



Education & Skills
Funding Agency

Education and Skills Funding Agency
Agora, 4th Floor
Cumberland Place
Nottingham
NG1 6HJ
www.gov.uk/esfa

Professor Ray Linforth
Chair of Governors
North Warwickshire & South Leicestershire College
Hinckley Road
Nuneaton
CV11 6BH

18 September 2018

Dear Ray

Financial Health Notice to Improve

This letter and its schedules constitute a Notice to Improve (NTI) in line with clauses within the Financial Memorandum and Funding Agreement 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 with which North Warwickshire and South Leicestershire College is required to comply 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 Financial Memorandum and Funding Agreement.

I am issuing this NTI because North Warwickshire and South Leicestershire College has been assessed as having inadequate financial health by ESFA following a review of the financial plan submitted to the ESFA in July 2018. 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, *Rigour and Responsiveness in Skills* (April 2013). This NTI also brings North Warwickshire and South Leicestershire College 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 him. These recommendations would be included in an additional Schedule to this NTI. The FE Commissioner's office will contact you regarding the arrangements for the assessment.

Where a NTI has been 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

ESFA 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 North Warwickshire and South Leicestershire 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 financial memorandum and funding agreement.

In all cases, the removal of the additional conditions will occur when North Warwickshire and South Leicestershire College receives a letter from ESFA indicating that the additional conditions have been met. This will be when the college can demonstrate a sustainable financial health grade, which is at least Satisfactory evidenced by audited financial statements and finance record.

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

From 1 August 2017, and in accordance with the funding agreement, ESFA will be publishing all NTIs on gov.uk.

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 and the FE Commissioner.

Yours sincerely



Karen Riley
Deputy Director FE Group
Midlands and East of England

Copy to: Marion Plant, Chief Executive / Principal
Jos Parsons, Ofsted
Richard Atkins, FE Commissioner
Nigel Minns, Director of Children's Services, Warwickshire County Council
Paul Meredith, Director of Children's Services, Leicestershire County Council

Schedule: Inadequate Financial Health North Warwickshire and South Leicestershire College

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed North Warwickshire and South Leicestershire College as having inadequate financial health in 2017 to 2018 following a review of the financial plan submitted to the ESFA in July 2018.

Timescales

The additional conditions outlined within this schedule must be addressed swiftly.

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.

Further conditions

1. The college must work with ESFA and the FE Commissioner and his advisers to facilitate 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.
2. The college must prepare and share with ESFA a draft financial recovery plan which should then be approved and finalised by the college Corporation after ESFA's comments have been received by the college, by no later than 30 November 2018. The plan must include specific, measurable, achievable, realistic and timely activities and milestones.

The plan should demonstrate, in ESFA's assessment, that the proposed activity will secure the college's financial position.

The plan should detail specific, time-bound activities that the college will undertake, and should include but not be limited to:

- detailed financial planning information, including supplementary narrative to explain assumptions in the planning
- the outcomes of exploration into further staff savings for 2018/19 and 2019/20, which should include a thorough review of curriculum areas and their contribution
- 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 including the methodology for holding the executive to account for achieving the plan outcomes and
- the management of any risks to the delivery and quality of education provision and the sustainability of the college into the long term

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

3. The college must attend regular case conference meetings with ESFA. Attendees should include, as a minimum, the Principal, Director of Finance and Chair or other appropriate Governor to represent your Corporation. The meetings will focus on the college's progression against the milestones in the plan. We will, expect the college 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 Lisa Hawes, Head of FE Group Territorial Team: lisa.hawes@education.gov.uk.

4. The college should continue to undertake a regular review of its forecast cash position. The college is required to supply to ESFA monthly management accounts for review by 25th of each month. This information must include an up to date

twelve-month rolling cash flow projection. The ESFA will provide a cash flow template for completion.

5. 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.
6. ESFA will determine when the college has made sufficient progress for the NTI to be lifted and confirm this in writing. This will be when the college can demonstrate a financial health grade, which is at least Satisfactory evidenced by audited financial statements and finance record. The FE Commissioner's recommendations may include separate completion criteria in an additional schedule to this NTI.