



Education & Skills  
Funding Agency

Education and Skills Funding Agency  
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[www.gov.uk/esfa](http://www.gov.uk/esfa)

4 February 2020

Sue Noyes  
Chair of Governors  
Coventry College  
Henley Road  
Bell Green  
Coventry  
CV2 1ED

Dear Sue

### **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 Coventry College is required to comply with in order that ESFA can continue to fund. The conditions set out in the schedule of this NTI are in addition to the conditions of funding set out in the Funding Agreements.

I am issuing this NTI because Coventry College has been assessed as having inadequate financial health by ESFA following the submission/ review of the college's audited financial statements and financial record for 2018/19. Coventry College is now in **formal 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* (April 2019). This NTI also brings Coventry 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, 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 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 Coventry 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 Coventry 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 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 5 working days of the date of this letter.

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

Yours sincerely



Karen Riley  
Deputy Director  
FE Directorate Territorial Team - Midlands and East

Copy to: Gill Banks, Chief Executive  
Debi Donnarumma, Principal  
Jos Parsons, Ofsted  
Kirston Nelson, Director of Education and Skills, Coventry City Council  
John Gregg, Director of Children's Services, Coventry City Council  
Clare Hatton, Head of Skills Delivery, WMCA  
Richard Atkins, FE Commissioner

## **Schedule 1: Inadequate Financial Health – Coventry College**

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed Coventry College as having inadequate financial health, following the submission/ review of the college's audited financial statements and financial record for 2018/19.

### **Timescales**

The additional conditions outlined within this schedule must be addressed swiftly. Once the FE Commissioner has completed his 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 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 and the FE Commissioner (regularity to be confirmed by ESFA).

### **Specific conditions**

1. The college must work with ESFA and the FE Commissioner and his advisers (names to be confirmed) 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.
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 28 February 2020.

The plan should demonstrate, in ESFA's assessment, that the proposed activity will secure the college's financial position. The plan should clearly indicate how the college intends to make sufficient cost savings and generate income to achieve this. 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 2020/21 and 2021/22, 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

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. 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.
4. The college must attend regular meetings with ESFA. Attendees should include, as a minimum, the CEO, 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, 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 Lorna Pursglove, Head of Area Midlands and East.

5. The college should continue to undertake a regular review of potential cash flow requirements and provide the ESFA with monthly management accounts (inclusive of narrative update reports) for review by the 25<sup>th</sup> of each month. The college should also complete the monthly cashflow template in the format provided by ESFA and the college's own detailed cash flow for a minimum period to the end of 2020/2021.
6. 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.
7. 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 EFA will take further action.
8. 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 to a sustained position that is assessed as being at least above weak requires improvement. In particular this will be evidenced by:
  - The college's audited finance record for the period 2019/20, evidencing improvement in the financial health score to at least above weak requires improvement.
  - ESFA's assessment that a score above weak requires improvement has been delivered in 2020/21, as evidenced by management accounts, cash flow forecasts, a mid-year update to the finance plan, and the finance record for 2019/20.
  - ESFA's assessment that beyond 2020/21 there is no significant risk of decline in financial health as evidenced by the financial plan and in year update for 2021/22 and potentially the finance record for 2020/21.
  - Sustained financial health points scores of 140 points or above, with all ratios scoring above 0 points and EBITDA as % of income (education specific) generating 50 points or higher.

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