



Education & Skills
Funding Agency

Education and Skills Funding Agency
The Cube
123 Albion Street
Leeds
LS2 8ER

Tel: 0370 000 2288

www.education.gov.uk/efa-enquiry-form

30 September 2020

Cath Orange
Chair of Governors
Bradford College
Great Horton Road
Bradford
BD7 1AY

Dear Cath

Financial Health and Financial Control 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 Bradford College is required to comply with in order that ESFA can continue to fund. The conditions set out in the schedules of this NTI are in addition to the conditions of funding set out in the Funding Agreements.

I am re-issuing this NTI, which supersedes the previous Notices first issued on 30 October 2017 (financial health) and 22 February 2018 (financial control), following review to reflect updated policies and new processes and requirements for the submission and timing of financial data which are now in place. Bradford College is still classed as being in **formal intervention**.

The schedules attached set out the action the college is required to continue to take under this NTI. Following the issuing of the original notices in 2017 and 2018, we recognise the progress made to date in securing improvements in the financial position and implementing college financial recovery plans (including improved financial health grade of 'requires improvement' in 2018/19 and forecast 'requires improvement' grade in 2019/20). We recognise the progress in implementing the FE Commissioner's recommendations following the team's initial and ongoing review and recommendations since November 2017. We also acknowledge the progress thus far in implementing additional college financial controls.

Monitoring

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

Compliance

If Bradford 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 Bradford 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

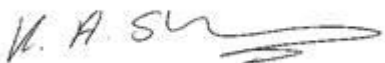
ESFA will regularly review this NTI with you. It is likely that the NTI will be re-issued, at least annually to ensure the terms and conditions remain relevant. ESFA reserves the right to re-issue at any point should circumstances significantly change.

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 Ofsted, your Local Authority and Combined Authority, Office for Students and the FE Commissioner.

Yours sincerely



Karen Sherry

Deputy Director, FE Directorate Territorial Team (North)

Cc: Chris Webb, Chief Executive and Principal

Jos Parsons, Ofsted

Richard Atkins, FE Commissioner

Office for Students

Bradford City Council

West Yorkshire Combined Authority

Schedule: Inadequate Financial Health, Bradford College

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has previously assessed Bradford College as having inadequate financial health (based on 2016/17 and 2017/18 financial records and 2018/19 and 2019/20 financial plans). This schedule replaces that issued on 30 October 2017.

Timescales

The additional conditions outlined within this schedule must be addressed swiftly. In addition, where it is 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 at case conference and monitoring meetings with the ESFA Territorial Team (regularity to be confirmed by ESFA) and the FE Commissioner's team.

Specific conditions

1. The college must work with ESFA and the FE Commissioner and his advisers to undertake an independent assessment of the college's capability and capacity to make the required changes and improvements. This will include supplying all necessary information to the FE Commissioner or his advisers so the assessment can be made. **Condition met.**

We expect the college to continue to work with FE Commissioner's team in implementing any further recommendations.

2. The college must continue to update and share with ESFA the financial recovery plan, any updated version of which should be approved by the college corporation.

The plan should continue to demonstrate, in ESFA's assessment, that the proposed activity will secure the college's financial position. The plan should continue to clearly indicate how the college intends to achieve the recommendations made by the FE Commissioner including though not limited to, how it will make any necessary cost savings, comply with bank covenants, improve the college's cash position and generate sufficient cash to service existing debt levels.

Any material changes to the agreed plan should be discussed with ESFA and their comments taken account of by the college. The college must ensure that all other college plans align with the financial recovery plan, including but not limited to its estate strategy; detailed curriculum plan (including HE strategy) and quality improvement and Covid plans.

The plan should also include risk analysis that encompasses contingency arrangements should any significant aspects of the plan fail to proceed.

The plan must continue to detail specific, measurable, achievable, realistic and timely activities and milestones, and should cover but not be limited to:

- detailed financial planning tables, including supplementary narrative to explain assumptions in the planning and which also address any alternative scenarios in respect of the college's estates strategy;
- the outcomes of exploration into further staff and non-staff savings for 2019/20 and 2020/21 which should include a thorough review of curriculum areas;
- student number projections and staff planning assumptions, and a detailed sensitivity analysis on these assumptions; for both in year savings and moving forward
- actions to implement savings you have identified, manage expenditure and maintain or increase income, including specific measurable objectives for how you will ensure financial sustainability;
- governance and governor ownership and monitoring of the actions within the plan; the management of any risks to the delivery and quality of education provision

ESFA and the FE Commissioner will monitor progress against the plan to ensure that sufficient progress is being made and agreed milestones are being reached.

3. Option for sustainability concerns: The ESFA reserves the right to procure a third party firm to undertake an Independent Business Review and that the college co-operates in full with this process
4. The college must attend regular meetings with ESFA. Attendees should include, as a minimum, the CEO, Deputy CEO and Chair or other appropriate Governor to represent your Corporation. The meetings will focus on the college's progress against the milestones in the plan, where the college will be expected to provide information to demonstrate proper oversight and timely implementation of the plan. ESFA will arrange these meetings and your first point of contact is Tina Wise, Senior Manager FE Directorate Territorial Team.
5. The college should continue to submit in-year updates of the Integrated Financial Model for Colleges (IFMC). The frequency of returns will be confirmed by ESFA contacts. The college should also continue to ensure its cash position is kept

under review and supply ESFA with monthly management accounts (inclusive of narrative update reports and a 24-month rolling cash-flow) for review by 25th of each month.

6. The college is also required to continue to return requested Restructure Facility monitoring updates and comply with the requirements set out in its funding agreement. The college should respond to any ESFA queries following its review of such monitoring updates.
7. ESFA may continue to attend governing body meetings in an observer status until it is satisfied that there is sufficient oversight and challenge of the financial position.
8. This NTI may be revised and updated subsequent to the date of issue to reflect progress and/or any change in circumstances following the FE Commissioner's intervention and recommendations. It will be formally reviewed with you, at least annually, to ensure it remains appropriate and current.
9. If, in ESFA's view, the college fails to take the necessary actions (in whole or part) within the timescales set out, or if evidence of progress is not appropriate or not available, the ESFA will take further action.
10. ESFA will determine when the college has made sufficient progress for the NTI to be lifted. This will be when the college's financial health grade has improved from inadequate in 2016/17 and 2017/18 to a sustained position. This will be assessed by ESFA and in particular, this will be evidenced by:

10.1 The college's audited financial statements for the period 2019/20, evidencing improvement in the financial health score to at least 140 points within 'requires improvement' grade, with all ratios scoring above 0 points and EBITDA as % of income (education specific) generating 50 points or higher.

10.2 ESFA's assessment that a score of at least 140 points (within 'requires improvement' grade) will continue to be delivered in 2020/21, with all ratios above 0 points and EBITDA as a % of income (education specific) generating 50 points or higher. This will be evidenced by management accounts, cash flow forecasts, in-year IFMC submissions and potentially the audited statements for 2020/21. ESFA to be assured that the college is generating sufficient cash to manage its debt repayments.

11. When the college complies with the actions within the timescales set out ESFA will lift the NTI and confirm this in writing.

Schedule: Inadequate Financial Control, Bradford College

The requirements within this schedule replace those in the previous Notice issued on 22 February 2018 and set out the remaining conditions the college must satisfy to enable the ESFA to be assured of adequate and sufficient financial controls. The ESFA will determine when the college has made sufficient progress for the NTI to be lifted.

The ESFA reserves the right to request that the college procures and pays for an external independent review of its financial, management and governance control environment, with a duty of care to the ESFA and the scope of the work to be agreed with the ESFA.

Specific Conditions

1. The college must address the financial control issues identified in the finance record for 2018/19 namely that:

- *Material uncertainty related to going concern reported by the college financial statement auditors. This related to a potential breach in the bank loan covenants if the sale of 3 properties in 2020 were delayed.*

The college must provide assurance that a waiver of breach has been secured from its bank for 2019/20.

- *Recommendation from the previous year on a reconciliation between the EBS and E-Financials system being undertaken.*

The college must ensure this action is completed as part of its 2019/20 year end processes.

2. The college must provide assurance for the academic year 2019/20 as detailed below. This should be submitted by 31 January 2021.

- an unqualified Statement of Corporate Governance and Internal Control;
- an unqualified Annual Report of the Audit Committee to the Corporation confirming all areas of significant concern have now been addressed and no further ones identified; and
- an unqualified Audit report from the college financial statement auditors including their management letter confirming all areas of significant concern have now been addressed and no further ones identified.