



Education & Skills  
Funding Agency

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

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

25 March 2019

Mr Simon Trotter  
Chair of Trustees  
Shooters Hill Sixth Form College  
Red Lion Lane  
London  
SE18 4LR

Company number: 08270802

Dear Mr Trotter

### **Financial notice to improve: Shooters Hill Sixth Form College**

I am writing to you in your capacity as the Chair of Shooters Hill Sixth Form College (“the Trust”).

As you are aware, the Trust has failed to set a balanced budget for 2017/18 and this clearly demonstrates ineffective internal financial controls. We are not currently satisfied that the Trust has taken full responsibility for its financial affairs and has not sought prior approval from the Education & Skills Funding Agency (ESFA) before making a special ex-gratia payment. These are formal requirements of the Trust’s Funding Agreement (FA) as set out in the Academies Financial Handbook (AFH) 2018.

Paragraph 2.3.1 of the AFH 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 its approval.

Paragraph 2.3.3 of the AFH states:

The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

- Budget setting – The board must ensure that budget forecasts, for the current year and beyond, are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and are reflective of lessons learned from previous years. It should challenge pupil number estimates as these will underpin revenue projections. Boards are encouraged to take an integrated approach to

curriculum and financial planning. Boards should also refer to DfE's material on improving school resource management including the top ten planning checks for governors.

- Budget monitoring – The trust must prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors. Managers must take appropriate action to ensure ongoing viability.

Management accounts must also be shared with the chair of trustees every month irrespective of the size of the trust, and with the other trustees six times a year. The board must consider these when it meets. The board must ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

The format of management accounts should be adjusted to be suitable for different users including summaries and supporting narrative as appropriate.

The trust must select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the Accounts Direction.

Where the board has concerns about financial performance, it should consider whether additional financial reporting is appropriate. ESFA may require additional financial reporting as a condition of an FNTI.

Paragraph 2.1.1 of the AFH states:

The academy trust must take full responsibility for its financial affairs and use resources efficiently to maximise outcomes for pupils

Paragraph 3.3.12 of the AFH states:

Ex gratia transactions must always be referred to ESFA for approval. HM Treasury approval may also be needed. If trusts are in any doubt about a proposed transaction, they should seek ESFA advice.

Failure to submit a balanced budget, maintain strong financial control and failure to seek prior approval for a special ex-gratia payment is a breach of the AFH and the FA. The ESFA has been working with the Trust since December 2018 to develop a robust and sustainable recovery plan. I recognise the cooperation and extensive discussions that have taken place between the Trust and officials, and that the Trust is now starting to take action to rectify these issues. However, my concerns remain in relation to the weak financial position and financial management at the Trust and we do now need a framework in place to secure the required improvements.

This letter and its annex serve as a written notice to improve financial management, control and governance at the Trust. It reflects the weak financial position of the Trust, continued concerns on governance and oversight of financial management by the board, and that the Trust expects to require financial support in 2018/19.

The Trust is required, pursuant to the provisions of the AFH and the FA, to comply with the terms of this financial notice to improve (“the 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 3.3 - 3.7) will be revoked, and all transactions by the Trust previously covered by these delegations (regardless of size) must come to the ESFA 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 Notice requirements. 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 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. Depending upon the severity of the breach, this may be considered a material breach of the terms of the FA and lead to termination.

Please acknowledge this letter by email within three working days of receipt to [REDACTED]

I am copying this letter to Jan Atkinson, Director of the Trust, and Dominic Herrington, the Regional Schools Commissioner for South-East England and South London.

I look forward to hearing from you.

Yours sincerely



**Mike Pettifer**  
**Director: Academies and Maintained Schools Directorate**

CC. Jan Atkinson, Director of the Trust  
Dominic Herrington (Regional Schools Commissioner for South-East England and South London)

**Financial notice to improve**

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (“Notice”) as a consequence of Shooters Hill Sixth Form College (‘the Trust’):
  - Failing to set a balanced budget for 2017/18, failure to establish strong internal financial controls and take responsibility for financial affairs and for not seeking prior approval for a special ex-gratia payment as required in the Academies Financial Handbook (AFH) paragraphs 2.3.1, 2.3.3, 2.1.1 and 3.3.12.
  - The Trust’s requirement for financial support from the ESFA in 2018/19.

**Conditions**

2. The Trust is required to:
  - Continue to work with a financial consultant and submit an updated financial recovery plan to the ESFA by 12 April 2019.
  - Deliver against the agreed recovery plan and any subsequent recovery plans. Provide the ESFA with monthly management accounts, to include cash flow, budget forecast, balance sheet and budget variance report, keeping the ESFA informed of progress under monthly progress reviews starting in April 2019.
  - Produce a robust implementation plan with clear milestones for any recommendations made by the SRMA by 12 April 2019.
  - Provide evidence of implementing school resource management tools and Integrated Curriculum Financial Planning (ICFP) to improve the Trust’s financial position by 30 April 2019.
  - Continue to work with Regional Schools Commissioner representatives to formalise a partner school/academy/trust to support the Trust with financial and educational improvements.
  - To explore with Regional Schools Commissioner representatives options to join a multi academy trust.
  - Set in-year balanced budgets from 2019/20 onwards, which includes a full repayment plan of any financial support that might be provided by the ESFA.
  - Arrange an independent review of financial management and internal controls to be undertaken in April 2019. The terms of reference and party undertaking the review must be agreed with the ESFA, and the report must be shared with the ESFA by the end of May 2019.
  - Prepare an action plan in response to recommendations from the review of financial management and internal controls, and this must be agreed with ESFA officials by the end of May 2019.

- Strengthen the executive team with the addition of a suitably qualified, experienced finance professional by end of June 2019.
- Commission a fully independent review of current governance arrangements using an organisation approved by the National Governors Association. The terms of reference must be agreed with the ESFA, and the report findings must be shared with the ESFA by end of June 2019.
- Prepare an action plan in response to the recommendations from a review of governance, and this must be agreed with the ESFA by end June 2019. This plan must demonstrate the timings when all the recommendations will be implemented.
- Carry out a full restructure of the board, ensuring clear separation between members and trustees' responsibilities, ensuring the appropriate skill set and processes are in place to oversee the financial recovery of the Trust and hold to account the Accounting Officer, Finance Officer and other members of the executive management team, and evidence this by the end of July 2019.
- The Trust should consider any Regional Schools Commissioner nominated individuals to strengthen the Trust board and the ESFA reserves the right to nominate an Academy Ambassador to support the Trust's financial recovery.
- Ensure that levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities by end of May 2019.
- The Trust will not consider any pay awards (in the absence of contractual entitlement) in respect of members of the executive team currently earning in excess of £100,000, whilst the Trust remains under the Notice restriction.
- Adopt the new model funding agreement by end of May 2019.

### **Financial management requirements**

3. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
4. The Trust should take all appropriate actions to ensure the updated recovery plan actions are fully implemented. This plan will demonstrate how the Trust will sustain long-term financial viability. This must be agreed with the ESFA.
5. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

### **Timescales**

6. The Trust must adhere to deadlines associated with conditions, monitoring and progress actions and compliance set out in this notice.

### **Monitoring and progress**

7. Provide the ESFA with monthly management accounts to include cash flow, budget forecast, balance sheet and budget variance report on the 12th of each month, commencing in April 2019, initially for the first twelve months of the Notice. The frequency of the reports thereafter will be determined by the ESFA, based on progress against the Trust's recovery plan.
8. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress. The ESFA may introduce FNtl progress meetings to review progress against the recovery plan and other progress related to the conditions.
9. 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 consider and explore the contractual intervention options available.
10. The ESFA reserves the right to amend and add further specific conditions to this Notice should they be required.

### **Compliance and the end of the notice period**

11. Compliance with this Notice will be demonstrated when:

- The SRMA review of financial management and internal controls has been completed and all recommended actions have been taken.
- The recovery plan is agreed and all actions are completed.
- The independent governance review has been completed and all recommended actions have been taken.
- Financial recovery, consistent with the agreed recovery plan, has been sustained until 31 December 2021 as evidenced in the audited financial statements for each year.
- Advances of funding can be repaid in line with agreed terms by 31 August 2023.
- Integrated Curriculum Financial Planning (ICFP) has been used to improve the Trust's financial position.
- The Trust board are providing the right balance of challenge and have the skills necessary to carry out their duties effectively.  
The Trust executive team contains a suitably qualified, experienced finance professional.
- The Trust can demonstrate clear separation between members and trustees in line with the Governance Handbook.  
Senior leadership pay adequately reflects an individual's role and responsibilities.
- The Trust is on the new model funding agreement.
- The Trust requests approval from the ESFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent us using the ESFA-enquiry-form.

- The ESFA receives the Budget Forecast Return by 31 July each year.
- The ESFA receives audited financial statements with an unqualified audit opinion every year by 31 December.
- The ESFA receives yearly auditors' management letters that do not raise concerns until 31 December 2021.

12. When the Trust meets the conditions outlined in this annex, the ESFA will write to the Trust to confirm that the Notice has been lifted.