Department for Education

FE Commissioner Intervention Assessment Summary Report: Lakes College

June 2024

Contents

Background

Name of College	Lakes College
UKPRN	10003753
Name of College Principal and Chief Executive Officer (CEO)	Chris Nattress
Name of College Chair	Mike Priestley Nigel Holliday from 1 August 2024
Type of provision	General further education (GFE)
Date of visit	18 June 2024
Type of visit	Intervention
Trigger for formal intervention	Financial Notice to Improve
Further Education Commissioner (FEC) team members	Phil Cook, Deputy FEC (lead) Esme Winch, FE Adviser
Location	Lakes College, Hallwood Road, Lillyhall Business Park, Workington, Cumbria, CA14 4JN
Apprenticeship training provider	Yes
Latest Ofsted inspection grade	Good
Place-based team (PBT) financial health grade	Inadequate
Latest annual financial turnover	£15 million

Conclusion and executive summary

Lakes College is a small GFE college based on a single campus in Workington. Since 2017, Ofsted has graded Lakes College as good. The college's curriculum is well aligned to national, regional and local priorities and the curriculum offer reflects the needs of the student population and the local area. Historically, the college has been financially strong. Within the last 2 financial years, the college has implemented its strategy to grow both the number of students aged 16- to 18 and its apprenticeship provision. Whilst the growth in student numbers is positive, the college's costs have exceeded its income. The college planning and forecasting procedures did not adequately identify the increased resources required and the effect of these on working capital. The college is now in receipt of emergency funding from the Department for Education (DfE).

The recommendations in this report relate to:

- reviewing and refreshing governance systems and processes
- implementing systems and processes that will increase quality, financial accountability and transparency at middle leader level
- implementing a new curriculum planning and performance monitoring system
- strengthening financial capacity at a senior level, including regarding the risks and challenges associated with new contracts

The FEC team will conduct an intervention assessment stocktake visit to review progress during October 2024.

Recommendations

Recommendation 1: the board should engage with a FEC-approved National Leader of Governance (NLG) in reviewing and refreshing governance systems and processes.

- NLG support should be in place before **September 2024.**

Recommendation 2: the board should ensure regular meetings of the financial recovery working group to closely monitor progress against the college's financial recovery plan.

- The financial recovery working group should meet at minimum termly from **August 2024.**

Recommendation 3: the senior leadership team (SLT) should urgently implement systems and processes that will increase quality, financial accountability and transparency at middle leader level.

- The senior leadership team should develop systems and processes in order to effectively monitor performance from **September 2024.**

Recommendation 4: a new curriculum planning process, linked to budgeting and to the performance monitoring system, will enable the college to be proactive in managing curriculum risks, particularly in terms of expenditure and, specifically, staff costs.

- The vice-principal for curriculum and quality should ensure the new curriculum planning system is in place and ready to be implemented from **November 2024** for the planning cycle for 2025 to 2026.

Recommendation 5: it is critical that the college's continuing growth, particularly apprenticeships, is very carefully managed and monitored and that systems and processes are fully embedded to mitigate risks.

- To support the Chief Finance Officer (CFO), further senior financial staff should be recruited, to be in place for **September 2024.**

Recommendation 6: it is very important that the risks and challenges associated with the new large employer contract are effectively monitored to ensure successful delivery against contractual requirements and internal financial assumptions.

- Progress in delivering the new contract should be closely monitored as a separate income stream by the senior leadership team and the board and should be a standing item on the agenda of the financial recovery group; monitoring systems to be in place by **September 2024.**

The FEC team will conduct an intervention assessment stocktake visit to review progress in October 2024. It is probable that to test the college's future sustainability and future financial resilience, framed by the college's ability to continue to deliver high quality education and skills training, a SPA of a standalone option compared to the option of merging with another college will be initiated no later than **November 2024.**

Governance and leadership

Governance

Lakes College is a small GFE college on a single campus in Workington (population of around 21,000), West Cumbria (population around 163,300). The college is relatively remote. For example, the three other Cumbrian GFE colleges are more than an hour's drive away and public transport is limited.

The college's strategic plan highlights the college's response to national, local and regional priorities. Governors are open-minded, committed to the college and doing the best they can for students and local communities. The board is well supported by an experienced governance professional. There is a clear intent to resolve the current financial situation (the college is in receipt of DfE emergency funding) and governors stated they were committed to change. The chair, vice-chair, governance professional, principal and deputy CEO are all long-serving; a new chair will take up post on 1 August 2024. The appointment of a new chair provides an opportunity to review and refresh governance systems and processes, as part of which the board should review alignment to best practice in FE and charity governance. The board should engage with a FEC-approved National Leader of Governance (NLG) to support this process.

The board meets 8 times per year using the Carver model, supported by 5 advisory committees. Lead governors are in place across many aspects of provision, including safeguarding. However, the governing body should seek to strengthen its capacity to support and challenge senior leaders, thus ensuring future college sustainability.

The board is seeking to make several new governor appointments. The board should make sure, at a minimum, that the current level of financial specialism is maintained. New appointments should be made to enhance expertise in cultural and organisational change and apprenticeships, the latter forming a major part of the college's provision. The board is seeking the support of the DfE's recruitment support service to appoint new governors.

A strategic risk register is in place but should be further developed and be based on sector best practice. Significant prominence should be given in the register to actions to mitigate risks relating to the college's financial position and managing risks of growth, assuring high levels of support and challenge from board members. Further, the board should ensure regular meetings of the financial recovery working group to closely monitor progress against the college's financial recovery plan.

Leadership

The college has significantly grown its student and apprenticeship numbers in recent years; this has led to the need to increase staffing levels. Whilst the growth in student numbers is positive, however, the college's costs have exceeded its income. A new vice-principal for curriculum and quality has been appointed and the senior leadership team restructured. The college's previous business model was based on a centralised model but, with the increase in student numbers and the financial challenges that have followed, the college intends to develop a business model based on delegated leadership. Within such a cultural shift, it is important that the board carefully manage the workload and capacity of key senior post-holders, that is, ensure middle leaders receive the support and challenge needed to take full ownership of functional operations. Structured and effective continuing professional development (CPD) will be vital to the college's ambitions.

The new ways of working, whilst embryonic, are welcomed by staff. The college management team has been restructured to support this process. There is early evidence that new senior staff are being supported and given freedom to deliver change and improvement. The newly appointed Vice-principal Curriculum and Quality is a practising Ofsted inspector, and the Director of Apprenticeships is very experienced in apprenticeship delivery.

The senior leadership team should urgently implement systems and processes that will increase quality, financial accountability and transparency at middle leader levels. It is critical that:

- for 2024 to 2025, a revised performance monitoring system be in place, to drive responsibility and ownership and to increase the proactive management of emerging risks
- for 2025 to 2026, a new system of business planning be embedded

The college should seek sector best practice to ensure the new system(s) are implemented rapidly and sustained.

Curriculum and quality improvement

Curriculum and provision overview

The college is seeking to build on its growing national work with the National College for Nuclear. The college's curriculum is well aligned to national, regional and local priorities and is broad in terms of both range and levels of provision. The curriculum offer reflects the needs of the student population and the local area.

Lakes College has smaller cohorts than most larger colleges of both students aged 16- to 18 and adults in learning. It has a disproportionally large apprenticeship provision for a college of its size. The reliance on apprenticeship income brings with it higher levels of both financial and quality risks when compared, for example, to 16- to 18 provision. However, Lakes College's apprenticeship provision does successfully meet local need and demand and is well aligned to national, regional and local priorities. Staff recruitment is one of the college's key challenges, based on geography and local competition for staff from industry.

Being a small college with challenges in staff recruitment, and having a disproportionately large apprenticeship cohort, means the college is more susceptible to financial risk, as has been demonstrated by its recent need for emergency funding. Based on the above, the college's future financial sustainability, and potential to continue to deliver high-quality education and skills training, should be tested through a SPA of a standalone option compared to the option of merging with another college.

For students aged 16- to 18, the college's largest areas of provision are: health, public services and care; engineering and manufacturing technologies; and construction, planning and the built environment. This pattern is also apparent in apprenticeship recruitment, with the largest areas of recruitment being in health and social care, engineering, manufacturing technologies and administration. For adult learners, the profile is similar, in addition to which is a proportionally large number of adult learners studying business, administration and law.

As mentioned, student numbers have grown significantly in recent years. The college has a very high full-time student application to enrolment conversion rate. The college has been very successful over the last three years in increasing its 16- to 18 cohort (+21%)

and has steadily grown T level provision (from 52 in 2021 to 2022 increasing to 148 in 2023 to 2024). Adult part-time recruitment declined between 2021 to 2022 and 2022 to 2023. However, the college forecasts recruitment in 2023 to 2024 will return to 2021 to 2022 levels. The college has also been very successful in growing its apprenticeship provision. Along with growth in 16- to 18 apprentice numbers, the college has increased adult apprenticeship numbers. The college's apprenticeship provision has grown by 312 apprentices over 3 years, an increase of 36%, and further significant growth is forecast. Higher education (HE) student numbers have also grown. The college has reduced its reliance on education delivery via sub-contracting.

Curriculum planning and development

As previously mentioned, the college has appointed a new vice-principal for curriculum and quality, who is a practising Ofsted inspector. The new vice-principal, supported by the senior team, is implementing a new quality improvement process and a new teaching and learning strategy.

New systems are being implemented to enhance curriculum planning with the intent to improve transparency, accountability, and ownership. The senior leadership team expects the new curriculum planning system to be in place for the academic year 2025 to 2026.

Effective curriculum planning and rigorous performance monitoring will be vital to the future of the college. For 2023 to 2024, most learner cohorts are forecast to have achievement rates at or above national rates, including apprenticeships. However, a new curriculum planning, and performance monitoring system will enable the college to be proactive in managing curriculum risks, not just in terms of quality but also in terms of income and expenditure and, specifically, staff costs.

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

Since 2017, Ofsted has graded Lakes College as good. In the most recent inspection (Jan 2024), the college was graded good across all areas other than adult learning programmes, which were graded as requires improvement. The college reports there are no significant quality issues.

The college operates a continuous improvement plan (CIP), which is currently being reviewed. The CIP covers both finance and quality, is very well presented, and, in the main, follows SMART objective principles (specific, measurable, achievable, relevant, time-bound). Red, amber and green (RAG) ratings clearly identify where progress is not as expected, for example some attendance rates. Against actions, the college uses an action timeline based on quarters rather than dates, and specifies the effect to date, without noting any further required actions. As the CIP review is finalised, the college should be more specific regarding monitoring points, that is, using specific dates rather than quarters. The college should also develop a method of noting further actions, especially when performance is not as expected, and further actions are likely to be required. This would aid governors and senior leaders to not only understand the effect of actions put in place, but also provide assurance that further actions or interventions are instigated where underperformance is evident.

Student and staff views

77% of 16- to 18 study programme students completed a learner voice survey (4 June 2024). High levels of satisfaction were reported. For example, almost all students strongly agreed or agreed they were satisfied with their course. Far lower survey participation rates were recorded for both apprenticeships (37%) and HE students (31%). Whilst levels of satisfaction were a little lower than for the 16- to 18 study programme cohort, they were still high with over 90% of apprentices and HE students satisfied with their programme.

In 2022 to 2023, the college participated in a sector staff climate survey with 46 colleges. The college's participation rate was 47%. Its results were consistently high when considered against comparator colleges. The college completed a staff health and wellbeing survey in 2024, consisting of questions from the Health and Safety Executive management standards indicator tool. The college reports that, in general, staff understand their roles and view their relationships with colleagues positively. To further increase wellbeing across the college, managers will focus on management of change, workload, conflicting demands, and time pressures. The staff we met as part of the intervention visit were enthused by the emerging cultural shift and proposed systems being developed by senior leaders.

Finance and audit

Historically, the college has been financially strong, with no borrowings and a healthy cash holding.

Within the last two financial years, the college has implemented its strategy to grow the number of students aged 16- to 18 and, particularly, its apprenticeship provision, which includes several specialist engineering apprenticeship standards. For several standards, the preferred operating model is that the apprentices are on campus almost full time in their first year. This has led to pressure on staffing costs, which was underpinned by a growth in headcount combined with the cost of specialist staff and the demands of the delivery model. Income was further reduced by post Covid drop out from certain apprenticeship standards of around £250,000. The staff costs to income ratio increased to over 73% for 2022 to 2023 and 2023 to 2024 compared to 69% in 2020 to 2021.

The college planning and forecasting procedures did not adequately identify in the budget the increased activity required and the effect of this on working capital. The staff recruitment procedures did not adequately refer to the staffing assumed in the budget prior to authorisation. The changes and growth were not effectively monitored by the SLT or board.

Leadership lacked the capacity to spot the financial trends, due in part to some staff turnover and to the broad span of control of the Deputy Chief Executive. The latter is the CFO and had challenges within several of her departments, including finance. Some further capacity has recently been introduced (Head of Financial Services), which should improve reporting but further capacity at a senior level should be recruited, to support the CFO. Recently, the college bid for a large tender for a local large employer, which was time consuming for the senior team. This has been partially successful, and the CFO will now lead its implementation.

The college reported in February 2024 that it would run out of cash in June 2024. It therefore applied for emergency funding in the form of a loan of £1.5 million, with repayment over 3 years.

The college has identified and implemented savings of £1 million across pay (£753,000) and non-pay (£319,000). Some of these will influence the 2023 to 2024 forecast but they will mainly affect the 2024 to 2025 budget. The savings included a restructuring of middle management to simplify areas of responsibility and encourage ownership, accountability and transparency.

In addition, the external contract with the large local employer should significantly improve the financial performance of the college into 2026 to 2027 and support the repayment of the loan. However, the contract does present some risks and challenges, so its operations and results should be closely monitored as a separate income stream by the SLT and the board.

The college has started to implement a more delegated and detailed business planning process, which will give middle managers increased oversight of targets and operations. Whilst in its initial stages, the process has allowed a more detailed planning of teaching staff, and their utilisation, against the curriculum plan for 2024 to 2025. The process needs to be developed to ensure links to activity and costs are fully and quickly understood by all managers. Information systems will need to be streamlined, access improved, and staff trained to aid this understanding and change in culture. When information is in place, the SLT and board should monitor departmental contribution levels.

Recent financial history and forecasts for coming years

The budget for 2024 to 2025 has been prepared from the curriculum plan where appropriate. Existing staff numbers have been scrutinised and the cost savings plan has been included.

For the new contract, reasonable data was available for student numbers, but TUPE (Transfer of Undertakings (Protection of Employment)) staff numbers were less certain. Delivery has been planned based on activity levels rather than the inherited cost base.

Overall income is planned to grow in the budget by over £5 million, of which £3.4 million is the new contract and the rest is the funding for the growth of students aged 16- to 18 by 118 (to 972). Apprenticeship numbers are planned to grow by over 500 to 1,774. Apprenticeship income is now budgeted to be over 37% of operational income. The ensuing timing, volume, completion rate and cost sensitivities need to be closely monitored by the SLT and governors.

The effect of these changes is that staff costs are budgeted to drop to 67% of income. The staff costs for the new contract are assumed to be approximately 69% of its income. The additional contribution from this activity, plus the cost savings implemented, are forecast to return the college to outstanding financial health by the end of 2025 to 2026, with EBITDA (earnings before interest, taxes, depreciation and amortisation) at 6%.

The FEC team will arrange for a peer review of the budget and plan.

Cashflow and liquidity

Following the loan, the cash balance at 31 July 2024 is forecast to be approximately £2 million. Cash generation is positive through the planning periods and future cash holding is strong. However, there will be a demand on working capital during Autumn 2024, as the apprenticeship provision ramps up, but cash holding does not drop below 23 days and increases thereafter.

Financial liabilities

The college has one loan from DfE agreed in June 2024 for £1.5 million (emergency funding). It is repayable over 3 years.

Audit and risk

The audit of financial statements was unqualified. It found only minor adjustments and no major risks arising, although the report clearly indicated that the finance team was stretched during the preparation of the accounts and during the audit.

Internal audit activity during 2022 to 2023, based on the work completed, gave an overall assurance of the adequateness and effectiveness of internal controls, including key financial controls. Management report that the minor action points from this audit have been completed.

Long-term sustainability

The acquisition of the recent new contract for apprentices and commercial work will, should it be successful, grow the college and strengthen the college’s financial position considerably. This contract is until December 2026 and so the underlying efficiency of the college needs to be maintained at current or better levels for long-term sustainability.

Estates and capital plans

The college has one main campus, which includes the northern hub for the National College for Nuclear. The estates strategy (2021) summarises the campus as comprising three main blocks, the oldest of which is the main building, which was constructed approximately 20 years ago. There are no category D condition facilities and only 327 square metres of the 21,636m2 campus, is considered category C.

Utilisation of buildings was calculated at 42%, which is within the normal range.

The college strategy is only to improve and expand the estate as funds become available and in line with demand, for example T levels funding.

Property management and investment

The college continues to improve its estate using only the FE capital transformation fund and T Level funding it has secured. Historically, the college does not borrow to fund campus developments.

Appendix A – Interviewees

- Chair of Governors
- Principal
    - Deputy Principal and CFO
    - Vice-principal Quality and Curriculum
- Clerk to the Corporation
- Head of HR
- Lead Governor Finance
- Lead Governor Audit
- Heads of Curriculum
- Head of Quality
    - Heads of support functions
    - Head of Management Information Systems and Data

Appendix B – Documents reviewed

Reference number	BOARD DOCUMENTS
B1	Board and all subcommittee minutes (academic years 2022 to 2023 and 2023 to 2024)
	GOVERNANCE AND LEADERSHIP
GL2	Latest college strategic plan
GL3	Current risk register (if not in board papers)
GL4	Last whole college key performance indicators report to governors (if not in board papers)
GL5	Corporation (and committee structure) membership with CVs and latest skills audit
GL6	Board governance self-assessment and quality improvement plan. External governance review
GL7	Organisational chart SMT (Senior Management Team) and depts
GL9	Senior Leadership Team membership with CVs and CPD record (12 months)
	CURRICULUM AND QUALITY
CQ1	Completed pre-visit Provider Quality Performance Table
CQ2	Updated college self-assessment report
CQ3	Updated college quality improvement plan and progress against it
CQ4	Staff and student surveys and allied action plans
CQ6	Any unpublished recent feedback e.g. by Ofsted (if applies)
	FINANCE AND ESTATES:
F1	Completed pre-visit financial information request template (excel format)
F3	Costed curriculum plan including contribution analysis by department or curriculum area
F5	Latest management accounts, including cashflow forecast for at least the following 12 months
F11	Last annual report from the internal auditors
F14	Details of recent or planned staff restructuring events
F15	Estates strategy