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I am writing to confirm the outcome of the FE Commissioner Structure and Prospect Appraisal of your College, and to set out the actions we now expect the College to take to ensure the Appraisal outcomes, and the FE Commissioner's earlier assessment, are fully implemented. I am very grateful for the support that the FE Commissioner has received from yourself and the College during the Appraisal, and the steps you have taken to date to respond to the recommendations in my predecessor's letter of 22 April 2014.

As you are aware, in light of the notification by the Skills Funding Agency that the College's financial health is inadequate, the FE Commissioner reviewed the position of your College between 17 and 28 March 2014. The FE Commissioner acknowledged the capacity and capability of the governance and leadership to deliver financial recovery in the short term, but concluded that the College could not continue to operate on its own. The FE Commissioner was asked to lead a Structure and Prospects Appraisal to determine the way forward for land-based provision in the area. This Appraisal was completed in September 2014.

I have now received the FE Commissioner's Appraisal report – a copy of which is attached. The report recommends that Bicton College should merge with Cornwall College Group by 1 August 2015. I fully support this recommendation and charge the College with putting in place the necessary arrangements to ensure the merger is completed by the deadline. I note that the College has been engaged throughout the Appraisal and the governing body has formally endorsed this recommendation. I have asked my officials in the funding agencies to work with you to ensure the effective and smooth transition of provision to Cornwall College Group.

Until the merger has been completed, Bicton College remains under enhanced monitoring and review by the FE Commissioner. An FE Adviser will work with the funding agencies to monitor progress and report back to my officials regularly. Once the merger has taken place, the FE Commissioner will re-visit Bicton College to confirm that the Appraisal outcome has been successfully implemented. The FE Commissioner will also consider the timing for formally ending the FE Commissioner intervention and moving the College into regular monitoring and review by the funding agencies as part of Cornwall College Group. My officials at the Skills Funding Agency will be in touch shortly to arrange a meeting with you and the Principal to discuss this letter and agree next steps.

In line with the published intervention process (May 2014) summaries of the findings from all FE Commissioner led Structure and Prospects Appraisals are published. I attach a copy of the summary with this letter. This summary will be published within two weeks of the date of this letter.

I have copied this letter to the Chair of Cornwall College, the FE Commissioner and my officials in the funding agencies.

If you have any questions about the FE Commissioner's assessment or this letter please contact Tony Skeel (tony.skeel@sfa.bis.gov.uk) in the first instance.



NICK BOLES MP

Bicton College Structure and Prospects Appraisal

September 2014

Executive Summary

Background

This report sets out the results of a Structure and Prospects Appraisal (SPA) undertaken by the FE Commissioner and two FE Advisers between April and September 2014 in relation to Bicton College and its provision. The SPA was triggered by the results of an FE Commissioner intervention, which took place in March 2014.

The intervention reached two main conclusions:

- that there was a continued need for land-based provision in the area served by the College;
- that the College could not continue to operate on its own.

These two conclusions formed the starting point for the SPA.

Methodology

The detailed approach undertaken by the FE Commissioner and his team is set out in the main report. The work undertaken was designed to meet the key requirements of an SPA as set out in 'New Challenges, New Chances', namely that *"the appraisal delivers a robust, evidence-based proposal with local stakeholder buy-in, and supported by funding bodies"*.

In summary terms, the SPA:

- Examined the external environment in which the College operates;
- Reviewed the performance of the College in both curriculum/quality and financial terms;
- Analysed the performance of key competitors;
- Gathered and assessed the views of key external stakeholders;
- Conducted a competition to identify the most appropriate merger partner for the College;
- Analysed the strengths and weaknesses of the partners themselves and of their propositions;
- Concluded on the way forward..

The work of the FE Commissioner's team was reported to a Steering Group comprising five governors (including the Chair of the Board), the College's Principal and representatives of the funding agencies. The Group met four times during the SPA.

The external environment

Bicton College operates in the second largest county in England and is essential to the very large and significant land-based community in Devon. The importance of this specialist provision is reinforced by all significant stakeholders and is a key priority for Devon County Council and the HOTSW LEP through its newly formed Rural Special Interest Group. There is no doubt that Bicton College should continue its offer both through upskilling the current workforce and ensuring a supply of newly skilled entrants to replace the significant local and regional skills gap which will continue over the next decade and beyond.

The College's performance

Curriculum and Quality

Bicton College has a comprehensive land-based curriculum, enhanced by additional specialisms in Sport (Rugby Academy) and Uniformed Public Services (Military Academy). The College offers provision from Entry Level to Level 5 with a strong emphasis on Levels 1 and 2. This curriculum offer is enhanced by the provision of residential accommodation and students with learning difficulties and disabilities are well supported.

The College's provision was judged as 'Good' in November 2012 and success rates, generally, continue to improve.

Finance

The College is in a precarious financial position and its financial health is currently graded as 'inadequate' by the Skills Funding Agency. The College has been formally in recovery since 2008 (when the Learning and Skills Council issued a Financial Notice to Improve) and without Skills Funding Agency Advances of Funding (which currently amount to £2.9m), a bank loan of (of £2.1m) and a £500k overdraft facility, it would be cash insolvent and unable to meet its liabilities as they become due.

The College recorded deficits in 2011/12 and 2012/13, and is forecasting a further deficit in 2013/14. The College is forecasting small surpluses during 2014/15 and 2015/16, but it should be noted that its track record in forecasting is poor – it has failed to meet its budgeted position over each of the last three years by £136k, £1,536k and £107k respectively.

The financial plan for 2014/15 shows continuing liquidity difficulties, with a forecast net outflow of cash of £180k in 2014/15. The College's most recent cash flow forecast, approved by the Board as part of the 2014/15 budget, shows that the College will have a cash deficit throughout 2014/15, peaking at £700k in March 2015. (This position is without making any provision for the repayment of SFA Advances of Funds during the year). The College has a £500k overdraft limit with Clydesdale Bank, so it will have an unfunded cash deficit of £200k in March 2015.

The views of external stakeholders

All internal and external stakeholders confirm their support for the continuation of land-based provision in Devon and recognise both the value and challenges of the current Bicton estate. The College is regarded as an asset for Devon. Although there is no commonly shared preference for a particular merger partner, stakeholders do recognise that a partnership is essential to secure the College's future. Large sections of the land-based community are keen to see a partner with existing land-based expertise but this is balanced with those stakeholders who are keen to see a Devon solution for Devon learners.

The competition to identify a merger partner

In order to secure the future of land-based provision on the Bicton site in accordance with the outcome of the March 2014 intervention, the Steering Group initiated a competitive process to identify the most suitable future partner for the College. The precise nature of the partnership was not specified, although it was accepted that the nature and quantum of the challenges facing the College meant that potential partners were most likely to suggest merger arrangements.

The Steering Group initially established a long-list of potential partners, drawn from the following groups:

- Other land based providers in the region;
- Other local general further education/tertiary colleges;
- Higher education institutions in the region with an at least a potential interest in land based and/or related provision.

The long list comprised:

- Bridgwater College;
- Cornwall College;
- Exeter College;
- Harper Adams University;
- Hartpury College;
- Kingston Maurward College;
- Petroc;
- South Devon College;
- University of Exeter;
- University of Plymouth;
- Royal Agricultural University.

In addition to these education providers, a locally based landed estate, Clinton Devon Estates (CDE), was added to the long list. CDE has a number of long-standing links with the College and had been in informal discussions with the College Principal and Governors about potential ways to work more closely together.

The SPA team met with each of the organisations on the long-list to gauge their initial level of interest. As a result of discussions at the Steering Group, the following organisations were short-listed and asked to present written proposals to discuss with the Steering Group:

- Bridgwater College;
- Cornwall College;
- Exeter College.

(Additionally, Clinton Devon Estates were invited to meet the Steering Group to discuss their potential interest, although it was accepted that their interest would be on a completely different basis from the colleges.)

The short-listed partners

In summary terms, the characteristics of the short-listed partners are as follows:

College	Type	Ofsted Grade	Financial health status 2014/15
Bridgwater	General FE/Tertiary, plus land-based provision at Cannington.	Outstanding (2006)	Good
Cornwall	Large group, including general FE and land-based provision at Duchy.	Good (2010)	Good
Exeter	General FE/Tertiary.	Outstanding (2014)	Satisfactory

Each College submitted a proposal based on their own strategies and how they saw the opportunity to merge with Bicton.

The proposals were evaluated against the ten factors to be considered in any major structural change as set out in *New Challenges, New Chances*, as well as four requirements set out by the Bicton Board.

In summary, the results of the evaluation are that the proposals ranked as follows:

- Cornwall College (score = 17)
- Exeter College (score = 16)
- Bridgwater College (score = 7).

The scoring shows that there was very little to choose in overall terms between the merits of the Cornwall College and Exeter College propositions, although both, naturally, have different strengths and weaknesses. Key considerations included the following:

- Exeter College offers a 'Devon solution to a Devon problem', whilst Cornwall College does not;
- Exeter College is an Ofsted 'outstanding' college, while Cornwall College is 'good';
- Exeter College is in the same LEP area as Bicton, making capital bids simpler;
- Exeter is closer to Bicton than is Cornwall College, potentially making management more straightforward;
- Cornwall College has extensive experience of running land-based provision, but Exeter College does not;
- Cornwall College has better financial health than Exeter College;
- Cornwall College has a tried and tested governance and management model for running 'hub and spoke' operations, whereas Exeter College does not.

The Steering Group considered each of the proposals carefully and the Board of Bicton College undertook further discussions with the two colleges with the strongest bids (Cornwall College and Exeter College). Both groups concluded that the proposition that Bicton College becomes part of the College Group offers not only the best opportunities for the continued development of land based provision in the area but also represents the best value for money. The FE Commissioner supports this view.

Recommendations

- 1) The Minister approves the proposal that Bicton College becomes part of the Cornwall College Group**
- 2) The Skills Funding Agency works with both colleges to ensure that there is a smooth transition to the new arrangements as detailed in the report.**