



Education & Skills
Funding Agency

Education and Skills Funding Agency
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[ESFA-enquiry-form](#)

16 January 2019

Acting Chair of Trustees,
Hinckley Academy and
John Cleveland 6th Form Centre,
Butt Lane,
Hinckley,
Leicestershire,
LE10 1LE

Company number: 09318755

Dear Acting Chair of Trustees

Financial Notice to Improve: Hinckley Academy and John Cleveland Sixth Form Centre

I am writing to you in your capacity as the Chair of Hinckley Academy and John Cleveland Sixth Form Centre (“the trust”).

The trust is in intervention with the Education and Skills Funding Agency (ESFA) due to concerns regarding financial management and governance. I remain concerned about the weak financial position of the trust, the inability to balance the budget and failure to meet the existing conditions of the previous Financial Notice to Improve (FNtl).

Section 2.2 of the Academies Financial Handbook (AFH) states:

The academy trust must prepare and monitor financial plans to ensure ongoing financial health.

However, the trust has not and continues to operate an in-year and cumulative deficit and has failed to implement an effective recovery plan.

Since May 2018, the trust has had multiple breaches of the previous notice including:

- Failure to repay a recoverable advance;
- Failure to strengthen financial management and governance;
- Requesting additional non-recoverable funding in September 2018;
- Failure to contact the ESFA at an early stage to advise that 2018/19 finances were deteriorating;
- Failure to submit the 2018 Budget Forecast Return Outturn on time.

This letter and its annex serve as a formal notice to improve financial management, control and governance at the trust. It replaces the previous notice which was issued to the trust on 6 May 2016 and reflects the worsening financial position of the trust and continued concerns on governance and oversight of financial management by the Board of Trustees.

The trust is required, pursuant to the provisions of the Academies Financial Handbook and Funding Agreement, to comply with the terms of this notice. These terms are set out in Annex A.

Upon receipt of this notice, all of the delegated authorities as identified in the AFH (sections 3.6-3.10) will be revoked, and all transactions by the trust previously covered by these delegations (regardless of size) must come to the ESFA for approval. This can be done using the online ESFA enquiry form.

These delegated authorities shall be returned to the trust providing that the terms set out in the notice have been complied with, on a substantiated basis, and to the satisfaction of the Secretary of State.

We will monitor progress made towards meeting the requirements associated with this notice. We will lift the notice when the requirements set out in Annex A have been met. In the event that the trust fails to meet the requirements of this 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.

I would be grateful if you could direct any queries, and acknowledge this letter within 3 working days of receipt, to [REDACTED].

I am copying this letter to the Accounting Officer – Richard Cahill, and the Regional Schools Commissioner for East Midlands and the Humber – John Edwards.

Yours sincerely



Mike Pettifer
Director: Academies and Maintained Schools Directorate

CC. Richard Cahill (Trust Accounting Officer)
John Edwards (Regional Schools Commissioner for East Midlands and the Humber)

Financial Notice to Improve:

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Hinckley Academy and John Cleveland Sixth Form Centre ('the trust') failing to:
 - Submit the Budget Forecast Return - Outturn (BFRO) as required by the 21 May 2018 deadline (AFH 1.4.2).
 - Manage cash flow effectively and maintain a balanced budget, including failure to provide a deficit recovery plan, failure to notify the ESFA at an early stage that the 2018/19 finances were deteriorating and requesting further financial support in September 2018 (AFH 2.2.7).
 - Ensure good financial management and effective internal controls (AFH 2.2.4).
 - Ensure robust governance arrangements (AFH 2.1.3).

Conditions

The Trust is required to:

2. Prepare and submit a revised financial recovery plan for the trust and a robust integrated curriculum and financial plan. The plans must address the issues identified by the School Resource Management Advisor (SRMA) and action any recommendations put forward by the SRMA **within six weeks of the SRMA's final visit**. The plan must include, as a minimum:
 - A schedule for repayment of the recoverable funding provided by ESFA;
 - How the trust will achieve a cumulative surplus position. This must be supported by robust budget forecasts, including an improving financial projection in the next Budget Forecast Return (BFR) due July 2019, with evidence to support realistic pupil number forecasts;
 - Confirm action to be taken on the SRMA recommendations;
 - How efficiency and savings will be achieved in line with the SRMA's recommendations;
 - Adopt National Deals (Deals for Schools), unless evidence is provided to the ESFA that an alternative (or current) supplier provides better value for money;
 - The trust is required to contact the ESFA at an early stage if it believes that performance is falling behind the schedule set out in the recovery plan.
3. The Trust is required to provide accurate monthly management accounts by the **first working day of each month, from February 2019, for a period of 12 months from agreement of the plan**. These must be signed off by the Chair and Accounting Officer. The frequency of reports thereafter will be determined by the ESFA, based on progress against the recovery plan:
 - 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;**
- Details of any further aged creditors, which cause cash flow pressures.

4. The trust is required to comply with the funding agreement requirement to:

- Submit all audited financial statements to the ESFA on time and without qualification;
- Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA;
- submit the Budget Forecast Return (BFR) by the deadline required by the ESFA;

5. Ensure that proper arrangements are in place, whereby the trust board has the appropriate skill set and processes in place to challenge and hold to account the Accounting Officer, Finance Officer and other members of the executive management team and evidence this.

6. The trust must demonstrate strengthened governance arrangements from February 2019 if re-brokerage of the academy into a MAT does not take place:

- The trust ensures there are clear lines of accountability between the Principal of the trust and the Governing Body, including effective oversight and support for financial management;
- The trust board are required to discuss and review the trust's finances bi-monthly and minutes are **to be provided to ESFA following the next trust board meeting.**

7. The trust are to take all actions it can to secure re-brokerage of Hinckley Academy and John Cleveland Sixth Form Centre (the Academy) into a Multi Academy Trust (MAT).

8. If re-brokerage of the Academy into a MAT does not take place:

- A Qualifying Floating Charge (QFC) will be applied to the trust against the £110k recoverable funding which was paid to the trust on 8 November 2018;
- The trust are to adopt the latest Model Funding Agreements.

9. The trust requests approval from the ESFA, in advance, for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent using the [esfa-enquiry-form](#). Retrospective approval will be deemed as a breach of the AFH.

10. The trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.

11. The trust should take all appropriate actions to ensure the conditions above are met.

12. The ESFA must be satisfied that the trust is doing everything it can to rectify the weaknesses identified.

Monitoring and progress

13. The trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.

14. The ESFA reserves the right to amend and add further specific conditions should they be required. Should it become evident that the trust is unlikely to fulfil the conditions and/or requirements set out in this notice and/or within the above timescales, the ESFA will begin to consider and explore the contractual intervention options available.

Compliance and the end of the notice period

15. Compliance with this notice will be demonstrated when:

- The trust has fully implemented a validated financial recovery plan.
- The trust provides evidence of sustained financial improvement, with all financial returns submitted by the specified deadlines.
- The ESFA is satisfied the trust has a strong governance structure in place which is effective.
- The trust provide assurances that the systems and processes are working effectively.
- The ESFA receives audited financial statements with an unqualified audit opinion by 31 December 2019.

16. When the trust meets the conditions outlined in this Annex, the ESFA will write to the trust to confirm that the notice no longer applies and has been lifted.