



Education & Skills
Funding Agency

Education and Skills Funding Agency
The Cube
123 Albion Street
Leeds
LS2 8ER

3rd April 2019

Professor A Mullan
Chair of the Corporation
Hartlepool College of Further Education
Stockton Street
Hartlepool
TS24 7NT

Dear Professor Mullan

Financial Health Notice to Improve – Hartlepool College of Further Education

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 Hartlepool College of Further Education 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 Hartlepool College of Further Education has been assessed as having inadequate financial health by ESFA following submission and assessment of the college's financial record 2017 to 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 Hartlepool College of Further Education 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.

The FE Commissioner undertook a Diagnostic Assessment of the college in May 2018 which led to a Structure and Prospects Appraisal. This Diagnostic Assessment will now be updated and outputs communicated to the college.

Once the assessment report has been prepared 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.

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, and the local community.

Compliance

If Hartlepool College of Further Education 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 Hartlepool College of Further Education 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

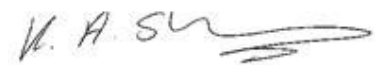
From 1 August 2017, and in accordance with the funding agreement, ESFA will be publishing all NTIs on .gov.uk.

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, the FE Commissioner and the Chief Executive of Hartlepool Borough Council.

Yours sincerely



Karen Sherry
Northern Territory Director
Further Education Directorate

Cc:

Darren Hankey, Principal, Hartlepool College of Further Education
Jos Parsons, Ofsted
Gill Alexander, Chief Executive, Hartlepool Borough Council
Richard Atkins, Further Education Commissioner

Schedule 1: Inadequate Financial Health - Hartlepool College of Further Education

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed Hartlepool College of Further Education as having inadequate financial health following submission and assessment of the college's financial record 2017 to 2018.

Timescales

The additional conditions outlined within this schedule must be addressed swiftly. Once the FE Commissioner has published his assessment, an additional schedule may be issued to confirm any additional conditions that are required.

Compliance in respect of the additional conditions will be on completion of the actions required and meeting the milestones and measures agreed by ESFA.

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

You are required to prepare a comprehensive response to address the identified underperformance, as outlined below. This will be reviewed at case conference and monitoring meetings with the ESFA FE Directorate Territorial Team and the FE Commissioner (regularity to be confirmed by ESFA).

Further conditions

1. The college must work with ESFA and the FE Commissioner and his advisers to undertake any additional independent assessments required 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 any additional assessment can be made, if considered necessary, by ESFA and the FE Commissioner.
2. The college must prepare and share with ESFA a draft financial recovery plan by Monday 29 April, upon which ESFA will provide comments. The final plan, approved by the college corporation, should then be submitted to ESFA by no later than Monday 27 May 2019. The plan must include specific, measurable, achievable, realistic and timely activities and milestones which demonstrate, in ESFA's assessment, that the proposed activity will secure the college's financial position. This should include, but not be limited to:
 - detailed financial planning tables, including supplementary narrative to explain assumptions in the planning;
 - student number and income projections and staff planning assumptions, and a detailed sensitivity analysis on these assumptions;
 - 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;
 - actions to improve forecasting of financial performance and oversight of the board in reviewing and challenging performance;

- governance and governor ownership and monitoring of the actions within the plan;
- the strategy for managing the college's reliance on subcontracted delivery.

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 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 Helen Williamson, Senior Manager FE Directorate Territorial Team.

4. The college should continue to undertake a regular review of potential cash flow requirements and the college is required to supply ESFA with monthly management accounts (inclusive of narrative update reports) for review by 25th of each month. The college will also be required to complete a monthly cash flow template and the format of this will be provided by ESFA.

5. ESFA may attend governing body meetings in an observer status until it is satisfied that there is sufficient oversight and challenge of the financial position. ESFA should receive all board papers related to finance.

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.

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 ESFA 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 in 2017/18 to a **sustained position** that is assessed as being, at least, above weak 'satisfactory' (as defined in ESFA's Early Intervention and Prevention Policy). In particular, this will be evidenced by:

- The college's audited finance record for the period 2018/19, evidencing improvement in the financial health score to at least above weak 'satisfactory'.
- ESFA's assessment that a score above weak 'satisfactory' has been sustained during 2019/20, as evidenced by management accounts, a mid-year update to the finance plan, and potentially the finance record for 2019/20.
- ESFA's assessment that beyond 2019/20 there is no significant risk of decline in financial health.

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