Department for Education

FE Commissioner Intervention Summary:

St Helens College

March 2019

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FE Commissioner Intervention Summary Report

St Helens College

Name and address of college	St Helens College Water Street St Helens Merseyside WA10 1PP
Assessment undertaken by	Teresa Kelly - Deputy FE Commissioner Bob Smith - FE Adviser
Chair of the college	Susan Jee
Principal / Chief Executive of the college	Jette Burford
Clerk to the Corporation	Lorna Lloyd-Williams
Date of assessment	28 to 29 January and 18 March 2019

Background to FE Commissioner Intervention Visit

St Helens College, which trades as SK College Group, consists of St Helens College and Knowsley College. The college was identified for a diagnostic assessment in late 2018 as it had been assessed by the Education and Skills Funding Agency (ESFA) to be in early intervention for financial health. This assessment took place 28 to 29 January 2019. The FE Commissioner (FEC) team arranged an additional visit for 27 March 2019 when it became clear that an inadequate financial status for the period up to the end of 2017/18 was likely to be confirmed by the ESFA. The college were issued a Financial Health Notice to Improve on 13 May 2019 for inadequate financial health 2017/18.

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

1. The capacity and capability of the college leadership and governance to implement financial recovery within an agreed timeframe
2. Any action that should be taken by the Minister and/or the chief executive of the ESFA to ensure the delivery of financial recovery and quality improvement (considering the suite of interventions set out in 'College oversight: support and intervention)) and
3. How progress should be monitored and reviewed, considering the ESFA's regular monitoring arrangements.

Assessment and Methodology

This report follows a diagnostic assessment visit that took place at the college on 28 to 29 January 2019 and a subsequent visit on 27 March 2019. The assessments were undertaken by a Deputy FE Commissioner and an FE Adviser. The FEC team received, in advance, extensive briefing information from the ESFA. In addition, they reviewed a wide range of college documentation, interviewed board members, managers, staff and students and were supported by updated information provided for the intervention visit.

This report combines the findings of both the diagnostic assessment visit January 2019 and the visit March 2019.

Overview of the college

St Helens College is a general FE college situated in Merseyside in the North West region of England. It is spread over five sites: St Helens Town Centre, St Helens STEM Centre, Knowsley Community College, IAM Tech and Kirkby. Prior educational attainment in the area is lower than the national level. The borough of Knowsley, in particular, has high levels of deprivation and unemployment.

The college offers a wide range of provision including 14-16 education and training, 16-18 study programmes, adult learning programmes and apprenticeships. This is in addition to Higher Education and Full Cost programmes. In the 16-18 category there were 3,782 leavers in 2017/18 at St Helens, and 1,516 at Knowsley. There were 2,748 leavers from adult programmes at St Helens and 2,781 from Knowsley. In addition, there were 352 leavers from apprenticeship programmes at St Helens and 293 leavers from Knowsley.

The college recruits a high proportion of students from areas of high social and economic deprivation. This is particularly the case at Knowsley. At St Helens, 38% of 2017/18 leavers were from the 10% index of multiple deprivation (IMD) most deprived areas. At Knowsley, the majority of students were from within the 10% IMD deprived areas (55%), and 73% are from postcodes within the top 30% of deprived areas. The college offers programmes from entry to level 6.

St Helens College and Knowsley Community College merged in December 2017 to become SK College Group. The merger was assisted with financial support from the Restructuring Facility (RF).

Leadership and Governance

The governing body has been restructured since the merger with four members from St Helens College, one member from Knowsley Community College and five new Governors. There is a good balance of skills. The chair was formerly chair at St Helens College pre-merger and has been involved with the board of governors for over eight years.

The chair states that the board were aware that funding may have been insufficient for a sustainable merged institution. However, they decided to proceed with the merger in view of the extensive preparations and commitments made between the two colleges and communities in the build-up. The chair stated that with hindsight they should not have progressed. The level of funding required to support a successful merger was not correctly assessed and failed, for example, to take account of certain PFI arrangements and the over-stating of recruitment targets at Knowsley College.
In October 2018 the college submitted a discussion paper to the ESFA for consideration titled 'Strategic Business Case for Further Financial Support'.

Leadership and Senior Management team

The principal of SK Colleges Group (former principal at St Helens College) was in post at the time of the January 2019 visit. However, since the initial FEC visit in January 2019 the principal has retired from the college (with effect from the 1 April 2019) and has been replaced by an experienced interim principal.

Since merger in December 2017 the Senior Leadership Team has undergone a series of restructures and reorganisations. At the time of the second visit in March 2019 the SLT restructuring exercise was not complete. At the time of the January 2019 visit the deputy principal and college nominee was an interim appointment who had been in post since October 2018. At the time of the visit in March 2019 a permanent deputy principal had been appointed and had just taken up appointment. A period of overlap between the interim and permanent appointments has been agreed.

There has been a phased approach to the development of a new SLT structure for the merged college. The consequence of all of this is a degree of duplication of responsibility and a lack of clarity amongst staff of the specific areas of responsibility held by individual SLT members.

Given the significant challenges facing the college, both financial and with regard to quality improvement, the board and the principal must ensure that the SLT is providing a clear focus on improvement of performance across all college activities.

The current curriculum management structure which consists of nine heads of faculty has been in place since September 2018. Heads of faculty report an improvement to communications with the SLT since the new (2019) SLT structure has been introduced.

Curriculum and Quality Improvement

The college offers a full range of provision from entry level through to higher education. A new curriculum offer, 'Directions', has recently been launched and is targeting the substantial not in education, employment, or training (NEET) cohort across the catchment area of the college. The college and the board have also made the decision to re-introduce A level provision at Knowsley Community College campus.

The former principal and the board expressed confidence that the re-introduction of A levels was meeting a market gap, particularly at Knowsley and they also stated that they were confident that A level teaching staff were well equipped and resourced and held the required experienced to ensure that the A level offer was successful for students.

The FEC team recommend that the SLT and the board keep the decision to re-introduce A levels under close scrutiny and carry out a formal review after one year. Of particular focus should be the potential negative impact on overall quality performance, class sizes averages, the limited range of subjects available and the general required improvement to curriculum efficiencies.

Ofsted inspections

St Helens College was inspected in April 2017 and was judged as 'requires improvement' in all areas except apprenticeships which was judged as 'inadequate'.

Knowsley Community College was inspected on 4 March 2016 was judged as 'requires improvement' in all areas except adult learning programmes and provision for learners with higher needs which was judged as 'good'.

A monitoring visit took place in October 2018 which recorded reasonable progress in the five themes considered.

Quality improvement

The 2017/18 self-assessment report (SAR) has judged the overall effectiveness of the college as 'requires improvement'.

The college has a quality assurance framework in place which mirrors the common inspection framework and the Quality Assurance Agency (QAA) Quality Code. Much of the information now comes from a newly introduced curriculum quality review (CQR) process that assesses a range of quality indicators across the curriculum areas. The outcomes from CQRs and other relevant data are discussed in a variety of meetings, including SLT and governors. The main forum for detailed analysis and improvement planning is the curriculum and quality strategy group which meets on a fortnightly basis.

A balanced scorecard of KPIs is presented to governors at the quality and outcomes committee meetings. The college plans to improve the process of monitoring and reporting on quality data in 2018/19 so that it is more systematic and to reflect the performance of the merged college.

College self-assessment starts at programme level to inform faculty level reports. These are internally validated by a panel involving the director of quality and the deputy principal, ensuring consistency of grading. The head of faculty is supported by the vice-principal in these validation meetings.

Attendance

Overall attendance for St Helens was 87.8% in 2017/18 and has been relatively static for three years. Overall attendance at Knowsley is lower at 86.2%. Following an improvement in 2016/17, the rate dropped back in 2017/18.

Outcomes

Outcomes for learners require further improvement. The SAR reports that the large majority of students progress well through their qualification and almost all who complete their programme of study then pass. Progression to further study and/or employment is generally good.

There has been an improvement in retention for the majority of students. There are however still some areas of concern. The lowest performing programmes are primarily at level 3 and include A levels, Access to HE and Extended Diplomas.

GCSE English and maths achievement rates have improved and there are high numbers of students improving by at least one grade. The proportion of high grades has however declined.

Effectiveness of the college to manage and improve quality

Given the financial challenges facing the college as a result of an inaccurate assessment of the projected financial position of the college at the time of merger, there is a concern that the focus of attention on quality improvement and performance has been insufficient. As a consequence, there has been a delay in the pace of quality improvement required to have an impact at the next Ofsted inspection.

The board and the SLT need to ensure that there is sufficient attention and focus placed on quality improvement and improving the overall student experience

Finance and Audit

Financial performance 2017/18

The college out-turned a significant shortfall on Education Specific EBITDA in 2017/18 and were financial health ‘inadequate for the year. There were a number of reasons for the increase in the budgeted deficit including the delay to the merger.

The merger was intended to take place in September 2017, but this was delayed until December 2017. The college estimates that this delay was a significant contribution to the shortfall in savings.

The original income targets upon which the original RF application and the 2017/18 budget were based were over optimistic. This was particularly true of the Knowsley Community College targets, which have been calculated as an adverse variance of 17% of the budget, compared to a 3% adverse variance for the St Helens College targets.

At the time of merger in December 2017 both colleges were aware of the additional costs of merger. Delays in cost reduction and an indication that the income targets were not being achieved were known but the board of governors decided to proceed with the merger.

Budget and Forecast 2018/19

The college budgeted for a substantial deficit in 2018/19. The forecast at the time of this visit was for a deficit almost double that budgeted. The college automated financial health is ‘inadequate’.

The reduction in income represents a 3.6% adverse variance against the budget. Despite the reduction in income there are minimal reductions in pay expenditure. Non-pay expenditure is forecast to be marginally better however there is an increase in subcontracting activity and a reduction in depreciation.

At the time of the second visit the college reported that a staff reduction programme had commenced and that work was in progress to produce a more robust financial plan. The FEC team recommend that the college further develop a strategy to reduce cost in year so that if an adverse variance to income occurs it can act to mitigate the effects.

Forecast financial performance 2019/20 and 2020/21

The college is working on a number of options to reduce the deficit in 2019/20 and 2020/21. The planning is at early stage and has yet to be finalised.

The forecast for 2019/20 has a reduction in income relating to 16-18 funding and a reduction in grant income. Pay expenditure is forecast to reduce through the ongoing restructuring plan

Financial (budgetary) control, management and record keeping

The management accounts are comprehensive, timely and accurate.

The college financial (budgetary control), management and record keeping processes are generally good. However strategic financial planning at the college has been poor.

- The decision to proceed with the merger despite the adverse changes to the assumptions has left the college in a vulnerable position.
- The college set a significant deficit budget for 2018/19
- The income assumptions included in the budget were over optimistic with forecast income being substantially below budget. The budget setting process was not disproportionally optimistic in any one particular area. Rather there was risks attached to the general growth in income which cumulatively resulted in the shortfall on income.
- The college has not taken any in year action to reduce or eliminate the deficit

Risk Register

The college risk register needs to be updated to include reference to cash and the implementation of the insolvency regime and pay and non-pay expenditure.

Analysis/Summary of key financial problems

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

- Proceeding with the merger in 2017/18 whilst being aware that major assumptions on which the financial plans were based on were incorrect. This meant that the merger was underfunded.
- Setting a significant deficit budget for 2018/19.
- Not achieving the budgeted income in 2018/19 resulting in a substantial deficit.
- Not taking any remedial action in year to mitigate the deficit.

Estates and Capital Plans

St Helens College Group operates from five locations: four of which are in St Helens and three in Huyton/Kirkby. In addition, three locations have been recently sold or vacated. Overall, the estate comprises 60,483 m2 of floor space.

Condition of Estate

The condition of the Estate was last reviewed in 2016. The college has 51% of its Estate in Category C and D.

The college has a target to improve its estates utilisation from 31% to 35% by 2019/20. The figure currently stands at 32%. A full detailed update of the estates' strategy has been completed, with detailed work to take place around utilisation during 2018/19.

The college does not have any backlog maintenance and does not have any planned major capital developments.

The college does have a number of potential asset sales.

Conclusions

The most significant issues facing the college at the current time is the financial position which needs to be addressed swiftly. The FEC team also have concerns that the focus of attention on addressing the financial challenges may have a negative impact on the pace of quality improvement. This risk needs to be managed by the college and the board.

With regard to the financial position, the FEC team consider that the current underlying operating position of the college is not sustainable. The college is at high risk of insolvency should action not be taken to mitigate and swiftly address the current financial position.

The college and the board of governors have accepted that the income targets used in the original RF application were too optimistic and have stated that they would not have proceeded with the merger if they had fully understood the impact on overall financial and quality performance. The board also recognise that actions to address the shortfall in income have not been sufficiently timely or effective.

The FEC team assess that the board are now aware of the actions that need to be taken in order to ensure financial and quality improvement.

Recommendations

1. Based on work already commenced, the college should prepare a recovery plan that meets the requirements of the ESFA including a 5-year financial forecast to demonstrate how it intends to achieve a future sustainable financial position.
2. The college occupies significant under-utilised space and should plan for a substantial reduction in estates.
3. The board and the senior management team should ensure that the focus on swiftly improving the financial position does not detract from the improvements to teaching, learning and assessment that need to take equal priority. The board should ensure that they have the sufficient skills and experience at a senior level to develop and implement both a financial and quality recovery strategy.
4. The board should ensure that they have in place an agreed policy for the recruitment of a new principal and that the policy is shared with the college.
5. The FEC team will return to the college within six to eight weeks to consider the recovery strategy that will be prepared by the college. Following this visit further recommendations regarding the future of the college will be made if required.

Annex A - Information reviewed

Self-Assessment Report

Master QUIP Document

Financial Statements

Management Accounts

Financial Plan

Financial Record

Student Number data

Student Performance data

Organisation Chart

Estates Strategy

Membership of Governing Body and Committees

Governance Matrix

Skills Audit

Annex B

Interviewees (January 2019)

Principal

Interim Deputy Principal

CFO

Director of Finance

Vice Principal

Director of Quality

Head of Faculty

Director of Customer Services, Recruitment and Marketing

Head of Facilities

Chair of Quality and Outcomes Committee

Chair of Governors

Chair of Audit Committee

Student Governor

Director of HR

Additional Interviewees (March 2019)

Interim Principal designate

Deputy Principal