



Education & Skills
Funding Agency

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

17 June 2019

Mr Mervyn Ward
Chair of the Board of Corporation
Warrington & Vale Royal College
Winwick Road
Warrington
WA2 8QA

Dear Mr Ward

Financial Health Notice to Improve – Warrington & Vale Royal College

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 Warrington & Vale Royal 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 Warrington & Vale Royal College has been assessed as having inadequate financial health by ESFA following a review of the college's audited financial statements and finance record for 2017/18.

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 Warrington & Vale Royal 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 this NTI. The FE Commissioner's office will contact you regarding the arrangements for the assessment.

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, the local community.

Compliance

If Warrington & Vale Royal 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 Warrington & Vale Royal 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

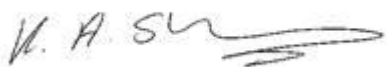
ESFA publishes all NTIs on .gov.uk

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, the Director of Education at Cheshire West and Chester Council and the Executive Director Families & Wellbeing at Warrington Borough Council.

Yours sincerely



Karen Sherry
Northern Territory Director
Further Education Directorate

Cc:

Nichola Newton, Principal, Warrington & Vale Royal College

Jos Parsons, Ofsted

Mr Steve Peddie, Executive Director Families & Wellbeing, Warrington Borough Council

Mark Parkinson, Director of Education, Cheshire West and Chester Council

Richard Atkins, Further Education Commissioner

Schedule 1: Inadequate Financial Health - Warrington & Vale Royal College

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed Warrington & Vale Royal College as having inadequate financial health following a review of the college's audited financial statements and finance record for 2017/18.

Timescales

The additional conditions outlined within this schedule must be addressed swiftly. Once the FE Commissioner has completed his assessment, an additional schedule will 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).

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 by Monday 15th July 2019, upon which ESFA will provide comments. The final plan, approved by the college corporation, should then be submitted to ESFA by no later than 31st August 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 plan should include, but not be limited to:

- detailed financial planning tables, including supplementary narrative to explain assumptions in the planning;
- financial planning tables, including supplementary narrative, which addresses alternative scenarios in respect of the college's estates strategy;
- the outcomes of exploration into further staff savings for 2019/20 and 2020/21,

- which should include a thorough review of curriculum areas;
- student number 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;
- 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 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 Steve Bunyan, Senior Manager FE Directorate Territorial Team.

4. The college should continue to undertake a regular review of potential cash flow requirements and supply ESFA with monthly management accounts (inclusive of narrative update reports) for review by 25th of each month. The college should also continue to complete the monthly cash flow template in the format provided by ESFA, and the college's own detailed cash flow.

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.

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 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 in 2017/18 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 2018/19, 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 2019/20, 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 2019/20 there is no significant risk of decline in financial health as evidenced by the financial plan and in year update for 2020/21 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.

ESFA reserves the right to take into account significant developments that may impact on the college's financial health in considering its assessment of progress as outlined above.

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