



Financial Notice to Improve (“Notice”)

Issued to Lowestoft Sixth Form College on 13 November 2015

1. This Notice is issued in accordance with clause 5.5 of the college’s Funding Agreement because Lowestoft Sixth Form College has been assessed as inadequate by the EFA for its **Financial Health** for the current year 2015/16. This was notified to Yolanda Botham, Principal and Accounting Officer, in a letter from David Jeffrey, EFA, on 16 October 2015. The Financial Planning Handbook, section 2.8, sets out that where a college’s financial health is graded as ‘inadequate’ for the previous year (forecast or actual out-turn) or the current year (budget), this will form the basis for issuing a Financial Notice to Improve.
2. This Notice sets out actions that constitute additional conditions of funding with which Lowestoft Sixth Form College is required to comply in order that provision can continue to be funded (subject to compliance with the entirety of the 2015/16 EFA Conditions of Funding, including these additional conditions) by the EFA.
3. The Principal, as the Accounting Officer of the college, or the Chair of the Corporation, should acknowledge receipt of this Notice in writing to me within five working days of the date of the Notice.

Action Required

The college shall:

- a. Prepare and share with me by no later than the 8 January 2016 a draft Financial Recovery Plan, which should be approved by the college Corporation after the EFA’s comments have been received by the college.

The Financial Recovery plan should demonstrate, in the EFA’s assessment, that the proposed delivery will secure the college’s financial position by improving its EFA assessed financial health rating to at least satisfactory by the end of the academic year 2016 to 2017, and sustaining that rating beyond.

The recovery plan should clearly indicate whether the college plans to remain a stand-alone institution or whether it will implement the proposed merger that was agreed in principle with Lowestoft College and Great Yarmouth College as an outcome from the North East Norfolk and North Suffolk Area Review. The EFA believe that the proposed merger is likely to provide a more sustainable future for the college.

The Financial Recovery Plan should outline how the college will, through the merger,

deliver long term viability. The recovery plan should demonstrate in-year savings for 2015/16 and the savings that will be made from 2016/17 in the event of a successful merger. It should also benchmark costs against sector norms. The Recovery Plan should also include a sensitivity and risk analysis that considers the contingency arrangements should the merger be delayed or fail to proceed.

If the college does not merge, the financial health rating will be formally assessed by the evaluation of the college's audited accounts **and** the sustainability of the financial recovery will be evidenced by assessment of the college's financial plans. If the merger is intended to proceed, the EFA will assess equivalent information for the proposed merged entity.

The EFA will assess the Financial Recovery Plan and consider whether it is sufficiently robust. The EFA will subsequently monitor progress against the recovery plan throughout the first 12 months of recovery (and each subsequent year) to ensure that sufficient progress towards recovery is being made and agreed milestones have been reached.

The Financial Recovery Plan should include but not be limited to:

- plans and timescales for implementation of the area review's recommendations
 - the contextual background to your financial health judgement for each year
 - your planning assumptions including student number projections and staff planning, and a detailed sensitivity analysis on these assumptions; for both in year savings and moving forward into the new merged college
 - monthly cash flow projections for at least 12 months
 - income and expenditure account, cashflow and balance sheet projections covering sufficient years to demonstrate recovery to an EFA assessment of satisfactory financial health by 2016/17 at the latest
 - actions you will take to manage expenditure and maintain or increase income
 - actions you will take to implement savings you have identified, including specific measurable objectives for how you will maintain a stable financial recovery
 - governance and governor ownership and monitoring of the recovery
 - the management of risks to recovery and to the development, delivery and quality of education provision
- b.** Attend meetings with the EFA on a quarterly basis. Attendees including, as a minimum, the Principal, Director of Finance and Chair or other appropriate Governor to represent your Corporation, and/or the Chair or representatives of your Finance and/or your Audit Committee, to discuss the progress and pace of your financial recovery. The college will provide information to demonstrate the proper oversight and timely implementation of the financial recovery plan as requested by the EFA, including regular management reports and progress updates on the merger. The college will continue to undertake a regular review of potential cash flow requirements to inform short-term borrowing needs, and provide the EFA with an update on the position of borrowings as well as direct confirmations of its bankers' continuing support. The college is also required to produce monthly management accounts and monthly update reports to be reviewed by the EFA. The EFA will

arrange these meetings and your first point of contact

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5. This Notice may be revised and updated subsequent to the date of issue to reflect progress and/or any change in circumstances.
6. If, in the EFA'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.
7. The EFA will determine when the college has made sufficient progress for the Notice to be lifted. This will usually be when the college's financial health grade has improved from inadequate to at least satisfactory. However, if the EFA considers that insufficient progress is being made, it reserves the right to take further intervention action at any stage. If the college complies with the actions within the timescales set out, the EFA will, normally, lift the Notice and confirm this in writing.

NOTICE ISSUED BY:

David Jeffrey
Territorial Director - South
Education Funding Agency

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