



Department  
for Education

Department for Education  
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27<sup>th</sup> July 2023

Dear Jane,

### **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 The SMB Group 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 because The SMB Group has serious cashflow pressures and the DfE is exercising its oversight policy provisions, to reflect the heightened risk. As a result, The SMB Group is now in **intervention**.

Schedule 1 attached sets out the action required under this NTI.

### **Referral to the FE Commissioner**

This NTI aligns with the Department's published policy, *College Oversight: Support and Intervention*. This NTI also brings The SMB Group into scope for referral to the FE Commissioner for an independent assessment of the college's capability and capacity to make the required changes and improvements within a reasonable period of time. Once this assessment has been undertaken by the FE Commissioner, we reserve the right to vary the terms of the NTI to reflect any recommendations made by her. These recommendations would be included in an additional Schedule to, or reissue of, this NTI. The FE Commissioner's office will contact you regarding the arrangements for the assessment.

Where a NTI is issued, the DfE may take it into account when determining any eligibility for growth funding and/or it may also affect your ability to be successful in tendering for other funds and other competitive tendering processes for new provision.

### **Monitoring**

DfE will closely monitor progress made towards meeting the additional 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 The SMB Group does not comply with the additional conditions within the specified time period, DfE will pursue one or more of a range of options outlined in, or incorporated into, the funding agreements. This may include the use of further education statutory intervention powers as set out in section 56A of the Further and Higher Education Act 1992.

In all cases, the removal of the additional conditions will occur when The SMB Group receives a letter from DfE indicating that the additional conditions have been met.

## **Complaints**

If you consider that DfE 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 DfE](#).

## **Publication**

DfE publishes all NTIs on gov.uk.

## **Reviews**

DfE 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. DfE 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 five working days of the date of this letter.

This NTI is being copied to Ofsted, your local authority, and the FE Commissioner.

Yours sincerely



Michael Nicol  
Deputy Director, Midlands and East Territory and Large Provider Team, DfE

Cc:

Dawn Whitmore, Chief Executive / Principal

Jos Parsons, Ofsted

Jane Moore, Director, Children and Family Services, Leicestershire County Council

Shelagh Legrave, FE Commissioner

## **Schedule: Serious cashflow pressures identified - The SMB Group**

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because DfE has determined The SMB Group as having Serious cashflow pressures.

### **Timescales**

The additional conditions outlined within this schedule must be addressed swiftly. Once the FE Commissioner has completed her assessment, amendments may be issued to confirm any additional conditions that are required.

In addition, where it is evident that sufficient improvement is not or cannot be achieved within the timescales specified, the DfE 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 DfE Territorial Team and the FE Commissioner (regularity to be confirmed by DfE).

### **Specific conditions**

1. The college must work with DfE, ESFA and the FE Commissioner and her advisers Andrew Tyley and Frances Wadsworth, 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 her Advisers so the assessment can be made.
2. The college must work with the FE Commissioner and the Territorial Team to draft and agree a Single Improvement Plan by 30 November 2023.
3. The college must prepare an outline recovery plan by 30 September 2023. The recovery plan should be used as the basis for discussion as part of the FEC Commissioner assessment visit.
  - i. Where the college has other intervention and support activities underway, such as estates, curriculum, quality improvement plans to address areas of improvement raised as part of the latest Ofsted inspection, they need to ensure coherence across the range of plans.

The plan should 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
- the outcomes of exploration into further staff savings for 2023/24 and 2024/25, 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 with a mind to any future structural solutions
- 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

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

4. The college must work with DfE, ESFA and the FE Commissioner to explore the potential for and, if necessary, the extent of any financial support required.
5. The college must undertake a regular review of potential cash flow requirements and the college is required to supply DfE with a monthly cashflow template and management accounts – the format to be provided by DfE.
6. The DfE 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.
7. The DfE 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 DfE and the scope of the work to be agreed with the DfE.
8. The college must attend regular meetings with DfE. Attendees should include, as a minimum, the Principal, Director of Finance and Chair or another appropriate Governor to represent your Corporation. The meetings will focus on the college's progression 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.

DfE will arrange these meetings and your first point of contact is John Armitage [john.armitage@education.gov.uk](mailto:john.armitage@education.gov.uk)

9. This NTI may be revised and updated subsequent to the date of issue to reflect progress and/or any change in circumstances including, 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.
10. If, in DfE'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 DfE will take further action.
11. DfE will determine when the college has made sufficient progress for the NTI to be lifted. This will be when all cashflow pressures have been effectively managed, evidenced by a 2 year monthly cashflow. The colleges financial health grade must be requires improvement or better for 12 months as evidenced by a finance record, signed off by external auditors. When the college complies with the actions within the timescales set out DfE will lift the NTI and confirm this in writing.