

**FURTHER EDUCATION
COMMISSIONER ASSESSMENT
SUMMARY**

City College Brighton and Hove

FEBRUARY 2015

Assessment

1 Background

- 1.1 City College Brighton & Hove is a medium-sized general further education (GFE) college located in two main centres in Brighton and Hove, with smaller centres and community venues across the city. It is the only GFE College within the boundaries of Brighton & Hove City Council. The nearest alternative GFE college is in Lewes, around eight miles away, although there are two Sixth Form Colleges, two private training providers, two academies and three school sixth forms each delivering 16-19 provision in the Council area.
- 1.2 The College is the largest post-16 learning provider in the city and offers courses from entry level to higher education across a broad range of subject areas and apprenticeships. It also has a substantial programme of adult and community learning and occupational skills training for 14-16 year olds. The College enrolls approximately 3,500 SFA funded learners, 2,040 16-18 year old learners and supports around 600 apprentices.
- 1.3 The College received a Notice of Concern (NOC) from the SFA in March 2014 following an assessment of its financial health as inadequate for 2013/14. The College prepared a Financial Recovery Plan, but the Agency declined to accept it as it became apparent that the College's financial position was worse than its forecasts. The College produced and submitted a second plan in December 2014. In the meantime, the College's Deputy CEO and Finance Director resigned in September 2014 and the replacement interim post holder found that the forecast financial position for 2013/14 onwards had deteriorated further.
- 1.4 In view of this situation, the Minister for Skills decided that two FE Advisers should assess the position of the College in line with the Government's intervention policy set out in *'Rigour and Responsiveness in Skills'*.
- 1.5 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's leadership and governance to secure a sustained financial recovery within an acceptable timetable;
 - b. Any actions that should be taken to deliver a sustained financial recovery within an agreed timetable (considering the suite of interventions set out in *'Rigour and Responsiveness in Skills'*); and
 - c. How and when progress should be monitored and reviewed taking into account the Agency's regular monitoring arrangements.

2. Assessment methodology

2.1 The assessment was carried out during the period 2 February to 13 February 2015. The assessment consisted of consideration of briefing documents provided by the Skills Funding Agency and the Education Funding Agency, examination of a wide range of written material (see Appendix 1) and a number of interviews with governors, staff and other stakeholders (see Appendix 2).

3. The financial position

3.1 In both 2013 and 2014 the college had significant shortfalls in financial performance compared to budget, with the result that it has a significant, unplanned deficit. The College has been unable to finalise its accounts for 2013/14 and remains in discussion with its auditors. There remains a substantial risk of an accelerated depreciation charge relating to its main building, which would lead to a much greater deficit for the year as a whole.

3.2 The College's financial difficulties have coincided with a period of extensive instability in its executive team, in which the Principal/CEO; a Deputy Principal and the Deputy Principal & Finance Director have all left. The only senior member of the executive team on a full-time, permanent contract is the Vice Principal.

3.3 The College's financial plans for 2015/16 and 2016/17, as submitted to the SFA in July 2014, show underlying surpluses for the two years, along with positive cash. Given the deterioration in the College's financial position for both 2013/14 and 2014/15, these forecasts can no longer be considered reliable.

Capital

3.4 Over recent years, the College has been planning a major investment in its estate. This has involved an investment in the City College East site and a major redevelopment of the main site in the city centre. The College is actively reviewing its capital programme as part of the wider refresh of its strategy, the changing economic climate in the sector, and the needs of their learners for the future. This will enable the Board to ensure that the solution for the Pelham Street site is fit for purpose and supports the delivery of future operating surpluses. In the meantime, it should be noted that the Coast to Capital LEP has agreed to provide £9 million funding for the City College East development, although contracts have not yet been agreed.

4. The causes of the College's financial position

4.1 It is clear from the evidence collected during the assessment that the College's financial difficulties have a number of causes. In summary, the key causes are:

- an absence of basic control systems
- lack of management oversight and collective responsibility
- lack of Board challenge and effective governance

4.2 There was evidence during the assessment that the College has taken (or is currently taking) steps to address each of these issues. In particular, changes have been (or are being) made to:

- the College's strategy and financial recovery plan
- the Executive Team
- Governance arrangements
- Processes and procedures

5 Conclusions

5.1 The College has a refreshed Governing Body and has the opportunity to recruit a high quality Executive team to lead it towards viability and sustainability. It is also taking a number of other positive steps to improve its financial position.

5.2 We have therefore concluded that the College should be allowed to pursue a 'college-led' recovery, but with close monitoring by the FE Commissioner.

Recommendations from Further Education Commissioner

Our recommendations as a result of our assessment work are as follows:

- 1) The College should be allowed to pursue a 'college-led' recovery.
- 2) The College needs to source a high-quality Interim Principal and CEO as a matter of urgency.
- 3) Working with the new Interim Principal and CEO, the College needs to address the question of the senior level support needed to help deliver financial health. One option currently under consideration by the College is to contract a part-time 'Transformation Director' to work with and support the Interim Principal and CEO. We are doubtful whether such a role can be successful on the two day per week basis currently under consideration, and the Interim Principal and CEO needs to consider carefully the resources required to secure the College's financial viability.
- 4) The College needs to replace the three interims currently in place in the Executive team because having an Executive team comprising almost entirely of interims has a destabilising effect on the College. It also makes explaining difficult decisions to staff more challenging when they feel that the leaders relaying the bad news will be 'here today and gone tomorrow'.
- 5) The College needs to press on with its fundamental review of strategy as a matter of urgency. The review should cover:
 - the College's market position (including LEP and City Council priorities), in the context of available funding streams. We would encourage the College to be prudent in relation to its ambitions for full cost and commercial contract provision
 - the curriculum it needs to deliver to meet that market position
 - the estate it needs to use to deliver that curriculum
 - the staff and non-staff resources required
- 6) In the meantime, the College should continue with the cost reduction programme planned for 2014/15, including the scheduled staff restructuring.
- 7) The operation of the Board (i.e. the effectiveness of membership, the effectiveness of the Carver model and the operational culture) should be reviewed in four months time. A variety of resources are available to conduct a review of Board effectiveness, and the Board should select the method it considers suits it best.

- 8) The finance team should be reorganised to allow for the appointment of a designated qualified management accountant
- 9) Given the current level of uncertainty at the College, a stocktake assessment by one or more FE Advisers should take place initially on a monthly basis, with the first such stocktake taking place around the end of March. We would expect, over time, this level of monitoring to reduce to three and then six monthly as the College returns to financial health.

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