Education Funding Agency

Introduction

1. Totton Sixth Form College in Hampshire is located just outside Southampton on the edge of the New Forest. It delivers vocational and academic education to approximately 3,370 students, including just fewer than 1,000 16-19 year olds. It is unusual among sixth form colleges in having significant provision for adults and employers, including Apprenticeships, although much of this is delivered through subcontracts rather than being core to the college's directly-delivered business. Formerly a Grade 2 college, it was assessed by Ofsted as Inadequate in 2011 and as Requires Improvement in successive inspections in 2013 and 2014. Examination results in summer 2014 were mixed with, for example, some improvement at A2 but not at AS level.

2. It was placed under Financial Notice to Improve by the Education Funding Agency (EFA) in spring 2014. In September 2014, it became clear that the college's financial recovery plan was no longer credible. The Sixth Form College Commissioner undertook a visit in October to assess the capability of the leadership and management to secure rapid improvement, and the future viability of the college. This report summarises his findings and conclusions on the immediate financial issues facing the college, its medium-term viability, and its leadership and management.

Immediate financial issues

3. The college faces an immediate crisis in its cash position, which is worse than that predicted in the spring of 2014. The main reasons for the decline are an unanticipated shortfall in delivering 2013/14 Apprenticeship numbers for those aged over 24, which will result in a clawback of funds from Skills Funding Agency (SFA) by March 2015; inaccurately-projected income from new and current provision for students with high needs; and restructuring costs.

4. The EFA has previously agreed an in-year rescheduling of payments involving an advance of funds of £350,000 to be repaid by end of March 2015 to help the college over its previously known financial problems. It is clear this will no longer be sufficient. The revised projected monthly cash shortfalls rise from £160,000 in January 2015 to £1,068,000 in March 2015, decreasing to a shortfall of £437,000 in June 2015 and £475,000 in July 2015.

5. Urgent and decisive action is necessary to stabilise the college's cash position. It is recommended that:

- the EFA should re-schedule its 2014/15 academic year payments, bringing forward £770,000 from April-June into the January-March period;
- the SFA should reschedule its clawback of £280,000 from February 2015, phasing it over April-June 2015;
- the college should seek a renewed and increased bank overdraft facility to ensure it has sufficient cash in hand in 2015; and
- the college should introduce new cost-saving measures in 2014/15 while not reducing its capacity to implement improvements in standards.

6. The college needs to improve the quality of its financial planning and forecasting and the credibility of the underpinning financial assumptions. It is clear that the college's decision makers (the senior management team and Governing Body) have not always been able to challenge effectively the underpinning business assumptions that drive the financial assumptions made.

7. Therefore, it is recommended that:

- the college should provide to the EFA revised forecasts of the 2014-15 and 2015-16 budget and cashflow including clear realistic statements of the underlying business assumptions for all income streams and sensitivity analysis;
- the college should ensure the Governing Body scrutinises these financial assumptions and underpinning business assumptions; and
- the Finance Director should draw on sector exemplars to improve the format and content of the management accounts to enable better scrutiny by the Governing Body, internal and external auditors, and the EFA.

Medium-term viability

8. The college has a number of strengths, including good buildings; a committed core leadership in its senior management team and governors; and some areas of curriculum strength including Apprenticeships, vocational provision and provision for students with high needs. It is striking, however, that none of the senior managers, governors or stakeholders with whom we spoke believed that Totton College is viable as an independent standalone institution in the medium-term. Nonetheless we have considered whether the college could be viable as an independent institution under different leadership and management. We have concluded that it cannot for the following reasons:

(i) student numbers and class sizes are too low to generate sufficient income to sustain the current staffing structure and overheads across a wide curriculum. The college has insufficient critical mass or student numbers in either its academic or vocational businesses to enable it to divest itself of one and focus on the other as part of any specialisation strategy;

(ii) for its A level and some of its vocational provision, the college faces stiff competition from established neighbouring institutions which are either Outstanding or Good as rated by Ofsted but which, more importantly, have stronger local reputations and brands;

(iii) new or improved institutions in Salisbury have meant that Totton has lost its historic share of the Wiltshire market; that is, 16-18 year olds who would travel to Totton (around 150 students);

(iv) the college lacks a distinctive offer that it can market successfully. Following the Ofsted grading of Inadequate in 2011, the college has been unable to secure sufficient and rapid improvements in standards required to achieve a Good rating on re-inspection, and give the college a renewed opportunity to compete locally on quality;

(v) demographic downturn in 16-19 student numbers over the next 5 years (4,500 fewer across the whole Hampshire area) means that Totton's 16-19 student numbers will continue to fall in absolute numbers. The college's autumn 2014 16-19 student recruitment, at 982, is 152 below the level projected in the college's spring 2014 financial recovery plan. This will result in a significant reduction in the college's EFA income in 2015/16 (of around £600,000). EFA income accounts for just over half of the college's total income. While the college is actively exploring new income generation opportunities, it cannot rely on them to fill this gap.

9. Given these factors, even if an Ofsted rating of Good could be achieved at a future re-inspection, the college does not appear to be viable in its current form as an independent standalone institution. It is therefore recommended that:

- the college should conduct by February 2015 an urgent strategic review covering the needs of the local community and employers, and the future role of the college in meeting these in the context of the need for provision that is financially sustainable and has improving standards;
- the college should publish by the end of February 2015 a document setting out its analysis and conclusions for comment by interested parties and stakeholders, and inviting expressions of interest from other institutions; and
- the college should produce by April 2015 proposals for its future taking into account responses to the document. These must be agreed by the funding agencies and the Minister of State.

Leadership and management

10. The leadership and management of the college has a number of positive attributes, including:

- a committed Principal who is a strong communicator and respected by staff and recognises the need for change;
- a committed senior management team;
- some skilled and experienced governors, particularly from business but also higher education and other sectors, who want to add value; and
- an experienced Chair who takes responsibility for the college.

11. In the light of these strengths, and the expressed commitment of the management and leadership team to take the college through to its future state, the current leadership team should lead the process of change. However, there is a need to strengthen capacity and capability in a number of areas.

12. One is the use of financial data in decision-making, where there have been over-optimistic projections of income generation from initiatives put forward by senior managers and insufficient scrutiny by governors. The Principal and some key governors now recognise and are putting in place processes to address this, and the earlier recommendations in paragraph 7 aims to ensure this happens consistently.

13. A second area is improvement in teaching and in students' attainment in order to achieve an Ofsted rating of Good. It is recommended that:

- the college's senior management team should continue to prioritise the rapid delivery of improved teaching and attainment; and
- to accelerate progress on teaching and attainment, the college should make use of additional external input from a college with Outstanding quality, which the EFA should help to broker.

14. The college could do more to utilise the experience of its governors, including those with a range of business skills and financial acumen who could be highly useful to the college given its current challenges. The Chair has recently introduced a new and streamlined 'Carver' model of governance, which promises improvements in governor engagement. To build on this it is recommended that:

- the Chair of Governors and Principal should ensure the full Governing Body focuses relentlessly on the robustness of financial forecasts, monitoring progress in teaching and assessment and student attainment, and leading a successful transition process to the college's future state, working to a clear timetable with agreed outcomes and measures of both success and progress; and
- the Chair of Governors and Principal should enable individual Governors to contribute fully outside formal meetings including, where they have relevant expertise to offer, providing advice to senior management team members on specific challenges they face.

15. The senior management team now faces a range of demanding tasks, which include:

- improving teaching and assessment and student attainment;
- addressing the immediate financial issues including realising savings; and
- securing the longer term future of the college's provision through managing a structural change process.

16. To enable the senior management team to focus sufficiently on the teaching and attainment and financial management challenges it is recommended that:

- the EFA should source and resource an appropriately experienced senior manager to lead the review of structure and the transition process on behalf of the college.

17. To provide assurance on Government funds and support to improved governance over the forthcoming period of change, it is recommended that:

- the EFA should appoint an observer onto the Governing Body.

Peter Mucklow
November 2014

List of Recommendations

Recommendation 1. The EFA should re-schedule its 2014/15 academic year payments, bringing forward £770,000 from April-June into the January-March period.

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Recommendation 7. The Finance Director should draw on sector exemplars to improve the format and content of the management accounts to enable better scrutiny by the Governing Body, internal and external auditors, and the EFA.

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