



Education & Skills  
Funding Agency

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

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

21 January 2021

Robert Cohen  
Chair of Trustees  
East London UTC Limited  
Yew Tree Avenue  
Rainham Road South  
Dagenham East  
RM10 7FN  
Company Number: 07649596

Dear Mr Cohen

### **Financial Notice to Improve: East London UTC Limited**

I am writing to you in your capacity as the Chair of East London UTC Limited ('the Trust').

As you know, the Education and Skills Funding Agency (ESFA) has been monitoring the Trust's progress towards meeting the conditions set out in Deputy Director Maureen Boston's Financial Notice to Improve warning letter, issued on 30 January 2020. I recognise the cooperation and extensive discussions that have taken place between the Trust and officials and the changes you have already made to strengthen accounting and internal financial controls. However, my concerns remain in relation to the weak financial position and financial management at the Trust.

Paragraphs 2.10 – 2.24 of the [Academies Financial Handbook](#) (AFH) clearly state:

“The board of trustees **must** approve a balanced budget, and any significant changes to it, for the financial year to 31 August...the board **must** ensure 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 reflect lessons learned from previous years. It should challenge pupil number estimates as these underpin revenue projections and review these termly...management **must** take appropriate action to ensure ongoing viability...Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place...the trust **must** manage its cash position robustly. It **must** avoid becoming overdrawn on any of its bank accounts...It may be required to report on its cash position to ESFA where there are concerns about financial management”.

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust (Financial Notice to Improve or “the Notice”). It reflects the weak financial position of the Trust and continued concerns on governance and oversight of financial management by the Board.

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 Notice. These terms are set out in Annex A and Annex B.

Being issued with a Notice means that certain delegated authorities, as defined in the AFH, have been revoked. All transactions previously covered by these delegations, regardless of their size, must now be approved in advance by ESFA, specifically:

- special staff severance payments
- compensation payments
- writing off debts and losses
- entering into guarantees, indemnities or letters of comfort
- disposals of fixed assets beyond any limit in the funding agreement
- taking up a leasehold or tenancy agreement on land and buildings of a duration beyond any limit in the trust’s funding agreement
- GAG carry forward from one year to the next beyond any limit in the funding agreement and the pooling of GAG by MATs

If the Trust comes to the ESFA to seek retrospective approval this will be deemed a breach of the AFH. Further details of the approval process will be forwarded to the Accounting Officer upon acknowledgment of receipt of this letter. These delegated authorities shall be returned to the Trust once we are satisfied that the requirements of the Notice have been, and will continue to be, complied with to the satisfaction of the Secretary of State.

We will monitor progress made towards meeting the requirements of this Notice. We will lift the Notice when the requirements set out in the annex have been met in full.

We reserve the right to issue a revised Notice and add further specific conditions if required, should the trust fail to make sufficient progress against the original conditions. 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 agreed timescales, we will explore the contractual intervention options available.

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. This will amount to a breach of the terms of the FA and may lead to termination.

If continued non-compliance with the AFH occurs, we may also refer the case to the Charity Commission and/or Insolvency Service for further investigation, as deemed appropriate in the circumstances.

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]. In line with the requirements set out in ESFA's publishing policy, the Trust has 10 working days to offer any final comments on factual accuracy before publication. The Trust is required to publish the FNTI on its website within 14 days of it being issued and retain it on the website until the FNTI is lifted by ESFA.

I am copying this letter to the Accounting Officer Kim Donovan-Maddix, Trust Members Alison Calnan, Nigel Titchener-Hooker, Patrick Anthony Chandler and Bill Williams, and Sue Baldwin, the Regional Schools Commissioner (RSC) for East of England and North-East London.

I look forward to hearing from you.

Yours sincerely



**Warwick Sharp**

**Director, Academies and Maintained Schools Directorate**

CC. Kim Donovan-Maddix, Accounting Officer of Trust  
Sue Baldwin, RSC for East of England and North-East London  
Alison Calnan, Trust Member  
Nigel Titchener-Hooker, Trust Member  
Patrick Anthony Chandler, Trust Member  
Bill Williams, Trust Member

### **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 East London UTC Limited (the 'Trust')
  - Failing to approve a balanced budget; failing to ensure ongoing viability and failing to manage its cash position robustly as required in the Academies Financial Handbook (AFH) paragraphs 2.10 - 2.24.

### **Conditions**

2. The trust is required to comply with all of the conditions set out in Annex B.

### **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 and return to compliance with the Academies Financial Handbook.
4. The Trust should take all appropriate actions to ensure the action plan agreed with the ESFA is fully implemented.
5. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

### **Monitoring and progress**

6. The Trust is required to submit the evidence for the specific conditions to the timescales outlined in Annex B to enable the ESFA to monitor compliance and progress.
7. 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 given timescales, the ESFA will begin to consider and explore the contractual intervention options available.

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

8. As outlined in Annex B, the trust is required to submit evidence to demonstrate compliance with the conditions of this notice, which the ESFA will use to monitor the trust's progress. Annex B sets out the detail of the evidence required to fulfil the condition and the timescales to submit this evidence to the ESFA.
9. When the Trust meets all the conditions outlined in this Notice, is fully compliant with the most recent edition of the AFH and no other breaches have been identified, the ESFA will write to the Trust to confirm that the Notice has been lifted.

**Table of conditions**

The table below summarises the conditions that have been placed upon East London UTC Limited (“the Trust”)]. It sets out the evidence the Trust must provide, and the timescales the Trust must meet, to show that they have complied with the Financial Notice to Improve (“the Notice”). All conditions set out in the table must be met before the Notice can be lifted.

Condition	Evidence required to show compliance with the notice	Timescale
<p>1. The trust is required to:</p> <ul style="list-style-type: none"> <li>a) Comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification.</li> <li>b) Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA.</li> <li>c) The Trust is required to submit the Budget Forecast Return (BFR) by the deadline required by the ESFA.</li> <li>d) Contact the ESFA at an early stage if it believes it is not able to follow is falling behind the schedule set out in their Trust financial plan.</li> </ul>	<p>The ESFA receives audited financial statements by the deadline required by the ESFA, each year until the FNtl is lifted.</p> <p>The ESFA receives BFRO by the deadline required by the ESFA, each year until FNtl is lifted.</p> <p>The ESFA receives BFR by the deadline required by the ESFA, each year until FNtl is lifted.</p> <p>Returns show recovery in line with the Trust financial plan.</p>	<p>Submit audited financial statements by the deadline required by the ESFA, each year until the FNtl is lifted.</p> <p>Submit BFRO by the deadline required by the ESFA, each year until FNtl is lifted.</p> <p>Submit BFR by the deadline required by the ESFA, each year until FNtl is lifted.</p>
<p>2. 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 <a href="#">ESFA enquiry form</a>.</p>	<p>The Trust must submit a request for approval for any actions relating to the delegated freedom revoked under the terms of the FNtl.</p>	<p>Until the FNtl is lifted.</p>

<p>Retrospective approval will be deemed as a breach of the AFH.</p>		
<p>3. The Trust is required to continue to hold Board meetings every other month and Finance and Audit Committee meetings every month and submit minutes to the ESFA once approved.</p>	<p>The Trust must provide the ESFA with a list of dates for planned Board meetings and planned Finance and Audit committee meetings at the start of each academic year.</p> <p>The Trust must provide the ESFA with a copy of the approved minutes. The minutes to Board meetings must be submitted on a bi-monthly basis and the minutes to Finance and Audit committee meetings must be submitted on a monthly basis.</p>	<p>Submit minutes to Board meetings on a bi-monthly basis until the FNtl is lifted.</p> <p>Submit minutes to Finance and Audit committee meetings on a monthly basis until the FNtl is lifted.</p>
<p>4. The Trust is required to continue to submit monthly management accounts to the ESFA by the 10<sup>th</sup> of every month until further notice.</p>	<p>The Trust must provide the ESFA with monthly management accounts by the 10<sup>th</sup> of each month, every month until the FNtl is lifted.</p> <p>The format of monthly management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.</p>	<p>Monthly by the 10<sup>th</sup> of each month until the FNtl is lifted.</p>