



Department
for Education

FE Commissioner Intervention report: North Warwickshire and South Leicestershire College

November 2018

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FE Commissioner Intervention report

North Warwickshire and South Leicestershire College

Name and Address of College	North Warwickshire and South Leicestershire College Hinckley Road Nuneaton Warwickshire CV11 6BH
Assessment undertaken by:	Richard Atkins; FE Commissioner Teresa Kelly; Deputy FE Commissioner Bob Smith; FE Adviser
Chair of the College	Ray Linforth
Principal / Chief Executive of the College	Marion Plant
Clerk to the Corporation	Rachel Marshall
Date of Assessment	29/30 November 2018

Background to FE Commissioner Intervention Assessment

The FE Commissioner assesses FE colleges and other institutions that are subject to formal intervention. Formal intervention is triggered if they:

- are rated inadequate by Ofsted
- receive a notice of concern from the Education and Skills Funding Agency (ESFA) about their finances
- fail to meet ESFA minimum standards.

North Warwickshire and South Leicestershire College (NWSLC) was placed into ESFA's formal intervention status in September 2018 following the assessment of its Financial Plan submitted in July 2018, which confirmed a 2017/18 financial health score of 'inadequate'.

The FE Commissioner's report is intended to advise the Minister and the chief executive of the Funding Agencies on:

- a. The capacity and capability of the college leadership and governance to implement financial recovery within an agreed timeframe
- b. Any action that should be taken by the Minister and/or the chief executive of the funding agencies to ensure the delivery of financial recovery and quality improvement (considering the suite of interventions set out in 'Rigour and Responsiveness in Skills') and
- c. How progress should be monitored and reviewed, considering the agency's regular monitoring arrangements.

Context

Due to the geography of the college, and because of local political representations, NWSLC was formally part of two area reviews: Coventry and Warwickshire (Wave 3, concluded October 2016) and Leicester and Leicestershire (Wave 4, concluded February 2017). The recommendation of the Coventry and Warwickshire area review was for North Warwickshire and Hinckley College (NWHC) to consolidate its merger with South Leicestershire College (SLC).

Prior to merger both NWHC and SLC were in intervention, having been issued with Financial Notices of Concern for inadequate financial health (in April 2014 and April 2015 respectively). This led to a Further Education Commissioner (FEC) visit in May 2015, which recommended the colleges develop their federation to full merger (FEC intervention ended in January 2016). A consolidated Financial Notice of Concern was issued to the merged college in January 2017.

In 2015/16, the underlying financial position of NWSLC improved to satisfactory. Based on the college's outturn for 2016/17, the ESFA lifted the Financial Notice of Concern as the conditions of the notice as set out in the supporting schedule had been met. At this point, the college moved into 'Early Intervention'.

In June 2018, the college indicated that due to under-delivery on apprenticeships and lower than forecast income from AEB, its financial health would become inadequate for 2017/18. This was confirmed by the college's financial plan returned in July 2018 and by September 2018 the college advised that the position had deteriorated further.

Based on the deteriorating financial position, early intervention status was accelerated to formal intervention and the FE Commissioner, supported by a Deputy Commissioner and an FEC adviser visited the college on the 29/30 November 2018 to undertake an assessment.

This report outlines their findings and recommendations.

Overview of the college

North Warwickshire & South Leicestershire College (NWSLC) is a medium size general further education college with a turnover of around £31m. The college makes provision for 14-16 year olds, 16-18 study programmes, apprenticeships, adults, students with high needs and Higher Education. The college is the result of the mergers of North Warwickshire and Hinckley College (NWHC) and subsequently with South Leicestershire College (SLC) on 1 August 2016; the two colleges had operated in a 'hard' federation since 2013. In 2016/17 the college under delivered against its 16-18 allocation by 350 students. For the past two years the college has over achieved against its 16-18 allocation despite a declining local demographic although has not yet returned to levels achieved in 2015/16.

There are three main campuses in Nuneaton, Hinckley and a modern purpose-built site located in South Wigston on the southern outskirts of Leicester. These sites cover two counties and two Local Enterprise Partnerships (LEP).

The college sponsors a multi-academy trust: The Midlands Academies Trust (MAT), which includes four secondary academies in the Hinckley and Nuneaton area. One of the academies is yet ungraded and the other three are judged as 'requires improvement'. The college is also the lead partner for the MIRA Technology Park, an engineering training centre capital project, supported by £9.5 million in Local Growth Fund monies, which opened in Autumn 2018.

Most of the college's 16-18 year-old learners are from Leicestershire (43.2%) and Warwickshire (42.5%). There are also 12.1% of students with a Leicester postcode. The

proportion of students from the top four local authorities has remained relatively stable over the last three years.

Leadership and Governance

Role, Composition and Operation of the board

The college board consists of 18 members and meets four times a year having recently shifted away from the 'Carver' model. The board now has in place a series of committees including: Resources and Finance; Students Learning and Quality; and Audit and Risk. The board considered that this revised model provides them with the means to consider key college issues in more detail. The college has completed a skills audit of governors in the last 12 months and new members have been identified to provide the skills balance required. Board membership includes financial expertise and the board are supported by an experienced clerk.

The chair of governors, a University Vice Chancellor, took up appointment in September 2017. He is skilled and experienced in relation to the role of a board chair and has a strong knowledge of the FE sector. He is supported by two vice chairs. During discussions with the FEC team, both the chair and vice chair demonstrated that they have a strong understanding of their corporate responsibility and the responsibility of the board to oversee the financial performance of the college.

To ensure governance arrangements can continue to develop, an externally facilitated governance review was commissioned during the year. The outcomes were presented to the board in July 2018 and formed the basis for changes in emphasis for the arrangements for 2018/19. In 2017/18 governors undertook a number of specific link visits in key areas such as English and maths and safeguarding and were also regular attenders at meetings of the student parliament during the year.

The board has considered college activities and performance against its annual strategic objectives for 2017/18 and considering wider and national contexts. Members provide a level of support and challenge on actions taken though there is a recognition that this overview could be more rigorous and based on better data provision at board meetings.

The board have an adequate understanding of the college's curriculum and quality strengths and the areas which require improvement and strengthening. The work undertaken at board and committee meetings has included:

- Regular scrutiny and challenge of performance in the areas of attendance and retention, lesson observations, progression and student progress measures - this included a specific presentation on English and maths student progress.

- Leading the implementation of a data dashboard and a set of benchmarked teaching, learning and assessment KPIs including specific indicators relating to English and maths performance.
- Members' involvement in the validation of the whole college Self-Assessment Report and on-going scrutiny of progress on actions within the college Quality Improvement Plan.
- Overseeing work to implement and respond to changes in guidance on Careers, Advice, Information and Guidance, using the Gatsby Charitable Foundation benchmarks to develop and improve the college's careers service and policy.

There is, however, an acknowledgement that financial reporting needs to be more robust and needs to reflect timely in-year performance. In addition, it is recognised the board have a responsibility to ensure that growth targets and growth measures are realistic and achievable. There is an acknowledgement on the part of the chair and the vice chair that the immediate focus for the board needs to be the delivery of a robust and comprehensive financial recovery plan based on stronger and more accurate forecasting than has been the case in the past. In particular they are aware that college operational activity needs to reflect the need to quickly bring costs into line with recognised sector benchmarks.

Leadership and Senior Management team

The principal has been in post since 2004. She has successfully led the merger, developed the provision and 16-18 recruitment at the merged college and is a pro-active advocate for Further Education nationally. During a period of challenging financial circumstances, which have had the consequence of the staff not receiving a pay rise since 2011 (for those originally employed at SLC) or 2013 (for those originally employed at NWHC), she has nevertheless kept staff committed to the college and to the success of the students. She was a non-executive director for the DfE until relatively recently, standing down from her role in January 2018 having completed her term. She also recently stepped down from her role as an ambassador for the DfE's T level programme. She recently resigned from her position as a board member responsible for skills on the board of the Leicester and Leicestershire LEP. She is still an active member of the board for the Coventry and Warwickshire LEP. She sits on the board for WorldSkills UK and the college is an active and successful participant in this national activity. In conjunction with the board, her decision to reduce her external commitments to concentrate on improving the financial stability of the merged college has been well received by the board who have expressed that they have confidence in her skills and experience. The board should continue to monitor the Principal's external commitments to ensure that the college operations are effectively managed.

In addition to the principal, the executive team consists of a deputy principal; an executive director Finance and Risk; executive director Business Development (due to leave the

college) and an executive director Corporate Services. The imminent departure of the executive director for Business Development has provided an opportunity for the principal and the board to review the membership of the executive team.

The deputy principal has been with the college for four years and has recently been appointed to the post following the departure of the former deputy for Curriculum and Quality. He now oversees the curriculum and quality focus at the college having previously been responsible for curriculum efficiencies and the provision of data. The vice principal, Quality and College nominee, is not a member of the executive team. The college has recently reorganised its curriculum management structure creating a team of directors some of whom have inherited recruitment targets that they consider to be challenging, though not unachievable.

The FEC team believe that the college organisational structure is unnecessarily complex. In order to ensure that the college continues to improve quality and address financial performance, we would recommend that the college review this structure. The aim of this review would be to determine that the most senior level management is providing sufficient emphasis on curriculum, quality and provision and that the overall management of the college is providing optimum effectiveness and efficiency. This is important given the current high staffing costs to income ratio and the requirement to reduce costs across the organisation.

Curriculum and Quality Improvement

Curriculum overview

The college currently offers provision in 15 Sector Subject Areas (SSA). The vocational and academic mix of the college is 99.4% and 0.6% respectively. The most popular subject area for 16-18 students over the last 2 years has been Arts, Media and Publishing. During 2016/17, the top 5 sector subject areas by learner starts are in Engineering and Manufacturing Technologies, Health, Public Services and Care, Business, Administration and Law, Retail and Commercial Enterprise and Construction, Planning and the Built Environment. There is a strong correlation between the curriculum offer and the needs of the local communities and economies. In particular, the college is providing a very strong provision to the Engineering and Manufacturing industries which are particularly dominant in the region that the college serves.

The college also provides a substantial apprenticeship offer. In 2016/17 there were a total of 674 starts recorded across all frameworks. The most popular being level 2 and 3 Social Care, level 2 Business Administration, level 2 Vehicle Maintenance and Repair and level 3 Engineering. However, the college has under-performed on apprenticeships in 2017/18 with the latest data indicating that the college will be around £500k below budget, with a projected outturn of £2.6 million. The college has struggled to generate the anticipated

income from the levy and failed to secure several large contracts. The college was slow to recognise this under-performance and did not adjust its cost base accordingly and in a timely manner. Significantly, 'carry-in' delivery accounted for around 75% of the non-levy income earned in 2017/18, suggesting that the college has also struggled to generate new non-levy income.

The college has levy contracts with around 70 employers, but to date these have only delivered small numbers. The college is forecasting to nearly double its levy income in 2018/19 from £498k to £902k and have appointed an Apprenticeship Director to help achieve this. We consider that this level of forecast growth presents a high risk to the college and needs to be reviewed.

In 2017/18 the college's AEB allocation was £6.5 million. In March 2018, the college took the decision to increase the amount of delivery subcontracted from around £1.2 million to £2 million. This decision was taken in response to the delivery position of the college mid-year. In addition, the college sought to increase its level of distance learning provision. In-year increases to subcontracted provision levels cause high risks which need to be strongly managed by the college. The shifts in delivery to increased sub-contracted provision has impacted on the college's income, with the increased cost associated with sub-contracting, partly accounting for the deteriorating deficit position submitted in September 2018. The college intends to reduce this reliance during 2018/19. The FE Commissioner team were not convinced that this intention will be achieved this year. Ofsted inspections.

As a consequence of the merger in 2015, NWSLC as a newly merged institution is currently classified as ungraded by Ofsted.

Prior to merger, NW HC was graded as 'good' overall in March 2012 and SLC was graded as 'good' in all areas by Ofsted in November 2014 following the federation with NWHC in 2013. The newly merged college received a support and challenge (autumn 2016) visit by Ofsted, which was largely positive with good feedback on governance and leadership post merger.

The areas identified by Ofsted where the college needed to improve further included:

- Improve the reporting and presentation of data so that leaders and managers can easily identify key trends across the provision.
- Given the significant performance gaps between provision types at different college sites, continue to identify best practice and ensure that it is shared systematically to drive forward improvement across the whole college.
- Ensure that the reporting of progression is clearer, indicating the proportion of learners who progress from level to level so that managers can monitor this more closely.
- Ensure a continued and strong focus on improving English and mathematics and the provision of work experience for learners on study programmes, to enhance

their skills and improve their achievements.

Ofsted have recently undertaken a further monitoring visit on 9 to 10 October 2018. The focus of this visit was to consider the progress governors and leaders have made in improving the quality of provision for learners across all the college's sites. No major concerns were flagged at this visit. The three themes inspected resulted in 2 judged reasonable progress and 1 judged significant progress judgements.

Quality improvement

There is a comprehensive SAR process which involves all delivery teams across the college. The SAR is supported by a detailed and robust Quality Improvement Plan (QIP). The most recent SAR which has not yet been presented to the board for approval, has been structured around the new CIF format.

A vice principal has responsibility for quality and improvement and is also the designated college nominee. He leads a team of quality improvement staff who work across curriculum teams. Identification of areas for improvement and staff requiring support is strong and the outcomes of the improvement teams' interventions appear to be effective.

Curriculum planning

The college has developed a three-year curriculum strategy which sets out to define the curriculum that the college will offer over the next three years and how it will be resourced and delivered in the context of the local, regional and national education and skills policy context. The curriculum strategy takes account of:

- The refreshed Industrial Strategy 2017
- The Post 16 Technical Education Reforms 2016
- The current (2017) and anticipated Ofsted inspection framework for skills
- Existing labour market analyses as updated in May 2017.
- The local and regional competitive context as set out by Local Enterprise Boards (LEPs)
- The outcome and recommendations of the area reviews in both Coventry & Warwickshire and Leicester/shire
- The devolution of the Adult Education Budget (AEB) to Local Enterprise Boards (LEPs) and the development of "Midlands Engine" and the West Midlands Combined Authority.

In the past two years, the college has increased its recruitment of 16-18 year olds despite declining demographics though has yet to recover the market share lost in 2016/17 and for

2018/19 has reversed the decline in recruiting to the apprenticeship and HE cohorts. The college reports that has been achieved through several factors, including:

- A re-focusing of the marketing team and new leadership;
- A strong focus on progressing current students to new courses at a higher level;
- A distinct focus from senior management on specific cohorts of students, such as study programmes, apprentices, adults, HE and 14 - 16 year old students;
- Effective partnership working with strategic local employers to provide opportunities – including the opening of the MIRA Technology Institute and embedded relationships with over 70 levy paying employers.

Costed curriculum delivery plans are developed in the context of an overall curriculum strategy which aims to ensure that the planned offer meets local, regional and national skills needs. Recruitment plans are input directly to the college student records system and funding is attached. This then drives the staff resourcing requirements and directly informs the budget setting process. However, there is some evidence that the drivers for the financial forecast do not always correlate with the outcomes of the curriculum planning exercise and the result has been an over forecasting on key income lines such as apprenticeships and AEB.

Attendance

Students' and apprentices' attendance during 2017/18 were 87%, which was an improvement on the previous year of 1% but below the college's target of 90%. Maths and English attendance have improved more sharply from 78% in 2016/17 to 80% in 2017/18 leading to high levels of student success in the Functional Skills English and maths qualifications. Whilst English and maths attendance has increased in 2016/17 and in 2017/18, the rate of attendance is still below that of the college overall and requires ongoing improvement strategies to address.

Outcomes

There is a three-year improving trend in most areas, with only a minority of the college provision operating below national averages. For students studying English and maths, progress scores at level 2 have increased significantly in 2017/18 and functional skills outcomes are outstanding. This assessment was reinforced by Ofsted during the most recent monitoring visit.

Cohort:	QAR / College 15/16	QAR / College 16/17	College 17/18	16/17 National Rate (GFE Colleges)
E&T 16-18 Overall	78.2%*	80.8%	81%	81.5%
E&T 19+ Overall	88%*	88.2%	89.3%	87.9%
E&T 16-18 Level 1	72.9%*	80.5%	76.4%	79%
E&T 16-18 Level 2	75.2%*	80.1%	79.5%	80.1%
E&T 16-18 Level 3	85.7%*	82.4%	84%	85.5%
GCSE Maths A*-C (16-18)	19%*	17%	13.5%	17.9%
GCSE English A*-C (16-18)	4.4%*	19.9%	25.4%	24.6%
GCSE Maths A*-C (19+)	42.3%*	37.3%	38.8%	37%
GCSE English A*-C (19+)	22%*	42%	58.2%	43.2%

The 2016 Ofsted support and challenge visit recommended that the good practice in the predecessor colleges should be adopted at the other college. This specifically refers to good practice in English and maths at SLC transferring to NWHC and good practice in apprenticeship achievement at NWHC transferring to SLC. On both measures, the data demonstrates an improving position.

Overall apprenticeship performance is strong and sits well above the national rate. Timely achievement across the age cohorts is variable:

Cohort:	QAR / College 15/16	QAR / College 16/17	College 17/18	16/17 National Rate (GFE Colleges)
Apps 16-18 Overall	75.5%*	76.1%	72.4%	70.7%
Apps 19-23 Overall	80%*	72.7%	78.3%	70.6%
Apps 24+ Overall	61.1%*	66.7%	68.6%	67%

Cohort:	QAR / College 15/16	QAR / College 16/17	College 17/18	16/17 National Rate (GFE Colleges)
Apps All Ages Overall	73.5%*	71.9%	73.3%	69.1%
Apps 16-18 Timely	67.6%*	66%	61.7%	63%
Apps 19-23 Timely	68.1%*	59.6%	68.2%	62.8%
Apps 24+ Timely	42.8%*	56.1%	53.2%	56.4%
Apps All Ages Timely	62.2%*	61%	61.5%	60.2%

Teaching, learning and assessment

The SAR reports that the quality of teaching and learning is improving, due to appropriate investment in time and resources given to staff to improve their practice.

This current year following 43 observations, 11 staff have been risk assessed and will be working through the post observation coaching programme or capability process. It is intended that this will lead to:

- Improved teaching, learning and assessment profile
- Improved staff perceptions/performance
- Increased student satisfaction
- Improved teaching standards
- Increased staff morale
- Increase in targeted training programmes.

Student views

Students reported high levels of satisfaction with their courses and with the college overall. There is a good and active student representation process at the college called the student parliament and students consider the process to be effective.

Several of the students commented on the high levels of support that they receive for both their academic studies and to help them cope with college life.

Staff views

Staff were strongly in support of the college. They felt well informed and considered that the culture of the college was to encourage openness and transparency. They recognised the challenges facing the college and, though not in receipt of a pay rise since 2011 (for those originally employed at SLC) or 2013 (for those originally employed at NWHC), they acknowledged that the college, where it could, rewarded staff in other ways such as awarding additional holiday allowances and a bonus in the academic year 2016/17.

Effectiveness of the college to manage and improve quality

The VP Quality is leading a thorough and effective quality improvement process which is well understood and supported by staff across the college. With a few minor exceptions, there is a three-year improvement in student performance and the college can also evidence good improvements in teaching, learning and assessment.

The quality KPI dashboard needs to be reviewed to enable the board to make comparisons with previous years.

The principal and the board need to be confident that there is appropriate experience and emphasis for continuing quality improvement in teaching, learning and assessment at the most senior levels of the organisation.

Finance and Audit

Recent financial history and forecasts for coming years Analysis of income and expenditure

Financial performance 2017/18

Key highlights:

- The college under achieved its income targets most notably 16 -18 apprenticeship, and an ESF contract. The college only achieved its adult contract using sub-contractors. Despite the reduction in activity the college did not reduce costs, and both pay, and non-pay expenditure increased.
- Loans are 45% of £ turnover which is above the FEC benchmark of 40%. Loans include both bank loans and exceptional financial support.
- The current ratio has been calculated on the basis that loans are treated as long and short term. As the college have breached its bank covenants all loans are treated as short term and the current ratio is therefore 0.23 in the annual accounts.

- Cash days in hand are 32 days.
- Pay as a percentage of income (excluding franchised income) is forecast to be 74% of income, which is dangerously high for an FE College
- The college's financial health status forecast is 'Inadequate'.

Forecast financial performance 2018/19

Key highlights:

- The forecast surplus in 2018/19 is a significant improvement from the 2017/18 outturn. This is achieved by two major factors:
 - An increase in the core 16-18 core funding (this income is guaranteed).
 - A reduction in ESFA funded franchised provision costs without a reduction in income (which is not yet guaranteed)

Key highlights:

- The college is planning to reduce income delivered by subcontracting and must deliver additional income in-house.
- The college is planning to deliver an additional income in-house. It has assumed that this will be done without any additional resources as this is included within the base budget.
- Changes to fee remission is assumed to increase income. No reduction in fee income is assumed.
- An increase in Additional Learning Support is assumed to be delivered without an increase in resources.
- Distance Learning is assumed to increase including an increase of resources.

General observations

- College borrowing falls to 37% in 2018/19 and 31% in 2019/20 as bank borrowings and EFS is repaid.
- Cash days in hand and the current ratio remains weak during the period 2019/20 due to the repayment of EFS support.
- Staff costs remain above the FE Commissioner benchmark at 69%.
- The college financial health improves to 'Satisfactory'.

Cash flow / liquidity

The college does not have an overdraft facility and we recommend that the college seek to obtain one as a matter of urgency to cover the period January to April 2019 to support its working capital needs.

Financial liabilities / loans

Loans

The college has several long-term loans with banks and the merged college has received Exceptional Funding Support loans since 2015/16.

Financial (budgetary) control, management and record keeping

College budgeting, in-year forecasting and reporting has been poor.

The forecast for the year is only updated three times during the year and up to April 2018 the forecast was showing a surplus. The college were therefore unaware of the impending deficit nine months into the financial year. The college has reviewed the failings in budget setting, forecasting and reporting and identified the following actions to improve the position for 2018/19:

- Changes to structures with more accountability
- Better forecasting with more financial involvement and scrutiny
- Target setting being led by cohort directors and reviewed by the deputy principal
- Improved monitoring with greater scrutiny by the executive director Finance and Risk
- Timely remedial action with cost reductions expected if income falls
- Increased ambition on new income generation driven by the chief executive office.

Whilst we support these improvements, we would recommend that:

- The first reforecast should be taken earlier. A December reforecast is 5 months into the financial year and reduces the college's ability to take corrective action. A reforecast in October would allow the college to implement cost savings which would be able to be delivered in-year.
- Monthly reforecasting should be undertaken based on the best information available at the time.

- Governors review the actions to improve financial reporting to ensure that they are delivering the improvements required.

Internal and external audit

Areas were reviewed and the detailed findings are set out below:

Assignment	Assurance
1.Core financial controls	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses, but these are relatively small or relate to attaining higher or best practice standards.
2.Curriculum efficiency and planning process	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
3.Safeguarding and prevent	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses, but these are relatively small or relate to attaining higher or best practice standards.
4.IT controls assurance review	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
5.Compliance review follow up	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.

Risk Register

The risk register includes the following financial risks:

- Financial health measured as inadequate
- Inaccurate forecasting and budgeting
- Mis-statement of 2017/18 results
- Short-term solvency

- Cash days
- Apprentices not included on funding return or included at incorrect rates of funding
- Difficulty in triangulating apprenticeship funding, employer contributions and ESFA monthly payments.

Whilst short term solvency and cash days in hand are included, we recommend that a direct reference to the implementation of the insolvency regime be included.

The risk register does not include the 45% increase in in-house delivery of the adult skills budget. We recommend that this be included as an identified risk in the risk register.

Summary of key financial problems

The key reasons identified by the college for the current poor college financial position can be summarised as follows:

- Poor forecasting
- An overall decline in the apprenticeship contract/provision
- A mix and balance of AEB that was failing to attract enough students to deliver the AEB contract
- An over dependence on a late increase in distance learning
- The requirement to accommodate in excess of 100 unfunded 16-18 year olds.

The FEC team would concur with most of the above and would comment that:

- In 2017/18 the college under achieved its income targets most notably 16-18 apprenticeship, and an ESF contract. The college only achieved its adult contract using sub-contractors. Despite the reduction in activity the college did not reduce costs, and both pay, and non-pay expenditure increased.
- The strategy to convert significant volumes of AEB activity is a high-risk strategy and senior management and governors should monitor the position closely to ensure that it is being achieved or that corrective action is taken.
- The college does not have an overdraft facility and we recommend that the college seek to obtain one as a matter of urgency to cover the period January to April 2019 to support its working capital needs.
- College budgeting, in-year forecasting and reporting has been poor.
- Regarding managing risk whilst short term solvency and cash days in hand are included, we recommend that a direct reference to the implementation of the insolvency regime be included. In addition, the risk register does not include the

45% increase in in-house delivery of the adult skills budget. We recommend that this be included as an identified risk in the risk register.

Estates and Capital Plans

The college does not have an up-to-date estate strategy. The last one was for the period 2013 to 2016. We recommend that the college develop an Estates Strategy as a matter of urgency.

Property management and investment

The college is in the latter stages of selling its Spa Lane site.

The college has recently completed the MIRA Technology Institute (MTI) in partnership with HORIBA MIRA and the Loughborough, Leicester and Coventry Universities. The scheme was fully funded by grant.

The college is developing a plan to sell part of the Nuneaton - planning approval was submitted in November 2018.

Conclusions

In conclusion the FEC team consider that the college can evidence some clear strengths including:

- The quality of the governing body and in particular the chair and the vice chairs. The FEC team were reassured that the board were fully aware of the strategies that need to be introduced to ensure the continuing viability of the college
- The growth in 16-18 recruitment despite a decline in demographics
- Innovation and the development of new provision such as the MIRA Technology Institute.

We also consider that:

- In the context of high staffing costs to income ratio the college structure is overly complex, expensive and could be cumbersome
- The makeup of the college executive team needs to better reflect experience in quality improvement in order to maintain and further develop the quality of provision for students
- The absence of an up-to-date accommodation strategy needs to be addressed, particularly in the light of proposed plans for the disposal of some elements of the college estate
- Forecasting is over optimistic.

We consider that there is much to do at the college if the significant risks that the college faces are to be effectively managed. Whilst we felt that the college is not currently in crisis, but the chair and vice chairs of the board together with the principal will need to instigate a range of actions, quickly, to avert a cash crisis in 2019 and to secure the college's long-term future.

The college should be able to avoid insolvency for the time being, but there needs to be an improvement in the way that the costed curriculum plan is monitored in year and adjustments made accordingly. Accurate data is not effectively monitored by the board and it would help the college if it received some in-year 16 to 18 growth funding in 2018/19.

Recommendations

1. The board should assure itself that the college can successfully reduce sub-contracting by circa £1m in 2018/19 and replace it with direct provision without incurring significant additional costs
2. The college has now increased 16 to 18 learner numbers in two consecutive years and therefore the management should urgently put forward a case to the ESFA for an in-year funding increase in 2018/19
3. The college should complete the sale of Spa Lane, Hinckley site as soon as possible and before 1 March 2019
4. The college should as a matter of urgency draw up an overall accommodation strategy, based upon a recent space utilisation survey, to include a rationale for the proposed sale of part of the Nuneaton campus
5. The college should as a matter of urgency agree an overdraft facility with its bankers in order to provide a contingency fund
6. The board should review the way it receives information and data regarding in year performance in order to ensure that any key risks to performance are fully understood and that action is taken in a timely manner
7. The board should assure itself that both the present senior management structures, skills and responsibilities and the wider college management structures are fit for purpose in a college that is facing several key risks
8. The college should continue to focus on improving quality for learners, so that achievement rates continue to improve
9. The FE Commissioner will ask a national leader of governance to visit the college in early 2019 to support the development of the board's ability to monitor the college's performance
10. The FEC team will return in late February 2019 to monitor progress.

Annex A - Information reviewed

Financial Data provided by the college including management accounts, audit reports, board reports, financial plans and forecasting information

Organisational structure

Board minutes

Self-Assessment Report

Quality Improvement Plan

Ofsted monitoring reports

Curriculum Strategy/Plan

Curriculum Plan

ESFA Briefing documents

Annex B - Interviewees

Chair

Vice Chair

Chair of Resources Committee

Principal

Deputy Principal

Executive Director Finance and Risk

Executive Director Corporate Services

Clerk

Director Student Employability

Director Apprenticeships

Director Business Development

Director Maths and English

Vice Principal Quality

Director Estates and Facilities

Bank Relationship Director

Director of HR

Group of 11 staff

Group of students



Department
for Education

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