Education & Skills Funding Agency

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

10 March 2020

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 schedules of this NTI are in addition to the conditions of funding set out in the Funding Agreements.

I am reissuing this NTI (first issued 17 June 2019) following review to reflect that updated policies and new processes and requirements for the submission and timing of financial data are now in place. This NTI is also updated to incorporate recommendations from the FE Commissioner following publication on 23 January 2020 of the FEC Commissioner Intervention Summary Report. Warrington & Vale Royal College is still classed as being in **formal intervention.**

Schedules 1 and 2 attached set out the action required under this NTI and the updated conditions for lifting of this notice. These reflect that, as anticipated by the college and the ESFA, the criterion of improved financial performance in 2018 to 2019 was not met.

Monitoring

ESFA will continue to closely monitor progress made towards meeting these 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 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

Reviews

ESFA will regularly review this NTI with you. It is likely that the NTI will be reissued, 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, the FE Commissioner, Cheshire West and Chester Council, Warrington Borough Council, the Office for Students, and Liverpool City Region Combined Authority.

Yours sincerely

Karen Sherry
Northern Territory Director
Further Education Directorate

Cc:
Nichola Newton, Principal, Warrington & Vale Royal College
Jos Parsons, Ofsted
Ms Amanda Amesbury, Director of Children's Services, Warrington Borough Council
Mark Parkinson, Director of Education, Cheshire West and Chester Council
Richard Atkins, Further Education Commissioner
Office for Students
Claire Blott, Liverpool City Region Combined Authority

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 was originally issued on 17 June 2019 because ESFA 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. The schedule is updated to take account of the inadequate financial health for 2018/19 which, as anticipated by the college and the ESFA, has been reported in the college's audited financial statements and finance record for 2018/19.

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, 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 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 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. **Condition met.**

2. The college must continue to update and share with ESFA the financial recovery plan, the updated version of which which should be approved by the college Corporation. The plan should continue to 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 achieve the recommendation made by the FE Commissioner of a break even or better budget for 2020/21.

The plan should also include risk analysis that encompasses contingency arrangements should any significant aspects of the plan fail to proceed.

The plan must continue to 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 and which also address 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 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.

4. 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.

5. The college should submit in-year updates of the Integrated Financial Model for Colleges (IFMC), with the first return due 30 June 2020 and the next by 30 October 2020. The frequency of returns beyond this date will be discussed with you in case conferences. The college should also continue to undertake a regular review of potential cash flow requirements and supply ESFA with monthly management accounts (inclusive of narrative update reports and a 24-month rolling cash-flow) for review by 25th of each month. The college should also continue to complete the college's own detailed cash flow on a weekly basis until otherwise advised by ESFA.

6. 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.

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 EFA will take further action.

9. 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 and 2018/19 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 statements for the period 2019/20 due in the IFMC submission January 2021, evidencing improvement in the financial health score to at least above weak ‘requires improvement’.
- ESFA’s assessment that a score above weak ‘requires improvement’ will continue to be delivered in 2020/21, as evidenced by management accounts, cash flow forecasts, in-year IFMC submissions and potentially the audited statements for 2020/21 due in the IFMC submission January 2022.
- ESFA’s assessment that beyond 2020/21 there is no significant risk of decline in financial health.
- 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.

Schedule 2: FE Commissioner Recommendations: inadequate financial health, Warrington & Vale Royal College

This schedule sets out the additional conditions relating to the improvement of the overall services. It is being issued following publication of the FE Commissioner's Intervention Summary Report on 23 January 2020. This schedule takes account of the FE Commissioner's Recommendations contained within this report, which is available here: https://www.gov.uk/government/publications/fe-commissioner-intervention-warrington-and-vale-royal-college

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, 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 FE Directorate Territorial Team and the FE Commissioner (regularity to be confirmed by ESFA). Progress in delivery of the FE Commissioner's recommendations will also be reviewed by the FE Commissioner's team at periodic monitoring visits.

Specific conditions

1. With immediate effect, governors must commission the senior leadership team to develop a clear strategy to reverse the trends in student numbers at the former Mid Cheshire College.

2. Governors will need to consider whether the college is sustainable in its current form, if the strategy to reverse student number trends does not give a strong chance of significant upturn in the short to medium term. Alternative options, that take account of the failure to reverse recruitment trends, must be modelled as a matter of urgency.

3. The governors and principal must focus on generating funds from land sales and prepare robust alternative plans that take account of the uncertainty and possible delays that might be incurred.

4. The governors and principal must continue to carefully manage cash flow throughout 2019/20, and monitor the college's estates plan alongside this.

5. As 2019/20 will be the third consecutive year of deficits, the governing body must insist on a break even or better budget for 2020/21.