



Education  
Funding  
Agency

Mr Nick Spenceley  
Chair of Governors  
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[www.education.gov.uk/help/contactus](http://www.education.gov.uk/help/contactus)**

**Date: 26 March 2015**

Dear Mr Spenceley

### **Financial Notice to Improve**

I am writing to you in your capacity as Chair of Governors for New Campus Basildon Studio School ('the Trust'). As you know, we have had concerns about financial management and governance at the Trust for some time.

We issued a letter on 10 February 2015 stating that we were minded to issue a Financial Notice to Improve, due to the failure of the Trust to submit financial statements by the required date of 31 December 2014. Although the financial statements have been submitted, they were more than two months late. Any delay constitutes a lack of compliance with the academy regulatory framework – a significant delay of this type indicates a breakdown in governance processes.

Our subsequent review of the Trust's financial statements submitted in March 2015 highlighted significant issues and a number of high risk recommendations were made in the Auditors' Management Letter. The Auditors provided a 'disclaimer of opinion' on the basis that audit evidence available was limited so they were unable to confirm the appropriateness of preparing the financial statement. In addition, there are concerns around the status of the loan arrangement between the Trust and Seevic College. This should have been a short term loan. It is not clear why this short term loan has remained outstanding and why it seems there has been further borrowing to cover recurrent costs.

The Trust is also currently running a significant deficit, partially due to a failure to budget adequately for a pupil number adjustment.

I am therefore writing to inform you of my decision to issue a Financial Notice to Improve ("the Notice") to the Trust. This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust.

Upon receipt of this Notice all of the delegated authorities as identified in the Academies Financial Handbook (AFH) will be revoked, and all transactions by your trust previously

covered by these delegations (regardless of size) must come to the Education Funding Agency (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.

The Trust is required, pursuant to the provisions of the AFH and the funding agreement, to comply with the terms of this Notice. These terms are set out in Annex A.

We will work with you to support and 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. If the Trust fails to comply with the terms of this Notice, the Trust will be considered to have failed to comply with the terms of the AFH, which all academies must comply with by virtue of the terms of the Funding Agreement. Depending upon the severity of the breach, this may be considered a material breach of the terms of the funding agreement and lead to the termination of the funding agreement.

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

[REDACTED] Please send a complete action plan to meet the requirements associated with this Notice by the close of business on 22 April 2015. As the Trust has declared a deficit, a robust recovery plan will also be required by the same date.

Yours sincerely

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

Sue Baldwin

Director, Academies and Maintained Schools Group

Cc: Jasmine West, Accounting Officer

**New Campus Basildon Studio School ('the Trust')****Conditions**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice'), pursuant to paragraph 1.5.6 of the Academies Financial Handbook 2014, as a consequence of:
  - The Trust's failure to submit financial returns by 31 December 2014;
  - The Trust's lack of financial management and governance oversight arrangements which have led to financial irregularities and weaknesses highlighted by the financial statements and management letter received by EFA in February 2015. This includes breaches of the Academies Financial Handbook;
  - The Trust's general management of the academy budget and finances, which has led to cashflow issues leading to a short term advance and current forecast cash flow deficit; and
  - The status of the loan between Seevic College and Trust.
2. On financial management and governance, the Trust is required to prepare and implement an action plan to address the underlying weaknesses in financial management and governance and the serious findings laid out in the 2013/14 Auditor's Management Letter. This needs to include:
  - The Trust's financial management controls and monitoring arrangements including plans for any improvements – including setting in place business continuity plans;
  - A plan to strengthen and secure prompt internal financial management interventions including action planning and proper reconciliation processes;
  - Actions to address each of the weaknesses highlighted in the auditor's 2013/14 Management Letter;
  - Details as to how the related party transactions, including the loan, between the Trust and the sponsor college will be put on a formal footing;
  - A review of governance, setting out a plan to improve oversight to ensure financial plans are agreed appropriately, and that financial returns are accurate and timely;
  - Details of how any identified gaps in financial management skills for staff and governors responsible for finances will be addressed.
3. On the Trust's financial position, the Trust is required to submit a deficit recovery plan, detailing how the Trust intends to return to a financially viable position. This needs to include:

- Revised and updated budget forecasts showing a balanced budget as soon as possible, and no later than the end of 2015/16;
  - A detailed plan for the recovery of the emergency advance, which is due to be repaid in August 2015; and
  - The amount of any cash advance required to address the current deficit, together with proposals for repayment.
4. The Trust is required to ensure that all financial returns for 2014/15 are submitted to the EFA in the correct manner, and by the published deadlines e.g. the budget forecast return by 31 July 2015, and the audited financial statements by 31 December 2015.
5. Please note however:
- 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;
  - The Trust should take all appropriate actions to ensure the agreed action plan is fully implemented; and
  - The EFA must be satisfied that the Trust is doing what it can to rectify the weaknesses identified.

### **Timescales**

6. The Trust will need to further develop its action plan, setting out a full set of actions to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice. The final plan must be submitted to the EFA by close of business 22 April 2015.
7. We will agree milestones and monitoring as part of finalising the plan. We would expect all underpinning systems and processes to be fully operational by the end of July 2015.

### **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. The Trust must supply the EFA with monthly financial monitoring information by the 20th working day of each month and monthly progress reports on the work undertaken and the improvements and outcomes achieved. The Trust should contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan.
10. Should it become evident that the Trust is unlikely to fulfil the conditions of this Notice within the above timescales the EFA will begin to consider and explore the contractual intervention options available.

## **Compliance and the End of the Notice Period**

11. Compliance with this Notice will be demonstrated when all measures set out in the action plan are in place and the EFA is able to validate, by visiting the Trust to conduct testing as appropriate, that the new arrangements are being embedded throughout the Trust; and the EFA receives a future updated budget projection demonstrating, with reasonable certainty, that no additional financial support – beyond any support agreed as part of a recovery plan – is required.
12. When the Trust meets the conditions outlined above, to the satisfaction of the EFA this specific Notice will no longer apply. At this point the EFA will write to the Trust again to confirm the Notice has been lifted.