



Education & Skills Funding Agency

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Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

16 October 2019

Ian Valvona
Chair of Governors
Kensington & Chelsea College
Kensington Centre
Wornington Road
London
W10 5QQ

Dear Ian

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 Kensington & Chelsea College 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 Kensington & Chelsea College has been assessed as having inadequate financial health by the ESFA following a review of the college's 2017 to 2018 audited financial statements, finance record and subsequently submitted information.

In addition, I am placing the college in Supervised College status, due to the well understood exceptional position and circumstances of the college. I understand that the college plans to merge with Morley College in February 2020. Nevertheless there are still significant risks facing the college.

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* (April 2019). This NTI also brings Kensington & Chelsea College into scope for referral to the FE Commissioner (FEC). The FEC team have already

undertaken a Diagnostic Assessment visit to the college, and supported the Structure & Prospects Appraisal that led to your Board decision to proceed with planning and implementing a merger with Morley College. The FE Commissioner's team have already arranged to visit the College during the Autumn term to review the college's progress. Following their visit, we reserve the right to vary the terms of the NTI to reflect any further FEC recommendations.

The ESFA reserve the right to refer the college for a full FE Commissioner assessment in the future that would be published on gov.uk.

Where an 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. Should such a position arise we will discuss this with you, and take full account of actions being taken by the college including progress towards the proposed merger with Morley College.

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 Kensington & Chelsea 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 Kensington & Chelsea College receives a letter from ESFA indicating that the additional obligations have been met.

Complaints

If you consider that ESFA has acted unreasonably or not followed a proper procedure in issuing the additional obligations, you can make a complaint under the procedure for [dealing with complaints about the ESFA](#).

Publication

ESFA publishes all NTIs on gov.uk

Future Transition

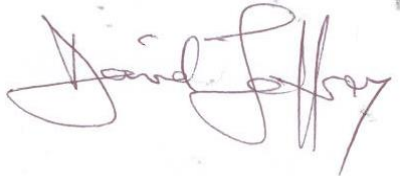
ESFA is currently reviewing and updating how and when it collects and assesses financial information from colleges. Should this lead to any changes in the terms and conditions of this Ntl, ESFA will write and confirm this.

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, Greater London Authority, and the FE Commissioner.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'David Jeffrey', with a stylized, cursive script.

David Jeffrey

Deputy Director, FE territorial team - London & South East
Education & Skills Funding Agency

Cc:

Andy Cole, Principal

Richard Atkins, FE Commissioner

Deputy FE Commissioner, Steve Hutchison

FE Adviser, Teresa Kelly

Jos Parsons, Ofsted

Ian Heggs, Director of Education, Royal Borough of Kensington & Chelsea

Michelle Cuomo-Boorer, Greater London Authority

Schedule 1: Inadequate Financial Health Kensington & Chelsea College

This schedule sets out the additional obligations relating to the improvement of the overall services. It has been issued because ESFA has assessed Kensington & Chelsea College as having inadequate financial health.

Kensington & Chelsea College is assessed as having inadequate financial health by the ESFA following a review of the college's 2017 to 2018 audited financial statements, finance record and subsequently submitted information. As the college wrote to the ESFA in April 2019, to highlight the real risk of insolvency we have had to consider this within the context of our decision on formal intervention.

Timescales

The additional obligations outlined within this schedule must be addressed swiftly. An additional schedule will be issued to confirm any additional obligations that are required, further to the FEC visit.

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

Further obligations

1. Kensington & Chelsea College to take forward all necessary actions to secure the proposed merger with Morley College. This includes making a full contribution towards the production of a robust financially sustainable merger plan led by Morley College, and shared with ESFA through the merger governance process.
2. In the event that the merger does not proceed as planned, the college will produce a financially sustainable recovery plan as a standalone institution (in the format of a revised 2019 Financial Plan), a date for submission of this plan to be agreed no later than 3rd February 2020 or earlier, subject to the outcome of the merger.
3. The college continue to attend regular meetings with ESFA. Attendees should include, as a minimum, the Principal, Director of Finance and Chair and/ or other appropriate Governor to represent your Corporation. The meetings will focus on ensuring that sufficient progress is being made on the merger and related recovery activities and 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 anthony.haines@education.gov.uk
4. The college should continue to undertake a regular review of potential cash flow requirements and the college is required to supply the ESFA with monthly management accounts for review by 25th of each month which include a twelve month rolling cash flow (using the excel template) along with narrative update reports.
5. ESFA, or a representative of the agency, should be invited to attend governing body meetings as an observer, and on request finance committees.
6. This Ntl may be revised and updated subsequent to the date of issue to reflect progress and/or any change in circumstances including responding to FEC recommendations.
7. If, in the 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.
8. The ESFA will determine when the college has made sufficient progress for the Ntl to be lifted. This will be lifted when Kensington & Chelsea College can demonstrate an improvement in Financial Health to at least Requires Improvement as evidenced by an audited Finance Record for at least one year and at least Requires Improvement Financial Health for a further one year subject to assessment by ESFA. When the college complies with the actions within the timescales set out the ESFA will lift the Ntl and confirm this in writing. The NTI would cease to have effect on the dissolution of the Kensington & Chelsea College corporation as part of a merger.