



Department
for Education

FE Commissioner Intervention summary report: Moulton College

April 2018

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Background to FE Commissioner Intervention Assessment

Moulton College has been in Further Education (FE) Commissioner (FEC) intervention since being referred in February 2017 due to a financial health score of inadequate for 2015/16. At that time, an FEC team comprising of a deputy FEC, and an FEC adviser visited the college for two days in March 2017, and again to complete a stocktake report in October 2017.

The intervention focus has now been extended to quality of provision following the outcome of the recent Ofsted inspection 6th March 2018, with the following overall grades:

Overall effectiveness	Inadequate
Effectiveness of leadership and management	Inadequate
Quality of teaching, learning and assessment	Requires improvement
Personal development, behaviour and welfare	Inadequate
Outcomes for learners	Requires improvement
16-19 study programmes	Requires improvement
Adult learning programmes	Requires improvement
Apprenticeships	Inadequate
Provision for learners with high needs	Inadequate

An FEC team including a Deputy FEC and FEC Adviser visited the College on April 10th and 11th April 2018. During the visit the FEC team met with the Deputy Principal, members of the senior leadership team, the Chair of Governors and Clerk to the Corporation, corporation members of the finance and teaching and learning committees, curriculum managers and teaching staff. The team also met corporate managers including the Chief Finance Officer, and the Heads of Management Information System (MIS) and HR. A full list of interviewees is set out at Annex B. The team also reviewed written material provided by the Education and Skills Funding Agency (ESFA) and by the college. A list of the material reviewed is set out at Annex A.

Since March 2016 when the college was graded by Ofsted as 'Requires Improvement' across all categories, two support and challenge meetings took place in May and November 2017 both reporting good progress.

However, in the most recent inspection Ofsted advised that there were three serious breaches of health & safety, which placed learners in immediate danger, and a further eight examples of poor health & safety. These issues combined with a range of other concerns relating to student progress and teaching and learning performance led to an overall judgement of inadequate. The report noted that,

“Senior managers do not manage health and safety practices across the college effectively. The curriculum includes a number of highly dangerous vocational areas, and learners are not safe. Inspectors identified a number of serious breaches to health and safety regulations and a number of instances where practice was unsafe or sloppy. Not all managers with responsibility for health and safety have undertaken appropriate training.”

By the time of the FEC team’s visit in early April, the FEC team saw evidence that the college has taken on board Ofsted’s comments, understood the seriousness of the situation and taken swift action to begin to address the Ofsted findings in relation to health and safety as well as safeguarding. The FEC team noted that the specific issues identified in the report had started to be addressed with practical actions identified and further specific training provided where necessary. There have also been significant changes in leadership as a direct result of the report, with the immediate resignation of the Principal, and governors putting in place new leadership arrangements.

The FEC’s report is intended to advise the Minister and the Chief Executive of the ESFA 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 ESFA’s regular monitoring arrangements.

Overview of the College

Moulton College is a specialist, independent land-based college, offering courses from pre-entry to degree level in a wide range of land-based disciplines, including animal management, agriculture and countryside management. Around 14% of courses are HE, with the remaining 86% in FE provision. In terms of FE, 41% of courses are the more traditional land-based courses, such as animal welfare, equine and agriculture, but the remaining 55% are in the growing sectors of sport, therapies and construction.

Student Enrolments (2017-18)	Total	%
HE	422	14%
FE	1852	61%
Apprenticeships	741	25%
	3015	100%

Programme Area	FT	%
Animal Welfare	472	25%
Construction	519	28%
Land Based & Equine	285	16%
Sports Studies	457	25%
Supported Learning	57	3%
Cross College	62	3%
	1852	100%

The vast majority of the provision is offered at the main site in the village of Moulton, about five miles north-east of the county town of Northampton. The college estate runs to approximately 500 hectares and provides practical facilities and commercial environments including farm enterprises, a garden centre, equine therapy and rehabilitation facilities and sports facilities. Provision in animal management and construction is offered at three, smaller, satellite centres, located at Silverstone, Higham Ferrers and Daventry. The college recruits about three quarters of its students from Northamptonshire. It provides term-time residential accommodation for those living further afield (around 96 learners in 2018) and a county-wide network of buses that enables students to travel to the college from most areas of the county.

A further specialist curriculum area is being introduced in 2017-18 in food manufacturing based in the Food & Drink Innovation Centre, which is now nearing completion funded by government local growth funds. This was supported and funded to meet a strategic growth priority for Northamptonshire and the wider South-East Midlands LEP (SEMLEP).

The college specialisms align with local enterprise partnership sector skills priorities of the Northamptonshire LEP (formerly NEP) of construction, food and drink, and low carbon technologies, and that of the wider SEMLEP of manufacturing & advanced technology including food and drink, and creative & cultural industries including sport.

The college has strong links with industries aligned to the specialist provision and progression rates into employment and further study are very high. Over 97% of employers are small or micro businesses and dispersed across a wide area comprising of many rural communities with limited transport links.

The college estate also provide facilities for complementary activities such as elite sports academies, veterinary practices, retail enterprises such as a garden centre and floristry outlet, small animal therapy unit, equine therapy unit and sports therapy and injury rehabilitation centre.

Leadership and Governance

Leadership and Senior Management team

The Principal and CEO was appointed in February 2011, with extensive experience in the FE sector. It is evident in retrospect that governors did not have clear enough oversight in recent years of his leadership or sufficient understanding of college operations to scrutinise his reports to the board and committees effectively. As a result, it is the view of the FEC team that overly optimistic financial and quality projections were presented to governors.

Despite obvious challenge from members in meetings, board members did not have sufficient detail to unearth the true picture. Two good examples are the unrealistic income projections for 2018-19 financial year and the underlying assumptions (including the college's self-assessment report grades, which suggested that teaching and learning were graded 'Good'. Ofsted noted that:

“Leaders have been overly generous in their self-assessment of the quality of teaching, learning and assessment, and of how well learners develop their personal skills and behaviours. Although they have accurately identified a number of areas for improvement, they have not prioritised these well, and have not taken effective action to address them.”

Since the departure of the Principal, the Chair has appointed the Deputy Principal as acting Principal and Accounting Officer. This is a short-term measure whilst the board take steps to appoint an experienced interim Principal with strong FE credentials and a good Ofsted track record, who is expected to be in place soon.

In terms of curriculum leadership and management, a major staff restructuring and rationalisation of curriculum areas into programme areas was carried out in February

2015. Ofsted noted this when they visited the college in April 2016, but their view was that the new structure had not had time to make a significant impact on teaching and learning and student outcomes. It is evident from the most recent Ofsted report that this is still the case.

A series of unfortunate events over the last year has resulted in the college operating without a recognised Vice Principal for Curriculum and Quality and permanent Director of Quality Improvement. These responsibilities were added to the Deputy Principal's role in addition to his responsibilities for the corporate staff and estates, with quality improvement overseen by interim consultants.

In the FEC team's view this created tensions in the management structure between curriculum managers and quality personnel and processes. Although a new Director of Quality has recently been appointed, there is now a clear need to re-assess the current senior leadership structure and their responsibilities for improving teaching and learning.

The FEC team would recommend appointment of a senior leadership team member with overall responsibility for the leadership of the curriculum and quality teams, with increased integration between teaching and learning managers and quality improvement systems and processes. It is evident that teaching and learning has been under-resourced, and staff have been under significant pressure. If teaching and learning and a greater learner focus on classroom activity are to be improved, then consideration needs to be given to supporting staff in curriculum areas.

Curriculum and Quality Improvement

Curriculum overview

The Ofsted Report indicated the areas of health and safety that they regarded as inadequate as follows:

“Take immediate action to ensure that all learners are safe during all activities at the college, specifically:

- *provide training in health and safety for all staff and managers that is relevant to their role and their vocational area*
- *ensure that risk assessments are in place for all relevant activities, and that staff comply fully and follow all safety procedures*
- *make certain that all staff understand their role when safeguarding concerns arise, so that actions to help students are swift and effective*
- *collect appropriate staff information into a single central record and ensure that all the required information is present for all staff.”*

The FEC team met with managers during the visit to assess the college's response and actions taken and noted that the college had commissioned audits by a specialist independent company of both health and safety and safeguarding practices and these are now being used to inform the college's work going forward in these areas.

The health and safety audit concluded that the college is a safe place to work and study. Health and safety refresher training has been provided to all staff in the college, with additional sessions being made available to staff who were not in college at the time. Further training will be provided to those managers with specific health and safety responsibilities who do not already hold a formal health and safety qualification. The college is aware that training, communication and the operation of the health and safety committee needs to be improved and this work is already underway. Governance arrangements will be reviewed to assess the benefits of giving a governor-specific focus on health and safety in the college. The FEC team recommend the identification of a corporation member to act as the health and safety champion.

The safeguarding audit gave guidance on providing greater clarity within the single central record and this has been implemented. Safeguarding refresher training has been provided to all staff covering importance of safeguarding, individual responsibilities and the mechanisms for reporting.

The college has also been able to draw on its experience in residential provision where it has a strong record on safeguarding and learner safety, as was noted by Ofsted in its social care report following a recent visit in December 2017:

“The overriding priority for this college is the safety of young people. Young people say they feel safe. They can talk to wardens, nurses and other staff if they are worried about anything. Staff know what action to take if they are concerned about the safety of a young person.”

The Ofsted social care report on residential provision also further noted the training that has been undertaken in the college in the past on safety and safeguarding and that the college has been able to draw on these systems and expertise to quickly correct the problems that were identified during the most recent inspection. As the recent Ofsted social care report noted:

“Staff and governors have undertaken safeguarding training to increase their knowledge of child protection issues such as sexting, radicalisation and online abuse. The governors play a central role in holding college staff, including leaders, to account for their safeguarding practice. They do this by scrutinising safeguarding practice using a range of reports and performance data.”

The FEC team found evidence in both discussion and papers that leaders and governors have taken the Ofsted criticisms very seriously and have vigorously sought to review and re-apply the high standards of good practice that have existed previously.

Whilst the most recent Ofsted report noted improvements in apprenticeship outcomes and quality, as well as progress in vocational achievement rates, their overall assessment was that progress had been too slow:

“Leaders and managers have been too slow to respond to the areas for improvement identified at the previous inspection. Their actions to improve the quality of teaching, learning and assessment have not achieved the desired impact.”

Post Inspection Action Plan (PIAP) and Quality Improvement Plans

The FEC team noted in our last report that “whilst the college is on a journey of improvement, and the college has put in place a number of improvements in both systems and management of the curriculum and the quality of teaching & learning, the leadership and governors still need to continue to monitor these post inspection actions in order to ensure they are converted into successful student outcomes.”

It is all the more urgent now for the college to rapidly respond to the issues raised by Ofsted in order to ensure that current students are safe and successful, and management and staff have shown a desire and commitment to do so. The PIAP was updated following the Ofsted visit and report in late March 2018, and there was evidence at the time of the FEC team’s visit that curriculum programme leaders were aware of the importance of making improvements across the areas identified.

Examples of key actions include:

- Leaders and managers including senior leadership team to set expectations and closely and effectively monitor programme management student progress, the quality of teaching, learning and assessment to ensure this is improved and maintained.
- Increase the levels of scrutiny and challenge by governors. Board to detail specific information requirements which enable effective decision-making.
- Monitoring safe working practices in all areas of provision through lesson observation and learning walks.

There are clear timelines and accountabilities included in the plan, but the FEC team stressed to the college that achievement of the plan in terms of student outcomes and changes in teaching and learning behavior is a key aspect of the way that the college will be judged.

There is evidence that ‘learning walks’ and the new observation scheme is improving practice, whilst the more effective use of attendance and performance data should have an impact on student outcomes this year. Programme Leaders recognise that the PIAP

provides a mechanism for scrutinising and monitoring progress, but only a relentless focus on student achievement will produce the improved outcomes.

In view of the 'Inadequate' Ofsted rating, the college has advised the ESFA intervention team that they have suspended new apprenticeship starts in anticipation that they will be removed from the Register of Apprenticeship Training Providers (RoATP). This will obviously cause significant funding issues and impact current and future potential learners.

Finance and Audit

Recent financial history and forecasts for coming years

The college's financial performance has been weak for a number of years, culminating in a decline in financial health to inadequate in 2015-16 as a result of an operating loss and a breach of loan covenants. The college has since been successful in restructuring its substantial commercial loans and this, coupled with the implementation of a financial recovery plan, helped the college return to satisfactory financial health in 2016-17.

The 2017-18 budget is based on the achievement of a break-even operating position once one-off capital grant income and FRS102 pension adjustments are excluded. The February management accounts indicated a small shortfall in income year to date which is expected to carry through to year-end, resulting in a small operating deficit (excluding capital grants).

At this stage in the year there is potential for the final out-turn for 2017-18 to deteriorate further, with the risks of a breach of one of the loan covenants (ratio of Earnings Before Interest, Depreciation and Amortisation (EBITDA) to total debt servicing costs). The implications of this could be significant and this risk will need proactive management given the potential impact on the college's financial health and its relationship with its current lender.

The college's 2017-19 financial plan assumed an increase in funding body grants in 2018-19 that would help the college to achieve a small operating surplus and a healthy EBITDA ratio. These assumptions now look wholly unrealistic in light of:

- a reduction in lagged 16-19 classroom-based funding of £0.5m in 2018-19 (due to a shortfall of 102 students in 2017-18)
- the exit from delivery of apprenticeships following the Ofsted inadequate grade (forecast income for 2018-19 was £1.9m)
- a potential reduction in Higher Education (HE) income due to a serious fall in HE recruitment (worst case scenario suggests a decline from 334 HE students currently on programme to around 200 in 2018-19)

Taken together with potential shortfalls on commercial income streams, the Chief Finance Officer has modelled a scenario where 2018-19 income could be less than the 2018-19 financial plan. This has major implications for the college, with no detailed cost reduction or staff restructuring plan as yet in place to address such a substantial shortfall in income. The prospect of a substantial operating loss in 2018-19 will impact significantly on financial health (which is likely to fall to inadequate); cash (a potential shortfall in working capital in 2018-19); and a more serious breach of loan covenants.

Initial work undertaken by the Chief Finance Officer on cost reduction measures needs to be progressed as a matter of priority in order to rebase pay and non-pay expenditure to reflect the steep reductions in forecast income. The timescales for finalisation of the curriculum plan and implementation of staff savings by 2018-19 are now extremely tight and there is (as yet) no budgetary provision for any associated staff restructuring costs.

Against this context, the college will need to make a realistic and hard-headed assessment of its prospects as a sustainable standalone institution, taking into account the response from its main lender to the risk of a loan covenant breach. An FEC-led Structure and Prospects Appraisal (SPA) will provide the opportunity to explore this alongside options for merger.

Whilst the college holds an extensive and valuable asset base, care should be taken to avoid a wholesale disposal of assets simply as a means of retaining the college's independence. Future capital investment and disposal strategies should be considered alongside actions to bring income and expenditure into balance and the potential to achieve greater long-term sustainability through a merger.

Governors should be mindful that the high levels of college debt may prove to be a barrier to structural change without access to the Restructuring Fund (RF). Implementation of any merger proposal by or before the current deadline of March 2019 for RF is therefore an important consideration.

Financial liabilities / loans

The college's high level of commercial loans reflects past capital investment decisions and the willingness of commercial lenders to support the college at competitive rates, thanks to its strong asset base. The restructuring of the college's loans in 2016-17 included provision for a Revolving Credit Facility (RCF) up to June 2020, which has provided for a reasonable level of working capital.

Whilst cash balances at 28 February 2018 are healthy, they are anticipated to fall back by year-end. A number of small scale asset disposals are in the pipeline which (if achieved) will improve the cash position, but even so cash is likely to fall well short of the forecast included in the 2017-19 financial plan.

As such there is potential for a shortfall in working capital to arise during 2018-19 unless the college can make rapid and substantial savings in operating costs. It is increasingly difficult to see how the college will be able to generate sufficient cash inflows to clear the RCF balance by the current June 2020 deadline.

Budget setting arrangements

The rapid deterioration in the college's financial prospects for 2018-19 underlines the need for a comprehensive rework of the college's financial strategy, financial plans and budget. The Chief Finance Officer clearly recognises the seriousness of the financial position and the need for fundamental changes in the approach to budget setting; contribution analysis; and the role of budget holders. A range of initiatives are already underway, though the scale of the task may warrant the need for additional short-term support.

The implementation in February 2018 of a curriculum planning tool is a welcome development, which should provide more robust contribution analysis across the curriculum to help identify the scope for efficiencies. However, work on the curriculum plan is still ongoing and now needs completing as a quickly as possible if it is to inform the budget and staffing plans for 2018-19. Alongside this, the college needs to complete a much more robust analysis of the viability of its many commercial operations, particularly given evidence of underperformance in the current year.

Financial control, management and record keeping

Measures have already been put in place to tighten up ordering processes within the college, though closer financial oversight of certain activities is still required (notably international work and recruitment of agency staff).

Monthly management accounts provide a wealth of detail on financial performance, though there is scope for continued improvements in line with good practice in the FE sector. Future reports will need to give significant attention to cash flow forecasting over a longer period, as well as the strategies to address potential loan covenant breaches.

The new Chief Finance Officer was appointed in October 2017 as a senior post-holder. Alicia is a qualified accountant with over twenty years' professional finance experience, mainly in the housing and care sectors. This is the Chief Finance Officer first role in the FE sector.

The small finance team of six staff is led by an interim financial advisor, who is employed on an interim contract pending recruitment of a permanent head of finance. A new management accountant has been appointed following the resignation of the existing post-holder.

Given the level of turnover in the finance team and the range of financial challenges ahead, the college should ensure there is sufficient capacity and skills in the finance team to support the chief finance officer effectively in the months ahead.

Internal and external audit

The annual internal audit report for 2016-17 offered reasonable assurance that there were no major weaknesses in the system of internal control.

The most recent report on budgetary control (still in draft) makes four high priority recommendations for improvement and gives only limited assurance on the effectiveness of the existing budgetary control framework. The draft report identifies room for significant improvement in financial planning/budgeting; budgetary control; and the production of management accounts. These issues are recognised and accepted by the new Chief Finance Officer, who has instituted a number of changes to finance team roles and structures to help address these points.

The college's external auditor highlights memorandum and management letter for the year ended 31 July 2017, gave a positive audit opinion and confirmed it was appropriate for the College to be considered as a going concern following the successful refinancing of the loans.

At the same time, the external auditors noted that improving the college's financial health would continue to be a key priority and recommended that the college "should ensure that it continues to prepare forecasts and test a range of possible scenarios and sensitivities that may affect the financial position of the college to reflect different possible outcomes in respect of student recruitment and other opportunities and challenges".

Conclusions

Whilst there is evidence that the chair and corporation have not monitored the work of the leadership and management closely enough and have been slow to take action in the past, they have now acted swiftly to replace the current Principal and put in place leadership arrangements to respond to criticisms noted in the Ofsted report.

The college now need to commit to considering the full range of future strategic options and choosing the best way forward to secure the future provision in the interests of current and future students, staff, employers and other stakeholders.

Recommendations

1. In view of the deteriorating financial position and also the recent inadequate Ofsted grade, the college should work closely with the FEC team to complete an FEC-led SPA by July 2018, which considers the full range of options including

merger, in order to secure the highest possible quality and future sustainability of the provision.

2. There is evidence that college management have acted to address the critical health and safety issues raised by the recent Ofsted visit, and they are working to further raise staff awareness of the importance of the high priority of workplace practice across the range of vocational areas. However, the changes in approach, culture and actions that are required will continue to be a high priority and need to be monitored in a more directed manner by both leaders and governors.
3. The refreshed senior leadership team need to begin to develop a culture of higher expectations amongst all staff and students and teaching and learning quality needs to further improve. A new approach, which integrates quality improvement support and teaching and learning needs to be developed, within a restructured and better resourced curriculum management structure. The FEC team recommend the appointment of a VP curriculum and quality (or equivalent) to ensure that quality improvement is clearly connected with teaching and learning practice.
4. Staff turnover of around 30% is high and there are a high number of interim managers. Leaders and governors need to develop strategies to create conditions in which staff can become more committed to the college in order to ensure the type of stable learning community that is needed to produce a high quality learning environment.
5. The college should accelerate work already underway to complete the curriculum plan in order to provide a robust analysis of course viability, which can be used to inform the 2018-19 budget and staffing plan.
6. The Chief Finance Officer should complete a rigorous cost-reduction plan by the end of May 2018, setting out a range of options to offset the anticipated drop in income from 2018-19, and minimise the risk of a significant operating loss for the year ahead.
7. The college should continue to monitor closely its compliance with bank loan covenants and ensure that timely action is taken to address the consequences of any potential covenant breach.
8. The college needs to assess the impact of the restrictions on current and future apprenticeship provision as a result of the Ofsted 'inadequate' grade and make alternative arrangements with employers to continue to provide work-based opportunities for learners.
9. The Chair and governors should put in place clear and transparent arrangements to monitor and appraise senior postholders (i.e. interim principal, deputy principal, chief finance officer and clerk).

Annex A - Information reviewed

SFA and EFA college briefings

The college's Ofsted inspection report

Profiles of corporation members and the Clerk to the Corporation

Job descriptions of the senior team

CVs of the senior team

Training undertaken by the senior team over the last three years

Strategic Plans – previous and present and their corresponding monitoring documents

Organisational structures for the past two years

The college's Ofsted and self assessment reports

College performance management data

Description of the teaching and learning observation process

Organisational structure of the finance team

Job descriptions of the finance team

CVs of the finance team

Financial statements and financial forecasts

Management accounts

External audit management letters

Internal audit reports

Enrolment information

ESFA funding allocations

Capital expenditure programme from 2010 to 2015/16

Financial regulations and procedures

College three-year financial plan

Budget 2016/17 and bank loan arrangements

Cash flow forecast,

Income and expenditure projections

Quality Improvement Plan

Board papers and Curriculum and Quality Committee papers

Success rate data for last three year

Annex B - Interviewees

Chair of Corporation

Vice Chair and Chair of Remuneration Committee

External Governor, Member of TLA Committee

Chair of Audit Committee

Chair of TLA Committee

Deputy Principal (and Acting Principal)

Clerk

Chief Finance Officer

Interim Head of Finance

Director of Quality and Improvement

Management Information Services Manager

Assistant Director of Human Resources

Landex Quality Adviser

Director of Further Education Curriculum

Programme Leader Land Based & Equine

Programme Leader Sport