



Education & Skills
Funding Agency

Education and Skills Funding Agency
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20 December 2019

John McCabe
Chair of Governors
Gateshead College
Quarryfield Road
Baltic Business Quarter
Gateshead
NE8 3BE

Sent via email: john.mccabe@3rdparty.gateshead.ac.uk

Dear John

Financial Health Notice to Improve

This letter and its schedules constitute a Financial Notice to Improve (FNTI) 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 Gateshead College is required to comply with in order that ESFA can continue to fund. The conditions set out in the schedule(s) of this FNTI are in addition to the conditions of funding set out in the Funding Agreements.

I am issuing this FNTI because Gateshead College has been assessed as experiencing serious cash flow pressures. **Gateshead College is now in formal intervention.**

Schedule 1 attached sets out the actions required under this FNTI.

Referral to the FE Commissioner

This NTI aligns with the Department's published policy, *College Oversight: Support and Intervention* (April 2019). This FNTI also brings Gateshead 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 FNTI to reflect any recommendations made by him. These recommendations would be included in an additional schedule to, or reissue of, this FNTI. The FE Commissioner's office will contact you regarding the arrangements for the assessment.

Where a FNTI 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 Gateshead 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 Gateshead 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 FNTIs on gov.uk

Reviews

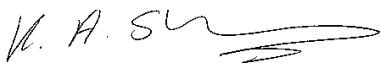
ESFA will regularly review this FNTI with you. It is likely that the FNTI will be re-issued, at least annually to ensure the terms and conditions remain relevant. ESFA reserves the right to reissue at any point should circumstances significantly change.

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 FNTI is being copied to Ofsted, your local authority, Office for students and the FE Commissioner.

Yours sincerely



Karen Sherry
Deputy Director, Intervention North, ESFA.

Cc:

Judith Doyle, Chief Executive / Principal

Jos Parsons, Ofsted

Caroline O'Neill, Strategic Director for Care, Wellbeing and Learning, Gateshead MBC

Office for Students

FE Commissioner

This schedule sets out the additional conditions relating to the improvement of the overall services. It has been issued because ESFA has assessed Gateshead College as experiencing serious cash flow pressures.

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 EFA 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 Intervention 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 31 January 2020. The contents of the plan should align with the financial plan due to be submitted to the ESFA in 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 to achieve financial sustainability.

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 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; for both in year savings and moving forward;
- 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 John Taylor (john1.taylor@education.gov.uk).

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 and a monthly cashflow template – the format to be provided by ESFA.

5. The ESFA reserves the right to procure a third party firm to undertake an Independent Business Review and that the college co-operates in full with this process

6. Option for poor financial controls: 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.

7. 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.

8. 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.

9. ESFA will determine when the college has made sufficient progress for the NTI to be lifted. When the college complies with the actions within the timescales set out ESFA will lift the NTI and confirm this in writing.