



Education & Skills  
Funding Agency

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

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

12 June 2019

Mr Graeme Cock  
South Dartmoor Academy Trust  
South Dartmoor Community College  
Balland Lane  
Ashburton  
TQ13 7EW

Company Number: 07561204

### **Financial notice to improve: South Dartmoor Academy Trust**

Dear Mr Cock

I am writing to you in your capacity as the Chair of South Dartmoor Academy Trust (“the trust”).

As you know, the Education and Skills Funding Agency (ESFA) has been monitoring the trust’s progress towards setting a balanced budget. I recognise the cooperation and extensive discussions that have taken place between the trust and officials, the changes you have already made and the plans in place to strengthen accounting and improve the financial position. However, my concerns remain in relation to the weak financial position of the trust.

I note that the trust was unable to remove itself from a deficit position in 2017/18 and I am concerned about the level of cash flow support that the trust requires while it makes the savings required in order to set a balanced budget for 2018/19 and 2019/20. Setting a balanced budget is a formal requirement of the trust’s Funding Agreement (FA) as set out in the Academies Financial Handbook (AFH). Paragraph 2.3.1 of the Academies Financial Handbook (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.*

Non-compliance with the FA and AFH is often indicative of serious financial 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 weak financial position of the trust and the need to strengthen the governance arrangements and oversight of financial management by the Board.

The trust is now 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.

Upon receipt of this Notice, all of the delegated authorities as identified in the AFH (section 3.3 – 3.7 and Annex B) 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 requirements associated with this 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 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 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 three working days of the date of this letter to [REDACTED].

I am copying this letter to Rachel Shaw, the CEO of the trust and Lisa Mannall, the Regional Schools Commissioner (RSC) for South West England (SW).

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Pettifer', written in a cursive style.

Mike Pettifer

Director: Academies and Maintained Schools Group

CC. Rachel Shaw (CEO South Dartmoor Academy Trust)  
Lisa Mannall (Regional School Commissioner for South West England)

**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 South Dartmoor's ('the trust'):
  - Weak financial controls which led to it being unable to achieve a cumulative surplus position for 2017/18 as required in the Academies Financial Handbook (AFH) paragraph 2.3.1; and the
  - Poor financial position of the trust which means that it requires repayable cash flow support to enable it to set a balanced budget for 2018/19 and 2019/20

**Conditions**

2. The trust submits to the ESFA an updated recovery plan by 31 July 2019 and a robust plan with timescales setting out the actions that the trust will take in order to set a balanced budget by 31 August 2022 or before. The recovery plan will need to show how the cash flow support from the ESFA will be used to support a restructure programme that puts the trust back on a sustainable footing. The recovery plan should include actions with timescales to implement recommendations for efficiency savings made by the Schools Resource Management Adviser.
3. The trust repays all recoverable funds granted by ESFA starting on 1st December 2019 and by 31 August 2021, or an alternative timescale agreed with the ESFA.
4. The trust attends monthly monitoring meetings with the ESFA to review progress against the recovery plan and action taken following the Schools Resource Management Adviser's recommendations, until the ESFA confirms in writing that these monitoring meetings are no longer needed.
5. The trust provides the ESFA with monthly management accounts which should include cash flow reports, balance sheets, finance movements and creditors, starting on the 29 June 2019 (for May) until ESFA confirms in writing that these are no longer needed.
6. The trust must ensure that pay for non-teaching staff earning £60k+ does not increase beyond existing contractual entitlements without prior approval of the ESFA until the Financial Notice to Improve is lifted.
7. The trust uses benchmarking comparisons to confirm to the ESFA in writing by 31 July 2019 that the leadership costs post-restructure are in line with benchmarks for a MAT of the size of South Dartmoor
8. The trust commissions an external review of governance with recommendations on skills gaps and the composition of the board. This only needs to be completed if the trust board is likely to continue beyond January 2020.

9. The trust board completes a skills audit to be shared with the ESFA by 31 July 2019.
10. The trust considers strengthening its board by recruiting additional trustees. We recommend using Academy Ambassadors to help find suitable skilled and experienced trustees.
11. The trust supplies the date of the next internal audit by 5 July and submits the audit report to ESFA within one week of receiving it.

### **Financial management requirements**

12. The trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
13. The trust should take all appropriate actions to ensure an action plan is fully implemented.
14. The ESFA must be satisfied that the trust is doing everything it can to rectify the weaknesses identified.

### **Monitoring and progress**

15. The trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
16. 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**

17. Compliance with this Notice will be demonstrated when:
  - The ESFA receives an accurate, realistic and revised recovery plan by 31 July 2019.
  - The trust provides a review of leadership costs by 31 July 2019, clearly identifying the need for each leadership role.
  - The trust repays all recoverable funds granted by the ESFA by 31 August 2021.
  - 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 using the ESFA-enquiry-form.
  - The trust submits the required financial returns on time to include the Budget Forecast Return, by 31 July 2019.
  - The ESFA receives the audited financial statements with an unqualified audit opinion 31 December 2019.
18. 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.