



Education & Skills
Funding Agency

Education and Skills Funding Agency
Cheylesmore House
Coventry
CV1 2WT

www.gov.uk/esfa

4th March 2022

Dame Moira Gibb
1 – 10 Keeley Street
London
WC2B 4BA

Sent via email – Katrina.Osullivan@citylit.ac.uk

Dear Dame Moira Gibb

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 and the City Literary Institute (City Lit).

It sets out additional conditions of funding that City Lit is required to comply with in order to continue to receive funding. The conditions set out in the schedules of this NTI are in addition to the conditions of funding set out in the Funding Agreements with the ESFA and Greater London Authority (GLA). Schedule 1 reflects this.

I am issuing this NTI because City Lit was assessed as having inadequate financial health by ESFA, and was therefore placed in intervention.

Referral to the FE Commissioner

This NTI aligns with the Department's published policy, *College Oversight: Support and Intervention* (April 2019). This NTI brought City Lit into scope for referral to the FE Commissioner (FEC) for an independent assessment of City Lit's capability and capacity to make the required changes and improvements within a reasonable period. The FE Commissioner's office conducted an assessment of City Lit on 11th January 2022.

Where an NTI is issued, the ESFA 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

The ESFA will monitor progress made towards meeting the additional conditions through scheduled case conferences and will work with City Lit and wider agencies to secure the best outcome for learners, employers and the local community.



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Compliance

If City Lit does not comply with the additional conditions within the specified period, the 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 City Lit receives a letter from the ESFA indicating that the additional conditions have been met.

Complaints

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

Action required

Please acknowledge receipt of this letter and the schedules below by writing to me (email: Alan.krikorian@education.gov.uk) within 5 working days of the date of this letter.

This NTI is being copied to Ofsted, the Greater London Authority, and the FE Commissioner.

Yours sincerely

Alan Krikorian
Deputy Director,
London and South-East Territorial Team
Further Education Directorate

cc:

Mark Malcolmson CBE, Principal and Chief Executive, The City Literary Institute
Jos Parsons, Ofsted
FE Commissioner
Chris Wright, GLA



Schedules: Inadequate Financial Health - City Lit

Schedule 1 sets out the additional conditions of funding being applied to City Lit since the ESFA assessed it as having Inadequate financial health. This followed the ESFA's assessment of City Lit's audited financial statements and assurance returns for the year ended 31 July 2020 and the "College Financial Forecasting Return" (CFFR) for 2020/21 to 2022/23 and associated information.

Schedule 2 sets out the recommendations following the assessment by the FE Commissioner on 11th January 2022.

Timescales

The additional conditions outlined within these schedules must be addressed as a matter of priority.

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

Monitoring and Progress

All conditions of funding will be reviewed and monitored at case conference meetings with the ESFA Territorial Team (regularity to be confirmed by ESFA).



Schedule 1: ESFA Additional Conditions of Funding – City Lit

This schedule sets out the specific additional conditions of funding being applied to City Lit since the ESFA assessed it as having Inadequate financial health.

1. City Lit must prepare a financial recovery plan which is approved by its Corporation. The draft plan should be shared with the ESFA by 23rd December 2021), with the final recovery plan, approved by the corporation and submitted to the ESFA by 31st January 2022.
The plan should provide the ESFA with confidence that the proposed actions will secure City Lit's financial position and should detail measurable, achievable, realistic and timely measures, and milestones. The final version should address any issues raised by the FEC team.
2. City Lit must work with ESFA and the FE Commissioner and her advisers to undertake an independent assessment of the City Lit'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 to support the ongoing work around progressing towards a long-term financial solution.
3. The ESFA reserves the right to procure a third-party firm to undertake further work as part of an Independent Business Review. City Lit should co-operate in full with this process should it be applied.
4. City Lit must continue to attend regular monitoring meetings with ESFA. Attendees should include, as a minimum, the Principal, Director of Finance and Chair or another appropriate Governor to represent your Corporation when required. The meetings will focus on City Lit's improvements in finance, cashflow, and quality. The ESFA will arrange these meetings, your primary contact is Edwin Dhauke at email: Edwin.dhauke@education.gov.uk. In addition, a representative of the GLA will be invited to attend.
5. City Lit should continue to undertake a regular review of potential cash flow requirements and supply the ESFA with monthly management accounts and a cashflow template in the format provided by ESFA.
6. This NTI may be revised and updated after the date of issue to reflect progress and/or any change in circumstances. It will be formally reviewed with you, at least annually, to ensure it remains appropriate and current.
7. The ESFA will take further action if, in its view, City Lit 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.
8. The ESFA will determine when City Lit has made sufficient progress for NTI to be lifted. As a minimum City Lit must show that it's forecasting to achieve and sustain a grade of Requires Improvement via its financial plan.



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Schedule 2: FE Commissioner's recommendations – City Lit

This schedule sets out the ongoing recommendations of the FE Commissioner's report of January 2022.

1. **Recommendation 1:** The senior leaders must improve achievement outcomes for accredited courses and programmes so that outcomes align with or exceed national averages by July 2021.
2. **Recommendation 2:** The senior leaders must review the curriculum model with a view to maximising efficiency, including increasing average class size by March 2021.
3. **Recommendation 3:** The college must prepare an updated financial plan for 2021/22 and beyond, which includes scenarios and sensitivities on trading performance and the subsequent implications for the mix of cash and debt. This plan is to be regularly reviewed and adjusted during the remainder of this financial year. An initial plan is to be completed by December 2020.