Department
for Education

FE Commissioner Intervention Assessment Summary Report: Warwickshire College Group (WCG)

7 and 8 October 2024

Contents

Background

Name of college	Warwickshire College Group
UKPRN	10007859
Name of college Principal/CEO	Sara-Jane Watkins
Name of college Chair	Gill Clipson
Type of provision	GFE
Date of visit	7th and 8th October 2024
Type of visit	Intervention
Trigger for formal intervention	FNtI
Further Education Commissioner (FEC) team members	FE Commissioner: Shelagh Legrave CBE DL Deputy FEC: Frances Wadsworth CBE FE Adviser: Esme Winch FE Adviser: Kate Webb
Location	Leamington Spa (Day 1) and Moreton Morrell (Day2), with tours of some other campuses
Apprenticeship training provider	Yes
Latest Ofsted inspection grade	Good
Place Based Team (PBT) Financial Health Grade	Inadequate for 2023/24
Latest annual financial turnover	£51.6 million

Conclusion and executive summary

Warwickshire College Group (WCG) has, for several years, experienced significant financial challenge. It was placed in early intervention for financial health in October 2017, the trigger being a financial health score which was only just the minimum for a satisfactory grade. A Diagnostic Further Education Commissioner (FEC) visit took place in May 2019 to investigate the college's financial position and make recommendations. Ongoing support was then provided through follow up, financially focussed, visits.

In May 2024, WCG was assessed as good in all aspects by Ofsted. However, the Chair and governors were increasingly concerned about the financial fragility of the college and actions that would be required for the college to remain solvent.

The college's financial objective had historically been focussed on paying down debt and this was reflected in the financial health grading score. Financial health had improved to good until Financial Year 2023 (FY23) despite low or negative operating surpluses. Subsequently a funding audit for FY23 resulted in a c£1.4million clawback (which is still to be finalised). The college was deemed to be inadequate for financial health FY24, despite an increase in income of over £2million. This was driven by increases in teaching and non-teaching staff costs, including a very high use of agency staff resulting in an operating deficit and weakened cash position.

The college Chair approached the FEC for advice and support, requesting a college FEC health check. This health check took place in July 2024. Recommendations for improvement were made by the FEC team, which the college has since been addressing.

The college intends to turn the financial position around to requires improvement in FY25, and to good thereafter, with some assumed levels of refinancing and support. This would support working capital and the repayment of funding liabilities. Without this, the college will remain in inadequate financial health this year and probably become insolvent in January 2025. Support has been agreed with ESFA.

National Leaders of Governance (NLG) were allocated by the FEC to support the Chair and the Clerk following the FEC health check visit in July 2024 and good use is being made of this support for the Board. The college also acted upon the recommendation to employ a turnaround director. The Chair and CEO said this support is already having positive impact.

On 26th September 2024, WCG's Chair was notified formally of the Financial Health Notice to Improve and that the college was deemed to be in financial health intervention. Due to the Chair's earlier proactive approach to the financial situation, discussion and support was already in hand with both the FEC and Place Based Team, well before this notification.

The Chair has led a refresh and strengthening of the board's membership and, working with the recently appointed CEO and Principal, has ensured a positive, joined up approach to leadership and governance and a determination to address the prevailing challenges. The employment of a turnaround director with significant FE experience has been cited as a particularly valuable support.

There is an acknowledgement that the Strategic Plan, and underpinning curriculum, people, estates and financial strategies, all need updating and further development. A strategic away day with the board is planned in the New Year to progress.

FEC Curriculum Efficiency Financial Sustainability Support (CEFSS) is being arranged with the college to inform curriculum planning and decision making.

Recommendations

Recommendation 1: Develop a Single Improvement Plan for the college, supported by a financial recovery plan and strategy. This should cover 3-5 years and have clearly defined actions, targets/impact identified and with timelines and responsibility ascribed. The turnaround director should be retained to support this development. December 2024 CEO and Principal/CEO/Board

Recommendation 2: A refreshed holistic College Strategic Plan to be developed. This needs to align with a curriculum strategy and attendant estates, finance and people strategies, which will also need development/refresh. Drafts by March 2025 CEO and Principal/Board March 2025

Recommendation 3: The Estates Strategy needs to inform future usage, disposals and investment. CEO and Principal/Board March 25

Recommendation 4: A costed curriculum plan to be determined, informed by the planned CEFSS (Curriculum Efficiency Financial Sustainability Support) and review and aligned to the Curriculum, People, Finance and Estates Strategies and informed by contribution analysis at campus level. CEO and Principal/Board March 2025

Recommendation 5: A set of Key Performance Indicators needs to be developed and implemented for governors and leaders, to drive and monitor performance. December 2024. CEO and Principal

Recommendation 6: Further review and implementation of leadership structures to ensure they are clear, well understood and that they support a college-wide, consistent approach to the management and improvement of finance, curriculum and quality. CEO and Principal/Board June 2025.

The college to be placed in Supervised Status.

The FEC team will conduct an intervention assessment stocktake visit to review progress in March 2025.

Governance and leadership

Governance

The Chair and her board have taken steps to strengthen board membership and governance. With assistance from DfE's governor recruitment service, four new members have joined the board, which has extended its skill and experience mix. The Chair and recently recruited CEO and principal are taking a proactive approach to the college's current financial challenges, working together to firmly align governance and leadership priorities.

Board members whom we met were positive, but realistic about the challenges ahead. They were pleased with the successful recruitment of a new CEO and principal and keen to work with the new leadership to address prevailing issues. They said that they now had improved opportunities to engage, challenge and discuss areas of concern. They were positive about the opportunity to work with the CEO and principal and her team to refresh the college's strategic direction, feeling that they had previously been too operational. Comment was made that improved information to the board was essential. It was felt that board papers had often lacked sufficient clarity and focus to ensure proper understanding of issues and there had been limited strategic discussion. They welcomed current moves to improve the information they receive and engage fully in longer term strategic thinking and decision making.

The work to improve board papers, develop honed agendas and ensure succinct reports for the board, is ongoing. The introduction of a template front sheet has already brought some improvement, but it was acknowledged that more work is required to ensure reports are clear and focussed, including the need for developmental work with those writing the reports.

Work to establish a holistic KPI dashboard and a refreshed risk register that focusses more directly on the key college specific risks is required so that board is appropriately sighted on risk, opportunity, targets and so able to monitor and challenge.

Good use is being made of the two NLGs who have been provided to support the Chair and clerk. A Board Strategic awayday is planned for early in the New Year.

Leadership

The newly appointed CEO and principal had only been in post for five weeks at the point of this visit. She has already formed a good working relationship with the Chair and board and made a positive start in establishing herself with staff through various meetings, ensuring her visibility across the campuses. Her open, approachable manner and various efforts to engage and communicate internally have reassured staff and unions, and was appreciated by those whom we met. Previous staff surveys indicated that building trust and increased visibility of the senior leadership team would need to be a priority, which the CEO and principal recognises. Further work to engage and consult with internal and external stakeholders is planned and will be important in order to secure consensus and buy-in for the new strategic direction and recovery plan.

The CEO and principal has taken steps to review and reshape some of the management structure in line with priorities for the college's development. The executive team now includes the new role of Executive Director of People and Culture, reflecting the CEO and principal's wish to strengthen this key area of leadership, and at Director level there is now a Director of MIS. A newly created post of Director of Quality and Student Experience is currently being advertised and a CFO has just been recruited, who takes up post in December, when the current incumbent leaves. The executive team is strengthened currently with the employment of a turnaround director, whose expertise and experience the CEO and principal and Chair value. The CEO and principal will need to firm up the leadership structures, roles and responsibilities and ensure they are clear, well understood and that they support a college-wide, consistent approach across the multiple campuses to the management and improvement of finance, curriculum and quality, bringing about the positive communication, culture and enhanced staff morale she intends for the college and its learners.

The consultation around, and development of, the overall strategic direction of the college will require the creation and refinement of a number of aligned and underpinning strategies: curriculum, estates, finance and people strategies. Careful consideration of the way in which this is progressed and communicated will be required.

The CEO and principal has identified a range of issues and areas she would wish to address and improve. A key element of achieving sustainable progress will be in carefully prioritising work strands, crafting stretching but realisable targets and timelines and articulating this into the Single Improvement Plan.

The recently appointed CEO and principal does not feel that she currently requires a National Leader of Further Education (NLFE) as she already has established mentoring support in place. She has also established several individuals and sources of support which she plans to draw upon for specific aspects of development.

Curriculum and quality improvement

Curriculum and provision overview

Warwickshire College Group operates across Warwickshire and Worcestershire and has six campus sites. Royal Leamington Spa College and Rugby College are general further education colleges. Moreton Morrell College and Pershore College are specialist land-based colleges. Warwick Trident College specialises in engineering and motor vehicle subjects and Evesham New College focuses on technical subjects. At the time of the visit, around 3,850 16-18-year-old learners had been enrolled. Most learners in this age group study level 3 courses although the college has recognised the need for more lower-level courses and a new level 1 offer for learners with low or no prior attainment has been introduced in September 2024.

Most full-time provision is vocational, with a very small number of students studying a limited range of A Levels. There is a large apprenticeship offer across different subject sector areas including engineering, construction, health and social care, and agriculture. The college offers courses for part-time adult learners including access to higher education (HE), English for speakers of other languages, vocational and professional courses. There are also higher education courses at levels 4 to 6 and around 500 learners with special educational needs and/or disabilities (SEND).

Curriculum planning and development

A new three-year business planning process has been very recently introduced. This process will need to swiftly judge and prioritise opportunities, requirements and changes needed at campus level.

Previously, planning was not always holistic or joined up, was sometimes conducted differently across different departments and did not routinely include consideration of skills needs or demand. The new process has been brought forward and curriculum managers have been tasked with producing plans and proposals for the next three years for support and challenge sessions. The impact of this new process will be monitored as it rolls out.

The college will be participating in CEFSS to ascertain how efficient curriculum planning is and implement improvements.

Quality: self-assessment judgement and effectiveness in managing and improving quality

The college received a good rating in its latest Ofsted report from May 2024. The report highlighted several key areas where the college can focus on, to drive further improvement. These included attendance in English and maths, and improving the consistency and quality of apprenticeships, particularly in engineering.

At the time of the visit, student recruitment was not yet finalised. Early indications were that the college was on track to meet targets. Some new provision at lower levels had been swiftly planned and implemented to meet a demand for prospective learners who had not achieved entry criteria for courses. This is a continuing demand that will be explored further in curriculum planning.

Student outcomes for 2023/24 have shown further improvements in many areas from the previous year. Areas for improvement that are fully recognised by the leadership team continue to include English and maths, and apprenticeships. The college has a quality team who are implementing an intervention process for under-performing areas, including deep dives and observations.

Apprenticeship achievement is an area of concern with a reported achievement rate of 48.1% for 2023/24 at the time of the visit. The college has faced challenges in recruiting specialists in key areas such as engineering, plumbing, and electrical which has been a key cause of this poor performance. Continuing to address these recruitment gaps will be critical in providing the necessary training for students in high-demand trades.

Since the Ofsted inspection, which recognised that too many apprentices had passed their intended completion date, particularly in engineering, the apprenticeship team has been focused on reducing the number of late completers. There was recognition that now this backlog was reduced, more work could now start on other improvements and developments including pedagogy and new market opportunities.

English and maths high grades were poor in 2023/24 with a particularly low pass rate at grade 4 or better in maths (18.1% English and 6.9% maths reported at the time of the visit). There had been a college policy to enrol all students yet to achieve a grade 4 in either English and/or maths, regardless of prior attainment, onto GCSE retakes. The college had measured progress and reported that 40% of students taking GCSE English improved by one grade, and 28% of GCSE mathematics improved by one grade. However, this policy has now been reviewed and functional skills have been reintroduced into the curriculum for September 2024 for learners with lower attainment to provide better progression.

The college has invested in a team of experienced teachers who have a remitted role to coach and support other teachers. Staff who were spoken to during the visit valued the support that this team offered. Continuous Professional Development (CPD) is often organised at departmental level, although there are college-wide staff development days. The small group of staff who contributed their views during the visit had mixed levels of understanding about what CPD was on offer to them. There are opportunities to benefit from more college-wide organisation and oversight of CPD to ensure that priorities are recognised and swiftly acted on.

At the time of the intervention visit, the formal self-assessment process was due to start. An early draft quality improvement plan was in place. Senior leaders recognise that this needs further development to include SMART targets and forecasts for learner performance. The self-assessment report for the previous year was a lengthy document containing a large volume of granular information and descriptive detail. The new CEO and quality team plan for the new SAR for 2024 to be much more succinct and to inform a sharp, focused Quality Improvement Plan.

The new CEO and principal has recognised a need to further improve arrangements for quality improvement. A review of the college's quality cycle is underway to ensure further improvements for the future, supported by a consultant. A new senior role for quality improvement will be recruited to further add new leadership in this area.

At the time of the visit, the 2024/25 forecasts for quality and performance were not available.

Student and staff views

Learner views were given through a small group meeting, including apprentices, learners with SEND and A Level. Learners were satisfied with their experience and valued the expertise of their teachers. In particular, apprentices commented on the purposeful pace of learning and the constructive feedback they received. Some students had experienced disruption because of teacher vacancies, teacher changes and use of agency staffing.

Learners valued the support they had received from the college, the friendly, welcoming staff and said that the campuses offered a respectful, safe environment for learning.

A short staff survey had been conducted in June 2024 which had captured the views of 61% of staff. In this survey, 40% of respondents indicated they had no trust in the leadership of the college and 46% said that college management visibility and accessibility had not improved in the year. The latter result was an improved position from the previous year in 2023 when 57% of staff stated this. During the visit, the FEC team met a group of staff members who were optimistic about the communications and leadership from the new CEO and principal. They felt that the new CEO and principal was very visible and approachable and there were positive indications of an inclusive approach that will create opportunities for staff input into improvements, growth and development.

Unions were positive about the appointment of the new CEO and principal, whose approachable style and open communication they welcomed.

Finance and audit

Recent financial history and forecasts for coming years

The previous financial objective of paying down debt using any cash surpluses and sale of unused assets has led to a position where the college is financially vulnerable, and cash is forecasted to run out soon. Governors did not challenge this early enough due to limited knowledge of the alternatives and sector norms. Of late, they had been presented with forecasts which relied on third party agreement such as deferred repayments of clawback and using restricted cash to support working cashflow dips.

This was made necessary by low underlying profitability. Costs were rising much faster than income. Budgeting was done late and at a senior level with limited consultation and engagement with middle management. Controls on the use of agency staffing appear weak for FY24.

During FY24 the college was made aware of audit clawbacks across 16–19-year-old and apprenticeships funding relating to the prior year. The final figure, which is currently estimated at £1,4 million, is not yet fully resolved and the audit is likely to go back further years. Consequently, the final amount is uncertain and the implications of this has meant a delay to signoff for the financial statements for July 2023. This has subsequently been resolved. Whatever the agreed figure, the college does not have the cash to repay this nor any routine funding repayments,

The turnaround director has, with the executive team, done a detailed review of the budget and created a recovery plan. The new forecasts for FY25 indicate a slightly improved EBITDA position, although the cash position is concerning and due to run out in January 2025. The college request is for emergency funding of £1million for working capital (by January 2025). The college also expressed a need for further financial support to offset the full amount of clawbacks and audit outcomes, when these are certain, plus the refinancing of the college's remaining £3million loan with Lloyds. The college then anticipates that the college's financial health could improve to requires improvement for FY25 and might achieve Good by FY26, although cash balances are forecast to remain significantly below the benchmark. The college's request for financial support from ESFA is being reviewed, together with other options.

Financial performance 2023-2024

For the year ended July 2024 the college achieved its budgeted operating income of £51.6million although some income streams such as HE, international students and accommodation fees were down and offset by the additional funding grant in September 2023 and a one-off review of the accounting treatment of donated and other assets bequeathed to the college c£1million.

Staff costs of £35.7m representing 70.4% of income were significantly above budget. This was due in part to the growth use of agency staff (£2.03million) which appears insufficiently challenged by senior management and was not offset by any savings in other staffing areas. Indeed, teaching costs rose by £1million and teaching support by £0.7million compared to previous years.

Other operating costs were controlled showing significant improvements both on budget and the previous year.

Overall, the Educational EBITDA out turned at a deficit of £723k compared to the budget of £161k surplus.

The cashflow forecasts and commentary were not assisted by the incomplete phasing of all income and expenditure flows and the assumption that cash received in advance for capital funding might be able to be used for working capital purposes. By July 2024 unrestricted cash was £1.2 million representing 8 days. Restricted cash was £4.7million.

Financial forecast 2024-2026

The updated CFFR as at October 2024 has been prepared in detail by the Turnaround Director and reviewed by senior management and governors. The accompanying documents are detailed and clearly state the assumptions made and their impact. There is a material improvement in Educational EBITDA from 1.4% in FY24 to 5.9% by FY27.

Reviews of each income line have revealed opportunity to improve income by £722k and some very modest growth for FY26 and beyond. The timings of receipts have been reviewed.

Significant reductions in pay costs are still being forecast, reducing by c£1million in the current year and a further £0.4million in the next. Reasonably, they have assumed this will not come from teaching staff, although opportunities for better deployment and utilisation will be sought, and this will supported by the forthcoming CEFSS review. Major savings are targeted through scrutiny by the HR department of agency staff recruitment and their length of stay. It was reported that this was changing staff behaviour and we found examples of additional classes being taught from the existing staff budget. Savings are also assumed in support and corporate services of £600k but is not in such detail. Modest pay rises of 2% pa are assumed as well as changes to the increase in the minimum wage.

As the planning cycle is brought forward and is more detailed than the opportunity to plan for further reductions in these areas are included for future years. If fully implemented this returns the college to a staff to income ratio of 66% for FY25 and FY26 which although above the benchmark can be explained by the challenges of running a multi-site college.

Non pay costs are assumed to be steady with some administration savings to be made from the grant of full degree awarding powers.

The college has assumed it proceeds with the externally funded capital projects and only a limited amount of self-funded capital expenditure (£3.6million) over three years is affordable. This is modest considering the estate and rolling IT needs for a group this size.

Cashflow/liquidity (including financial liabilities/loans)

With no emergency support or loans, the college will run out of unrestricted cash during January 2025 and needs £1.7million support, due in part to an assumed funding clawback of c£725k plus working capital requirements.

A cash deficit remains until FY27, but Spring 2025 is the largest gap.

The college has one loan taken out in 2014, with Lloyds bank, which by July 2024 was due to be repaid in four annual instalments of £1million in the September of each year until 2027. This represented less than 10% of adjusted income. The college was able to meet this for September 2024 and the bank remains supportive despite covenant breaches. The college's forecasts indicate it will not have sufficient funds for the next repayment.

The debt strategy is in the form of a request for an emergency funding loan for working capital with financial support for all funding clawbacks and that the Lloyds loan is refinanced over a longer period, with a capital repayment holiday until FY27. The proceeds from the sale of a site at Malvern, which is expected to generate £1.4million in March 2025, are proposed to be used to repay some of this debt. The college is in discussion with DfE to agree a way forward.

No further asset disposals are assumed and cash forecasts show that by the end of FY26 the college has a cash balance of £2.6million representing 18 days.

Audit and risk

The financial statements for 2022-23 remained unsigned at the time of our visit but were signed later in October.

The financial statements for 2023-24 are currently being prepared and audited.

The audit committee lead on the management of risk. There is an overall strategic risk register and there are deeper dives looking at the departmental registers. The board should review the strategic risks which are general and broad. With the benefit of recent experience and in line with the new strategies being developed these should be refreshed and the progress towards mitigating actions tracked.

Long term sustainability

The college has a size and diversity of provision that, with an appropriate level of refinancing put in place soon, and a closely monitored financial recovery plan it should be able to return to good financial health within the medium term. The college has a substantial asset base which should be managed strategically to support the recovery. Further work on planning and accountability systems to increase focus on key targets will support this.

Estates and capital plans

WCG currently has an estate that comprises 676 Acres (313.22 Hectares), 1,400,998 ft 2 (130,157m²) of buildings and costs of over £4million to operate each year.

The estates development plan is short term and should be reviewed considering the new strategic plan.

The annual refresh of the estate's strategy is very detailed and captures its current situation and short-term improvements, based mainly on external funding, to develop its campuses. There does not appear to be driving an overarching strategy based on student numbers, contribution, travel to learn and growth potential and so ensure limited resources are most effectively targeted and surplus assets considered for disposal in the longer term.

There is a termly space management group which reviews utilisation.

Halls of residence were reported to be significantly under occupied last year and other sub-letting has been put in place which has improved the occupancy and financial position.

The utilisation and contribution of the farm should also be included in the strategic review.

Historically the disposal of surplus assets has maintained necessary cash balances and paid off bank debt. One further disposal in Malvern is planned once interest from the local civic society has been clarified and proceeds of £1.4million included in the financial forecasts.

In the medium term, part of the Evesham campus is assumed to be surplus to requirements and the college are in early negotiations for its disposal. This and other potentially surplus parts of the estate, should be considered as part of the new college strategy.

Appendix A – Interviewees

Chair

CEO and Principal

CFO

Turnaround Director

Assistant Principal

Head of Quality

Quality Manager

Chairs of Committees: Audit, Finance and Resources, Academic Standards and QA

Governance Professional

Deputy Principal

Group of Staff

Director of Estates

Director of Apprenticeships and JLR Programmes, Director of Skills

Director of MIS

Head of MIS, Funding and Compliance

Head of HR

Group of Apprentices and Students

Appendix B – Documents reviewed

College documents

Whole college risk register

Last whole college KPI report to governors

Corporation (and committee structure) membership with CVs and latest skills audit

Organisational chart- latest version

Senior Leadership Team membership with CVs

Curriculum and quality

Completed pre-visit Provider Quality Performance Table

Updated College Self-Assessment Report or position statement

College Quality improvement plan and progress against it

Staff and student surveys and allied action plans

Finance and estates

Completed pre-visit financial information request template

Curriculum plan, including contribution analysis by department/curriculum area where available

Period 12 management accounts, including cashflow forecast for at least the following 12 months

Details of bank loans and covenant compliance

Details of recent or planned staff restructuring events

Estates Strategy

Draft Curriculum and Business planning methodology

Department for Education

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