



Education
Funding
Agency

Education Funding Agency
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Tel: 0370 000 2288
[efa-enquiry-form](#)

20 December 2016

Mr Les Livermore
Chair of Governors
The Basildon Academies
Timberlog Close
Basildon
Essex
SS14 1UX

Via email: llivermore@basildonacademies.org.uk

Dear Mr Livermore

Financial Notice to Improve

I am writing to you in your capacity as Chair of The Basildon Academies (“the Trust”). This letter should be read in conjunction with the letter from Judy Anckorn dated 1 December.

I recognise the cooperation and extensive discussions that have taken place between the Trust and officials over the last six months. The EFA remains concerned by the size of the forecast cumulative deficit and the level of financial support that has been requested. As you are aware, the Trust is required to set a balanced budget each year, as set out in the Academies Financial Handbook (AFH). This is a formal requirement of the Trust’s funding agreement (FA). Paragraph 2.2.2 of the AFH clearly states:

The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute their approval(s).

Such non-compliance is often indicative of serious financial and/or governance issues. This letter and its annex serve as a written notice to improve financial management, control and governance at the Trust. It reflects the continued concerns regarding the financial controls, governance and oversight of financial management at the Trust.

The Trust is required, pursuant to the provisions of the Academy Financial Handbook (AFH) and the Funding Agreement (FA), to comply with the terms of this Financial Notice to Improve (the Notice). These terms are set out in Annex A. The Notice will be published in due course on www.gov.uk.

On receipt of this Notice, all of the delegated authorities as identified in the AFH will be revoked, and all transactions by the Trust previously covered by these delegations

(regardless of size) must come to the EFA for approval. These delegated authorities shall be returned to the Trust providing that the terms set out in the Notice have been complied with and continue to be complied with, to the satisfaction of the Secretary of State.

We will monitor progress made towards meeting the requirements associated with the Notice. We will lift the Notice when the requirements set out in the annex have been met. In the event that the Trust fails to meet the requirements of the Notice, to the satisfaction of the Secretary of State, the Trust will be considered to have failed to comply with the terms of the AFH. As a result of this breach of the AFH, and therefore also of the FA, the termination process in the FA may be triggered. Depending upon the severity of the breach, this may be considered a material breach of the terms of the FA and lead to termination.

I should be grateful if you would acknowledge receipt of this letter by email within 3 working days of the date of this letter to [REDACTED].

I am copying this letter to Doug Lawson, the Executive Principal and Accounting Officer, and Tim Coulson, the Regional Schools Commissioner for the East of England and North East London.

I look forward to hearing from you.

Yours sincerely



Mike Pettifer
Director, Academies and Maintained Schools Group

CC:
Doug Lawson, Executive Principal and Accounting Officer
Tim Coulson, Regional Schools Commissioner, East of England and North East London

The Basildon Academies

Ref: FNtIBasildonAcademies16122016

Financial Notice to Improve

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of The Basildon Academies ('the Trust'):

- Projecting deficits in 2015/16 and future years which will require advances of GAG funding from the EFA
- Failing to provide a satisfactory recovery plan
- Failing to ensure robust financial management, control and oversight

Conditions

2. We require the Trust to:

- provide and implement a robust deficit recovery plan which sets out a cumulative balanced budget based on realistic pupil numbers whilst outlining plans to repay all funding advances and outstanding Pupil Number Adjustment (PNA) by 31 August 2021. The plan must consider a range of projections for pupil numbers, allowing for risks such as changes in capacity of local provision. The plan must also be externally validated before submitting to the EFA, by no later than 20 January 2017, and must demonstrate that every possible economy is being made to reduce the overall amount of deficit
- commission a full and independent review of financial management and governance across the Trust which should include, as a minimum, an assessment of the oversight exercised by the Trust board, a skills audit of the current members and trustees and the scope for further efficiency savings, including using economies of scale to reduce staff costs. The review should also include the option of joining a MAT
- provide the draft Terms of Reference for that review, together with the CV of the individual or company the Trust board seeks to carry out the review, to the EFA by 11 January. Terms of reference and the reviewer must be agreed with the EFA no later than 20 January
- complete the review by 28 February 2017. The Trust must share all draft and final reports from the review with the EFA, prepare and implement an action plan to improve efficient and address any underlying weaknesses identified by the independent review. The plan should set out how the Trust will address any gaps in the existing skills mix of members and / or trustees so as to ensure the Trust is compliant with the AFH. The action plan should be submitted no later than 31 March 2017

3. The Trust is also required to:

- comply with the funding agreement requirement to submit all audited financial statements to the EFA on time and without qualification

- contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in their recovery plan

Financial Management Requirements

4. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the control weaknesses identified.
5. The Trust should take all appropriate actions to ensure the recovery plan and internal control action plan is fully implemented.
6. The Trust must satisfy the EFA that it is doing everything it can to rectify the weaknesses identified.

Timescales

7. The Trust must meet the timescales as set out above.

Monitoring and progress

8. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
9. Once the recovery plan has been agreed, the Trust will be required to meet additional specific conditions to enable the EFA to monitor compliance and progress.
10. We will expect the Trust to supply the following financial information on a monthly basis for a period of 12 months from agreement of the plan. The frequency of reports thereafter will be determined by the EFA, based on progress against the recovery plan:
 - A revenue income and expenditure report with a narrative explaining any significant variances for the current full academic year. Income and expenditure classifications in this report should follow those in the recovery plan
 - A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year; and
 - A detailed monthly cash flow forecast rolling 12 months ahead
11. All information should be emailed to [REDACTED].
12. The EFA reserves the right to amend and add further specific conditions to this Notice should they be required. This may include the recovery of funds from the Trust.
13. Should it become evident that the Trust is unlikely to fulfil the conditions or requirements set out in this Notice and/or within the agreed timescales, the EFA will begin to consider and explore the contractual intervention options available.

Compliance and the end of the notice period

14. Compliance with this Notice will be demonstrated when:
 - The Trust provides and implements a robust deficit recovery plan which sets out a cumulative balanced budget based on realistic pupil numbers whilst outlining

plans to repay all funding advances and outstanding Pupil Number Adjustment (PNA) by 31 August 2021

- The EFA receives the findings of the external review of financial management and governance together with an action plan to implement the recommendations.
- The milestones within the action plan to address the underlying weaknesses in financial management and governance are discharged
- The EFA receives financial information clearly demonstrating that no further financial support will be required and that any advances of funding can be repaid in line with agreed terms
- The Trust requests approval from the EFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent us using the [efa-enquiry-form](#)
- The EFA receives the Budget Forecast Return, by 31 July 2017
- The EFA receives audited financial statements with an unqualified audit opinion by 31 December 2017
- The EFA receives the auditors' management letter which does not raise concerns by 31 December 2017

15. When the Trust meets the conditions outlined in this annex, the Notice will no longer apply and the EFA will write to the Trust to confirm that the Notice has been lifted.