinion that it would be in the best interests of the college, its learners and the community it serves, if this critical period of change was led by a new Chair and a new CEO. Both individuals currently in post have already indicated that they intend to leave the college, albeit over an extended timescale. During the course of our review, we were told in interviews and/or saw documentary evidence to support this judgment. The key areas were:

- Lack of ownership of the financial problem – there seemed to be a consistent view of blaming others including “that the problem was partially the fault of the previous DFCS”;
- A lack of challenge by the CEO to the DFCS in his role as Accounting Officer – it was not clear how they were getting assurances and sufficient information that finances were under control;
- There is minimal discussion of the college finances recorded in the Executive Team minutes until the extent of the problem was uncovered by the new DFCS in summer 2017;

- There were a number of warning signals that do not appear to have been picked up and acted upon e.g. management accounts only produced quarterly that were consistently late, significant movement in forecast numbers that were not adequately explained and challenged, significant turnover of staff in the finance team, staff cost ratios were presented as a misleading efficient figure, and cash was reported as declining – which did not tie in with positive news being presented;
- The Executive Team agreed a savings plan in mid-April. There was no clear minute in the executive meeting of what was agreed, this was not communicated for a further month (early May). When the target savings were not made clear to budget holders, progress on achieving these savings was not monitored, and governors were not made aware of this for a further two months at the end of June 2017. It is also difficult to see how the Executive Team could have expected target non-pay savings to be achieved with only three months of the year remaining, especially given that these months are usually the lowest spending months for a typical college.
- There was nobody at the college either at governor or senior manager level that we interviewed who could clearly articulate what went wrong in 2016/17 with the finances;
- There was no strong evidence that the recovery plan was being driven by the CEO, it appeared to be falling largely on the new DFCS;
- The Chair accepted that the board had not properly held the CEO to account over the finances. Our review found the Board had very full agendas and therefore, did not have the time to give sufficient attention to the finances of the college;
- The Chair had confidence in the existing CEO to lead the recovery plan development and implementation but when pressed about how he had gained that confidence given the issues of 16/17 and the early indications of the problems continuing into 17/18 he could only base his response on his opinion of the need for stability. He accepted that he had not properly considered alternative options such as testing the market place for interim solutions;
- The term of office held by the Chair is currently significantly beyond existing good practice in the sector.

Recommendations

1. The FE Commissioner does not have confidence in the capability and capacity of the CEO and Chair to deliver a swift and sustained recovery. The Board should urgently seek a new permanent or interim Chair and CEO whose appointments should be approved at the December Board meeting. It is recommended that the Chair should not only resign from his current role but should step down from the board completely;
2. The college should urgently develop and implement a robust recovery plan, which integrates financial recovery with a post inspection action plan. This recovery plan should reflect the whole College Group and not compromise on the continued improvement of quality and be able to service the ongoing level of debt. We recommend that a Board and Executive working group is established to oversee the implementation and impact of this plan;
3. The FE Commissioner is supportive of the Board's newly established Finance Committee. The Board should also establish a committee to oversee Quality, Standards and Performance.
4. The Board should review the terms of office of Governors and apply the Code of Good Governance to the length of time Governors serve on the Board. In this context, the Board should strengthen the level of financial acumen on the Board when recruiting new Board members.
5. The Board should review arrangements of governance within the group structure in order to increase assurance about the performance of the subsidiary companies;
6. The Executive Team should take a holistic approach to working across organisational boundaries, including the development and implementation of the recovery plan in partnership with the wider leadership team. This should include an improved approach to internal communications to ensure that key messages and actions across the whole College Group are clearly understood.
7. The college should continue to develop the revised curriculum/ business planning process to ensure that it encompasses both the efficiency and effectiveness of curriculum. This needs to include the monitoring of group sizes, staff utilisation, remission and contribution levels and a clear link between resource planning and budget setting;
8. The college should improve the rigour of its self-assessment process to ensure that it realistically recognises its strengths and weaknesses, using external references and benchmarks to help achieve this;
9. The college should review management structures in both Further and Higher Education to ensure clear lines of responsibility and reduce overall costs.

10. Management accounts should be produced monthly and distributed to Governors and Senior Managers. They should be accurate, timely and follow good practice in terms of style and content;
11. The college should reduce the current number of budget holders and simplify the structure to enable clear accountability;
12. The Board should urgently establish and approve a revised budget for 2017/18;
13. The Board should urgently commission an independent piece of work to enable governors and the executive to understand what went wrong in 2016/17 and why it was not reported until after the year end;
14. The management team (to include all budget holders) should undertake finance training to enable them to effectively monitor their own budgets and the whole college financial performance, as a team;
15. The Executive team should have as a standing agenda item once a month the management accounts. The minutes should clearly record the discussion and any actions agreed;
16. The college should review the role of interims / short term contracts within the finance team and appoint permanent, appropriately qualified staff as soon as possible to mitigate against the current risk;
17. The Board should understand what the true underlying pay costs are in the College Group taking account of out sourced arrangements, sub-contracting agency staff, and contract teaching staff in order to effectively manage pay expenditure.
18. There were clearly significant failings in budget monitoring and reporting during 2016/17, but the Internal Audit Reviews gave substantial assurance in this area. Governors should seek an explanation from their Internal Auditors as to why this was so, so that reliance can be placed on Internal Audit findings in the future.

The FE Commissioner team will consider progress against these recommendations at a stocktake assessment in February 2018. If insufficient progress has been made, the need for structural change will need to be considered.

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