



Education & Skills
Funding Agency

Education and Skills Funding Agency
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www.gov.uk/esfa

30 September 2020

David McVean
Chair of Governors
Moulton College
West Street
Moulton
Northamptonshire
NN3 7RR

Dear David

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 Moulton 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 re-issuing this NTI (first issued 3 January 2017) in order to reflect updated policies, new processes and the requirements for the submission and timing of financial data now in place. Moulton College is still classed as being in formal intervention. In addition, due to the seriousness of the concerns, the college is also in Supervised College status. The requirements of this status are included within Schedule 1.

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

In addition, Moulton College was assessed as overall inadequate by Ofsted at inspection in March 2018 and May 2019. Additional requirements are included within the schedule.

Monitoring

ESFA will continue to closely monitor progress made towards meeting these conditions through scheduled case conferences and will work with you and wider agencies to secure the best outcome for learners, employers and the local community.

Compliance

If Moulton 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 Moulton 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, Office for Students and the FE Commissioner.

Yours sincerely



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

Copy to: Corrie Harris, Principal
Jos Parsons, Ofsted
Cathi Hadley, Director of Children's Services, Northamptonshire
County Council
Office for Students
FE Commissioner

Schedule 1: Inadequate Financial Health – Moulton College

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

Based on the financial plans submitted by you July 2019 for 2018/19 to 2020/21 Moulton College has received an inadequate grade for financial health.

Timescales

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

In addition, where it is evident that sufficient improvement is not or cannot be achieved within the timescales specified, ESFA reserves the right to take further action 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 continue to work with ESFA and the FE Commissioner and his advisers, 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 in order for the assessment to be made.
2. The college must submit a revised draft financial recovery plan by no later than 31st January 2021 which should be approved and finalised by the college Corporation. The plan should take account of the impact of Covid-19 and align with the curriculum plan, the quality improvement plan and the estates strategy. 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 manage any short-term financial challenges such as cash flow, renewal of the Revolving Credit Facility and set out a long-term plan for sustainability.

The plan should detail specific, measurable, achievable, realistic and timely activities and milestones, and should cover but not be limited to:

- a financial plan, that outlines the path to a break-even operating budget including steps that will be taken should any milestones be missed
- a detailed costed curriculum plan that informs the finances at the college
- detailed financial planning tables, including supplementary narrative to explain assumptions in the planning
- a debt recovery plan that urgently reduces the levels of debt to sector standards, the FE Commissioner benchmark is 40% debt to income
- student number projections and staff planning assumptions, and a detailed sensitivity analysis on these assumptions

- governance and governor ownership and monitoring of the actions within the plan
- the arrangements for the management of any risks to the delivery and quality of education provision
- a long-term strategy, including any mitigations and alternative approaches, should key milestones not be met

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 college must attend regular meetings with ESFA. Attendees should include, as a minimum, the Principal, Director of Finance and Chair or another appropriate Governor to represent your Corporation. ESFA will arrange these meetings and your first point of contact is Vicky Ganley.
4. The college should continue to undertake a regular review of potential cash flow requirements. The college is required to supply ESFA with a copy of the monthly management accounts and a cashflow template, as provided by ESFA.
5. As the college has been placed in Supervised College status:
 - ESFA will attend Governing Body meetings and Finance and Resource Committees until it is satisfied that there is sufficient oversight and challenge of the recovery plan or until the college achieves an improved financial assessment. In addition, the college must supply in advance copies of agendas and papers for these meetings.
 - The college must inform ESFA in advance of any purchases or expenditure, including capital over £20,000, or when a financial decision is being considered that has a cost implication of £20,000 or more, for example, granting additional security to the college's bank. This should be reported monthly to vicky.ganley@education.gov.uk.
 - The college must inform ESFA in advance of any senior level appointments whether permanent or interim.
6. The college should continue to review performance against the post inspection action plan in preparation for the next full Ofsted inspection and provide ESFA with updates on progress at case conferences.
7. The college must share the outcomes of monitoring visits from Ofsted with the ESFA. These will be considered as evidence of the progress being made. When Ofsted notifies the college of its full re-inspection, the college must invite a representative of ESFA to attend the formal Ofsted feedback meeting.
8. This NTI may be revised and updated after the date of issue to reflect progress and/or any change in circumstances including, FE Commissioner's recommendations. It will be formally reviewed with you, at least annually, to ensure it remains appropriate and current.

9. 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, ESFA will take further action.
10. ESFA reserves the right to procure a third-party firm to undertake an Independent Business Review, the college would be required to co-operate in full with this process.
11. ESFA will determine when the college has made sufficient progress for the NTI to be lifted. This will be when the college's Ofsted grade is Requires Improvement or better **and** the financial health grade has improved from inadequate to a sustained position that is assessed as being at least "requires improvement" for two consecutive years. Alongside this the college should also be able to evidence a significant reduction in debt levels with a detailed and deliverable plan to reduce borrowing levels to sector standards.
12. When the college complies with the actions within the timescales set out, ESFA will lift the NTI and confirm this in writing.