



Education
Funding
Agency

Education Funding Agency
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Great Smith Street
London SW1P 3BT

Tel: 0370 000 2288

Email enquiry form:

www.education.gov.uk/help/contactus

Date: 26 February 2014

[REDACTED]
[REDACTED]

Kirkby Stephen Grammar School
Christian Head
Kirkby Stephen
Cumbria CA17 4HA

Dear [REDACTED]

I am writing to you in your capacity as the [REDACTED] of Kirkby Stephen Grammar School Trust ("the Trust") about the financial position at the Trust and further to informing you on 13 January 2014 that we would issue a Financial Notice to Improve ("the Notice") should additional financial support be provided to the Trust.

Your proposal for financial recovery set out in the revised recovery plan referenced in Annex B to this letter, submitted to us on 10 February 2014 shows that with financial support a balanced budget will be achieved by academic year 2017/2018, only with an advance of funding. This advance has been agreed and as such, I am issuing this Notice in response to the Trust failing to deliver the expected financial improvements detailed in their original recovery plan dated April 2012 and the Trust's increasing deficit balance despite receiving deficit funding in September 2012. .

This letter and its annexes serve as written notice to improve financial management, control and governance at the Trust. The Trust is required to comply with the conditions of this Notice as set out in Annex A.

Upon receipt of this Notice, all of the delegated authorities and other freedoms in part 2 of the Academies Financial Handbook (AFH) will be revoked. All transactions by the Trust of this nature, regardless of size, must come to us 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 A have been met. In the event that the Trust fails to meet the requirements of this Notice we will need to consider the contractual intervention options set out in the funding agreement.

I should be grateful if you would acknowledge receipt of this letter and provide a formal response to confirm that you agree to the requirements associated with this Notice within

five days of the date of this letter. This should be sent by email to [REDACTED] [REDACTED]
[REDACTED]. I have sent a copy of this letter to the chair of the governing body.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Baldwin'. The signature is written in a cursive style with a large initial 'S' and 'B'.

Sue Baldwin
Director, Academies and Maintained Schools Group

Financial Notice to Improve

Kirkby Stephen Grammar School

Conditions

1. The Education Funding Agency (EFA) is issuing a Financial Notice to Improve (the 'Notice') as a consequence of:
 - the Trust's failure to balance its budget;
 - the Trust's requirement for additional financial support from EFA;
 - the Trust's failure to submit audited financial statements for the academic year 2012/2013 by relevant deadlines;
 - EFA's on-going concern about the Trust's ability to manage its finances effectively in order to achieve financial recovery.
2. The Trust is required to:
 - Deliver against the agreed recovery plan to achieve in-year surplus balances in 2014/15, 2015/16, 2016/17 and 2017/18 and to complete repaying the advance by 31 August 2018 at the latest
 - Submit their signed, audited financial statements for 2012/2013 to EFA by 31 March 2014. Comply with the funding agreement requirement to submit all future audited financial statements to EFA by 31 December each year, without qualification.
3. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved, as detailed in Annex C for the first 12 months of the Notice and then EFA will review this and consider reducing the frequency of the reports to quarterly.
4. The Trust should contact the EFA at an early stage if it believed that financial performance is falling behind the schedule set out in the recovery plan.

End of Notice Period

5. The Notice will no longer apply when the above conditions have been met and the Trust has achieved the following position:
 - Financial recovery consistent with the agreed recovery plan, sustained until 31 August 2016, as evidenced in the audited financial statements for that year, demonstrating no further requirement for deficit funding; and
 - No audit qualification or adverse regularity opinions in the audited financial statements for any years up to 31 August 2016.

Kirkby Stephen Grammar School Recovery Plan

1. The recovery plan provided by the Trust provides a challenging strategy to reduce staffing costs and stabilise financial health in order to secure the Trust's long-term viability.
2. To help the Trust recover, the EFA will provide advances of funding on the basis of the agreed recovery plan dated 10 February 2014, but only where such financial support is absolutely necessary.
3. The Trust should ensure they achieve delivery of the financial savings and that academic improvements are realised.
4. The Trust should take all appropriate action to ensure the agreed recovery plan is fully implemented, strengthening the control and governance procedures where necessary.
5. EFA considers that with the proposed cost savings and staff restructuring, the plan presents a financial recovery that is acceptable. To allow the Trust to continue operating during its recovery period, the EFA has allowed the Trust to repay the deficit funding over 4 years. The expectation is that repayment will be completed by 31 August 2018 at the latest.
6. Financial recovery consistent with the agreed recovery plan, sustained until 31 August 2016, as evidenced in the audited financial statements for that year, demonstrating no further requirement for deficit funding; and
7. No audit qualification or adverse regularity opinions in the audited financial statements for any years up to 31 August 2016.

Monitoring and Progress

1. Financial Reports

We expect the Trust to continue to supply the following financial information by the 10th of each month until further notice:

a. A revenue income and expenditure report setting out:

- The budget for the current academic year to date;
- Actual results for the current academic year to date;
- A narrative explaining any significant variances for the year to date;
- The budget for the current full academic year as stated in the recovery plan;
- The latest forecast for the current full academic year;
- 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.

b. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year.

c. A detailed monthly cash flow forecast rolling forward 12 months ahead. For example, the first cash flow report should cover the period from 1 September 2013 to 31 August 2014.

This financial information should be emailed to [REDACTED] [REDACTED] and [REDACTED] [REDACTED] at [REDACTED] and [REDACTED]