



Education & Skills  
Funding Agency

Education and Skills Funding Agency  
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[www.gov.uk/esfa](http://www.gov.uk/esfa)

4 December 2020

Sir Dexter Hutt  
Chair of Corporation  
Birmingham Metropolitan College  
Matthew Boulton Campus  
Jennens Road  
Birmingham  
B4 7PS

Sent by e-mail: [dexter.hutt@bmet.ac.uk](mailto:dexter.hutt@bmet.ac.uk)

Dear Sir Dexter

### **Financial Health Notice to Improve**

This letter and its schedules constitute a Notice to Improve (NTI) in line with clauses within the Funding Agreements between the Secretary of State for Education (DfE) acting through the Education and Skills Funding Agency (ESFA) on behalf of the Crown.

It sets out additional conditions of funding that Birmingham Metropolitan College is required to comply with in order that ESFA can continue to fund. The conditions set out in the schedule(s) of this NTI are in addition to the conditions of funding set out in the Funding Agreements.

I am issuing this NTI (first issued 17 July 2015) following review, to reflect updated policies and new processes and requirements for the submission and timing of financial data. Birmingham Metropolitan College is still classed as being in formal intervention.

Schedule 1 attached sets out the action required under this NTI to address the financial health assessment of the college. Schedule 2 addresses ongoing or new recommendations resulting from the FE Commissioners stocktake assessments.

### **Monitoring**

ESFA will continue to closely monitor progress made towards meeting these conditions through the scheduled case conferences and will work with you and wider agencies to secure the best outcome for learners, employers, the local community.

### **Compliance**

If Birmingham Metropolitan College does not comply with the additional conditions within the specified time period, ESFA will pursue one or more of a range of options outlined in, or incorporated into, the funding agreements.

In all cases, the removal of the additional conditions will occur when Birmingham Metropolitan College receives a letter from ESFA indicating that the additional conditions have been met.

## **Complaints**

If you consider that ESFA has acted unreasonably or not followed a proper procedure in issuing the additional conditions, you can make a complaint under the procedure for dealing with complaints about the ESFA.

## **Publication**

ESFA publishes all NTIs on gov.uk.

## **Reviews**

ESFA will regularly review this NTI with you. It is likely that the NTI will be re-issued, at least annually to ensure the terms and conditions remain relevant. ESFA reserves the right to reissue at any point should circumstances significantly change.

## **Action required**

Please acknowledge receipt of this letter and the schedule below by writing to me within 5 working days of the date of this letter.

This NTI is being copied to key stakeholders as detailed below.

Yours sincerely



Karen Riley  
Deputy Director  
FE Directorate Territorial Team – Midlands and East

**Copy to:** Clifford Hall, Chief Executive / Principal  
Assistant Director Education and Skills, Birmingham City Council  
Head of Skills Delivery, West Midlands Combined Authority  
FE Commissioner  
Ofsted

## **Schedule 1: Inadequate Financial Health Birmingham Metropolitan College**

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed Birmingham Metropolitan College as having inadequate financial health (*criteria 1*) based on the most recent full year financial statements 2018/19 submitted by the College. It relies on the Formal Intervention Tools & Triggers set out in Annexe B pg. 37 & 38 of the College Oversight: Support & Intervention policy document, last updated in October 2020. The specific criteria are referenced in brackets in italics.

ESFA acknowledge that since these statements were submitted, the College has agreed a repayment plan for the outstanding government debt and self-assessed its financial health to improve to 'requires improvement' in 2019/20 and 'good' in 2020/21 based on the Integrated Financial Model for Colleges (IFMC), returned in July 2020. However, until the College has confirmed it has reset its banking covenants (*criteria 2c*), addressed sub-contracting issues (*criteria 6*) and provides a set of financial statements that confirm the forecast improvement (*criteria 1*), this notice will remain in place.

### **Timescales**

The additional conditions outlined within this schedule must be addressed swiftly and based on our current understanding, the ESFA expect to review whether the additional conditions have been met, four months from the date of the issue of this letter (1<sup>st</sup> April 2021).

If it becomes evident that sufficient improvement is not or cannot be achieved within the timescales specified, the ESFA reserves the right to take further action open to it at any point.

### **Monitoring and Progress**

All conditions will be reviewed regularly at case conferences and monitoring meetings with the ESFA Intervention Team and the FE Commissioner, where appropriate.

### **Specific Conditions**

1. The College must continue to work with the ESFA and FE Commissioner Team as required, including a stock take assessment by the FE Commissioner in Spring 2021 and attendance at regular meetings with ESFA to review progress against its financial and quality recovery plans, where the College will be expected to provide information to demonstrate proper oversight and timely implementation of these plans. Attendees should include, as a minimum, the Principal, Director of Finance and Chair or other appropriate Governor to represent your Corporation.
2. The College should continue to undertake a regular review of potential cash flow requirements, ensuring any adverse movements in income are addressed with appropriate adjustments to the cost base to ensure the College can maintain

sufficient headroom to deliver all its obligations to the ESFA set out in the our loan agreement, alongside investment in teaching and learning. The College is required to supply ESFA with a monthly cash flow template included within the submission of monthly management accounts.

3. The College must confirm that it is no longer in breach of its banking covenants and must provide written confirmation that it has agreed revised covenants with its commercial lenders.
  
4. The College must review, update and test its sub-contracting action plan to verify it adequacy to address the issues identified through its internal audit and the third party reviews commissioned by the College and the ESFA & WMCA, to fully reflect the outcomes and commit to their implementation. The College should report progress on the implementation of the contract action plan at its regular meeting with the ESFA.

## **Schedule 2: FE Commissioner Recommendations to Birmingham Metropolitan College**

This schedule sets out the additional conditions relating to the improvement of the overall services. Specifically, it incorporates the ongoing and new recommendations of the FE Commissioners stocktakes of the College undertaken on the 29<sup>th</sup> to 30<sup>th</sup> October 2019 and the 25<sup>th</sup> August 2020 respectively.

### **Timescales**

The additional conditions outlined within this schedule must be addressed swiftly and based on our current understanding, the ESFA expect to review whether the additional conditions have been met, following the next FE Commissioner assessment in the spring term of 2021.

If it becomes evident that sufficient improvement is not or cannot be achieved within the timescales specified, the ESFA reserves the right to take further action open to it at any point.

### **Monitoring and Progress**

All conditions will be reviewed regularly at case conferences and monitoring meetings with the ESFA Intervention Team and specifically by the FE Commissioner, at the next stocktake assessment.

### **Specific Conditions**

#### **Ongoing recommendations from FEC Stocktake on the 29<sup>th</sup>–30<sup>th</sup> October 2019.**

1. The board need to ensure that the newly revised Teaching and Learning Strategy, that underpins the structural changes that have been embedded are under continuous review and modified as necessary, and their effectiveness evidenced by improved outcomes and experience for learners.
2. The SLT should ensure consistent operational practice across each of the independent campuses to guarantee high quality teaching, learning and student experience.

#### **New recommendations from FEC Stocktake on the 25<sup>th</sup> August 2020.**

1. The board to identify, develop and introduce a nuanced method to assess the impact and outcome of its cultural change strategy by December 2020.
2. Refine all reports to the board to include executive summaries that clearly identify key areas governors need to focus on with recommendations from the SLT by December 2020.
3. The principal should consider structuring his report to governors in line with strategic objectives and include performance against key strategic indicators agreed by the board.

4. Finance Committee to revisit the 2020/21 financial KPIs to target the key metrics that drive improvement, explicitly linking to bank covenants and ESFA financial health measures in November 2020.
5. Papers presented to Academic Standards and Quality Committee should be revised to better balance data summaries and improvement/impact strategies by December 2020
6. The SLT should ensure performance management qualification targets should use benchmarks most appropriate for the type and nature of provision by December 2020.