FURTHER EDUCATION COMMISSIONER ASSESSMENT SUMMARY

Stoke-on-Trent College

NOVEMBER 2014

Assessment

Background

1. Stoke-on-Trent College is a large General Further Education College serving 17,000 students from two main campuses and a number of satellites. It was formed in 1990 through the merger of Stoke-on-Trent Technical College and Cauldon College of Further and Higher Education.

2. The Cauldon campus is the main college site and delivers most of the College curriculum including Business, Management and Finance, Retail, IT, Childcare, Health and Social Care, Hospitality and Catering, Hair, Beauty and Holistic Therapies, and Sports Science and Coaching.

3. The Burslem site (to the North of the city) delivers Construction, Plumbing, Gas, and Motor Vehicle Maintenance as well as Media and Performing Arts. It is also the centre of the Stoke Studio College which specializes in Manufacturing and Design Engineering and the John Seddon Technology Centre.

4. Following the notification by the Skills Funding Agency (SFA) that Stoke on Trent College had been assessed as inadequate for financial health, the Minister for Skills and Enterprise decided that the FE Commissioner should assess the position of the college in line with the government's intervention policy set out in *Rigour and Responsiveness in Skills* (BIS 2013).

The Role, Composition and Activities of the Board

5. The Board consists of sixteen members, including the Principal, supported by four co-optees. The members have a wide range of skills between them and are led by a Chair who is a National Leader of Governance. Finance representation is strong due to the nature of the co-optees, who bring with them significant banking and audit experience. A number of terms of office, however, will be completed next year and succession planning has yet to be addressed. It is important in carrying out these changes that the balance of skills is maintained and that the Board continues to focus on ensuring a financial recovery.

6. There are good links with the operational side of the college, with governors regularly engaged in learning walks and meetings with staff and students. On the whole clerking arrangements are also good, although the minutes of meetings do not reflect the degree of challenge that board members claim to be present. The Clerk is shared with another college.

The Senior Leadership Team

7. Following a series of restructurings the senior management team consists of the Chief Executive/Principal, a Deputy Chief Executive, three Executive Directors and six Directors. These are supported in turn by thirteen Assistant Directors of Curriculum, none of whom have a regular teaching commitment.

8. Despite the high numbers of senior managers in the structure, however, there is no one individual responsible for the overall curriculum plan and for ensuring that the college's actual performance is matched against it. A review of responsibilities and the possibility of reducing the number of posts (and hence costs) should be urgently considered.

9. There is also a disconnect between what is written in the Business Plan and the reality of what the present situation is and what is achievable. As a result management targets are either general and non-specific or unachievable within the timescales envisaged.

10. The College has also had historic data issues including inaccuracy and timeliness. In 2013 a new MIS Manager was recruited and a new interim Director of Finance was appointed in August 2013 taking up a permanent position in February 2014. Since then some improvements have been made. Nevertheless key business processes are still dependent on high levels of manual input and are far from the best practice found elsewhere in the sector. This accounts for many of the data problems that arise, as well as creating relatively high administrative costs. Support from JISC may be available to address these issues

The Quality of Provision

11. The College was inspected by Ofsted in December 2013 and received an overall effectiveness grading of 2 ('Good'). During this inspection all other component areas were also graded as being 'Good'. This was an improvement on the previous inspection that was conducted in May 2012 where the College received an overall effectiveness grading of 3 (classified as 'Satisfactory' at the time of the inspection).

The Financial Position

12. The College has had a long term history of fluctuating financial performance. In 2010/11 and 2011/12 surpluses was achieved but since 2012/13 the College has slipped back into a deficit position which has worsened in 2013/14 and is predicted to remain until at least 2015/16. The College has seen earnings gradually decline over a number of years from £42.7m in 2008/09 to a forecast £31.5m in 2013/14. During this period financial health has fluctuated, improving from inadequate to outstanding and now slipping back into inadequate.

13. The College has undertaken significant staff restructuring over the past five years to endeavour to reduce costs in line with income reductions to address its financial issues. Over this period 295 FTEs have been removed from the College establishment with net savings accruing of £8.8m. The combination of reductions in income levels and staff restructuring have impacted on the key ratio of staff costs to income which for 2013/14 at 68%, however, remained significantly above the sector average.

14. The robustness of the curriculum planning process and linkage into the resultant budget was improved for the 2014/15 budget and as a result there is greater

understanding and thus ownership by budget holders. However, the curriculum planning tool adopted fails to provide information on the contribution that each planned course should make to overheads and there would appear to be a disconnect between the plan and the monitoring of the financial impact of the college's actual recruitment and accompanying costs.

15. Many of the issues associated with the 2013/14 out turn relate to over optimistic budgeting of the College's ability to achieve SFA income targets and missed key expenditure budgets (e.g. sub-contractor costs). The present financial plan is more prudent and provides a balance between historical ability to achieve income targets matched with the known pipeline of learners. It also factors in the known impacts of pension contribution changes and NI rate changes.

16. The College has significant estates issues with approx. 43% of its 41,300m^2 estate currently in condition category C. This will reduce to 30% (approx. 11,800m^2) if all currently approved projects are completed as planned.

17. Once these projects are completed the College needs to review its estate and develop an updated strategic estates strategy. The strategy will need to ensure that the College is maximising utilisation in the new developments and potentially disposing or leasing unused buildings.

18. The College has high levels of debt as a result of borrowings to support capital developments in the past. The ability of the College to demonstrate to its external auditors, KPMG, that they have cash facilities in place to meet needs may impact on KPMG's willingness to provide a 'clean' audit opinion on the college as a going concern for the 2013/14 financial statements. Thus there is an urgency in finding solution to the cash flow issues, with the bank and the SFA as appropriate. This will require the submission of a detailed and acceptable recovery plan.

19. In summer 2014, the College recognised that a more strategic approach to cost reduction was required and that perhaps a more radical approach was needed. To assist in this process it was agreed that the College and Stoke Sixth Form College would jointly commission a review by KPMG to look at how savings could be made and how working more closely together the Colleges could make the necessary step changes in their cost bases. However, on reflection, the Sixth Form College considered that the timing was not right for them due to their possible impending Ofsted inspection and thus the resultant review focused only on Stoke-on-Trent College. The Sixth Form College are clear that they believe closer working together is in the best interests of learners in Stoke and would wish to continue the dialogue on this with Stoke-on-Trent College once their inspection has taken place.

20. The College has confirmed that they are now beginning to develop a recovery plan for consideration by Governors at the next meeting in late November. The plan will seek to address the immediate issues but also consider longer term options. The robustness and level of realism in this plan will need to be reviewed to ensure that it is deliverable and takes account of the issues faced by the College, including the impact of their level of debt, the continued fall in demographics for 16-18 year olds in the city and likely future reductions in funding. The proposals in the KPMG report will also need to be carried out as a matter of urgency.

Conclusions

The college has some difficult times ahead if it is to balance its income and expenditure each year in line with the funding changes that it faces. Further cuts will be needed to staffing, particularly at managerial level and in administrative functions where business processes are significantly behind those found elsewhere in the sector.

Greater clarity is needed in who has the overall responsibility for the college's curriculum plan and for ensuring that that actual performance is compared with what is hoped for early in each academic year so that necessary adjustments can be made.

Class sizes are a particular area of concern, as is the lack of a detailed contributions analysis of each part of the college's operations. Concentrating on the improvement of teaching and learning and in getting a good inspection report has clearly been the college's top priority – and rightly so – but it has been at the expense of significant slippage in other areas of the college's operations. These areas need to be addressed as a matter of urgency.

In the longer term further cooperation and collaboration with the sixth form college in the area could bring significant benefits to learners and employers, as well as reducing the overall cost base of provision. The encouraging steps that have been taken in this area should be taken further.

Recommendations from Further Education Commissioner

1. **The existing leadership and management team have the necessary skills and experience to deal with the college's current financial issues. The Board does, however, need to consider succession planning issues.**

2. **A major reshaping of the management team and the responsibilities of its members will be necessary both to reduce costs and ensure that planning and operational outturns are reconciled.**

3. **The Group Director of Finance should be a senior post holder.**

4. **The College needs to develop a comprehensive recovery plan by the end of February at the latest that will return the College to profitability within a 12 month period, based on the recommendations of their recent KPMG report. This will need to include action to address the issue of small class sizes.**

5. **One member of the executive team should have clear responsibility for curriculum planning and for linking the curriculum plan to operational reality.**

6. **A contribution analysis that identifies the amount that each curriculum area makes to covering the college's overheads needs to be carried out and action taken to address the areas that are contributing least.**

7. **A business process review should take place as a matter of urgency to enable costly labour intensive systems to be replaced by technological solutions.**

8. **Discussions with Stoke Sixth Form College should continue with a view to increased cooperation/sharing of services to the mutual benefit of both institutions. Given the demographic downturn in 16-18 year olds, it may be appropriate to broaden these discussions to other institutions in the area.**

9. **A FE adviser should continue to monitor and review progress on a regular basis, with a stocktake assessment by the FE Commissioner at the end of February/beginning of March.**

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