FURTHER EDUCATION COMMISSIONER ASSESSMENT SUMMARY

Knowsley Community College

APRIL 2015

Assessment

Background

Knowsley Community College is a general further education college situated in Knowsley, Merseyside. The college operates on two main campuses situated in Roby and on Princess Drive, a newly-refurbished base for the college's Construction and Engineering courses. It offers courses from Pre-Entry, GCSEs, A Levels, Diplomas and NVQs to Higher Education and professional qualifications, with the highest percentage of enrolments being at Entry and Level 1. It is also one of the largest providers of apprenticeships in Merseyside.

The Skills Funding Agency issued Knowsley Community College with a Notice of Concern for inadequate financial health in June 2014, and an additional schedule for failure to meet Minimum Standards in apprenticeships in March 2015. This follows a 37% reduction in student numbers from 2010/11 to the present day.

In the light of these concerns, the Minister for Skills 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'.*

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 Knowsley Community College's leadership and governance to deliver financial recovery within an agreed timeframe

b) Any action that should be taken by the Minister and/or the Chief Executive of the funding agencies to ensure the delivery of financial recovery and quality improvement (considering the suite of interventions set out in '*Rigour and Responsiveness in Skills'*) and

c) How progress should be monitored and reviewed, taking into account the Agency's regular monitoring.

Assessment and Methodology

The FE Commissioner, supported by two FE Advisers carried out an assessment during the period April 27th to May 1st 2015. They received in advance extensive briefing information from the SFA and the EFA.

A wide range of College documentation was reviewed and they interviewed Board members, managers, staff, students, representatives of the trade unions and key partners and stakeholders. They also toured the college.

The Role, Composition and Operation of the Board

In general the Board has worked well under the strong leadership of the Chair, supported by good clerking arrangements. A number of long standing members are, however, coming to the end of their third term of office and there is therefore the opportunity to refresh the Board with the introduction of new skills. This is taking place, as is the reduction of the maximum number of years of service to eight rather than the twelve currently in operation.

In particular the Board would benefit from some additional expertise in the area of further education. This will be particularly important when the present Chair comes to the end of his term of office.

The Senior Leadership Team

The senior leadership team has gained experience elsewhere in the sector and is well balanced, but none of its members have been in post for more than two years. Attempting to fix all of the problems that have been inherited at the same time has resulted in the pace of change in some key areas being too slow – notably in producing a detailed and costed curriculum plan for the coming year. The risks inherent in some of the current arrangements with subcontractors and partners have also not been fully taken into account and suitable contingency plans made. On the whole, however, the team now in place has the skills and qualities to move the college forward.

The Quality of Provision

The college was last inspected by Ofsted in 2013 when it was judged to be good.

However, the Skills Funding Agency issued the College with an additional Schedule to the Notice of Concern on Monday 30 March 2015, as a result of their failure to meet the Agency's criteria under Minimum Standards for Apprenticeships. In 2013/14 success rates across apprenticeships were very poor (in the end resulting in an overall success rate of 40.5% against an original rate predicted rate in Summer 2014 of 57%).

The serious weaknesses in the quality of apprenticeships were due to a number of factors, including poor systems, over-zealous recruitment practices by a dedicated sales team, and high levels of withdrawals prior to completion. Furthermore the software used at the time was not set up to take account those who had left early.

Currently (April 2015) the College has 610 apprentices in learning, and the College indicates that future strategy will be focused on delivering in three areas – business services, engineering and construction, and health and social care. This rationalisation to three core areas is a sensible approach which will help secure sustainable improvements in quality.

In addition, internal re-organisation under a new management team, has now addressed many of the underlying issues. Assessors, verifiers and their managers are well-motivated and are firmly centred on learner success. Their responsibilities now include direct pre-enrolment initial assessment, advice and guidance. A new MIS system gives reliable data in a form which enables easy interrogation.

Employers consulted by the FE Advisers were positive about communication with the College, apprenticeship support, and the quality of potential apprenticeship candidates referred. They expressed strong support for the College – as a community resource, as a provider of apprenticeships, and also as a specialist vocational trainer in areas of local employment strength.

Performance against contract 2014/15

The college expects to undershoot its 2014/15 contract for 16-18 Apprentices by approximately 15%. Recruitment is predominantly local, delivered directly by the College, and growth beyond the 2015/16 allocation is not planned.

The College expects that the contract value for adult apprentices will be met, provided they work between now and 31 July 2015 with a sub-contractor (KZN Solutions Ltd) which has learners from two large employers ready to enrol. Both employers, however, are outside the region. (KZN is an organisation which specialises in consultancy and training in LEAN techniques). KZN is also a core partner in the College's Expression of Interest to the LEP for an Advanced Manufacturing Centre on the Princess Drive site and for a Logistics Centre at the Kirkby Site.

Whilst there is good evidence of progress in improving quality, the College needs to demonstrate that it can deliver success rates for Apprentices which (a) are consistent with their internal forecasts, and (b) exceed minimum standards. It is difficult to see why there should be any expansion by the college in Apprenticeships until this has been achieved. Moreover, future expansion of adult apprenticeships should be aligned to the college's strategy and be predominantly aimed at the local and sub-regional market.

The Present Financial Position – Overview

In recent years the College's financial health has declined. This is due largely to a significant decline in income levels. As a result the College has recorded operating deficits in each year since 2009/10 and has undertaken major staffing restructures to endeavour to bring costs into line with the reducing level of income. The current forecast out turn for 2014/15 shows a significant improvement in the operational performance of the College, which whilst, remaining as a forecast deficit, is considerably better when compared to previous years.

In line with the requirements of the Notice of Concern, the College has produced a recovery plan, which is now subject to quarterly review by the Skills Funding Agency (SFA). The recovery plan sets out the strategy the College is adopting to improve its financial position and is supported by an operational action plan. The underpinning objectives of the plan are to reduce costs, improve the robustness of future financial planning, proactive management in year of budgets to reflect actual learner recruitment patterns, attracting growth in key areas and disposal of surplus land and buildings.

The College is currently reporting a staff to income ratio of 68.9%, which is an improvement on its previous performance but still well ahead of sector norms. However, the College has a very high level of sub contracted delivery. If the income the College draws down which is delivered by sub-contractors is excluded from the staff cost percentage calculation then staff costs are closer to 75% of income. This is exceptionally high and needs to be addressed as a matter of urgency.

It is evident that the current staffing establishment, which forms the basis of the current year budgets, whilst reflective of the actual staff employed, has not yet been reconciled back to the Curriculum Plan for 2015/16. This would ensure that academic staff numbers and available hours meet the planned curriculum needs and that staff utilisation can be maximized. This exercise combined with steps to ensure that class sizes are increased should enable significant staff efficiencies to be achieved.

Forward look

Even in the worst case scenario the College has good or satisfactory health for the next 5 years. However, the College is able to make an underlying operating surplus only for 2014/15 and 2015/16 and then is recording underlying deficits. Equally, the plan indicates that the College will generate cash from its operating activity throughout the life of the plan but that the level of cash generation in later years is insufficient to meet the interest and capital repayments on its two debts to Knowsley Council and Lloyds Bank.

The cash position and level of debt

The College is projecting to have cash balances of around £3m at the end of this financial year, which shows an increase on the opening balance in August 2014 of £1.4m. This is due to the large capital asset report for the sale of the Larch Road playing field which the College received on March 2015 and which will be utilised to meet the College contribution to the development costs for Stockbridge Lane.

Over the next 5 years as the College estate changes with the move to Stockbridge Lane, the cash position remains healthy as sites or parts of sites are sold for development. The worst case financial scenario indicates that even at a low point at the end of July 2020 the College still has £1.5m cash at the bank and over the period of the plan it is able to reduce its debt level to around 18% of income, which is well below sector norms.

Capital Developments and Bids

The College is in the process of upgrading and adding to a new site at Stockbridge Lane which will become the main site of the College in the summer of 2016. The Roby site will then be closed and sold for residential development.

The Princess Road site is subject to a bid into the LEP for development into a centre for advanced manufacturing. Similarly, the College, in partnership with St Helen's College, has bid to the LEP to develop a current standalone building on their former site in Kirby to create a logistics academy. Both bids fit well with the strategic priorities identified by the LEP for growth employment sectors, but as yet no decision has been made as to whether they are to be supported.

Conclusions

There are many positive aspects in the college's recent performance - notably good board involvement and clerking, experienced senior managers, positive teaching and support staff and an appropriate understanding by the unions of the present situation. Students also demonstrate high levels of satisfaction with the service they receive.

However, the college faces a very difficult situation. At a time of falling numbers, government cuts and increased competition, it has a long way to go to match what would be considered to be an average level of efficiency. High staff costs and levels of pay, very small class sizes, large numbers of support staff in some areas and high levels of subcontracting all present risks and challenges that still need to be met. Apprenticeship performance still requires significant improvement decisive action will be necessary, and quickly, if the college wishes to remain as an independent institution in the medium to long term.

Recommendations from Further Education Commissioner

A) Governance arrangements need to be reviewed and changes to the Board made to ensure that there is an appropriate mix of skills amongst members to challenge and support the senior team. This should include an addition of a member with further education experience and succession planning for the current chair.

B) A detailed curriculum plan for 2015/16, linked to the college's financial recovery plan should have been completed by now and needs to be finalised as soon as possible. Significant reductions in staffing will be necessary to bring the college in line with sector norms.

C) The college should plan for a balanced budget for 2015/16 as a worst case scenario - and ideally for a surplus

D) The college should begin to explore partnership arrangements with neighbouring organisations to ensure that the provision in the area is of high quality and delivered efficiently. If enrolments in September fall below plan, the college should conduct its own Structure and Prospects Appraisal.

E) Good progress is being made in improving the quality of apprenticeships and in building internal capacity for direct delivery. However, we would not support any expansion of provision until success rates for 2014/15 are secure. Future expansion of adult apprenticeships should be aligned to the college's strategy and should be predominantly aimed at the sub-regional market.

F) The EFA contract and the provision of HE include a significant amount of subcontracting. The college should review each of these arrangements individually to assess the level of risk and make appropriate provision within its three year financial forecast.

G) In the light of current numbers and the levels of sub contracted activity the college needs to review its estate strategy to ensure that in the medium term it has the most efficient configuration of estates to meet the future delivery needs of the college.

H) Staff salaries and conditions of service need to be brought into line with what is offered elsewhere in the sector.

I) An FE adviser should continue to monitor and review progress on a regular basis through attendance at monthly case conferences, with the FE Commissioner undertaking a review of the college in mid-October to determine in the light of the progress made whether further action will be necessary.

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