



Education & Skills
Funding Agency

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

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

22 September 2017

Mr D Anderson
Plymouth CAST
St Boniface House
Ashburton
Newton Abbott
Devon
TQ13 7JL

Dear Mr Anderson

Financial notice to improve: Plymouth CAST

I am writing to you in your capacity as Chair of Plymouth CAST (“the trust”).

I recognise the collaboration and extensive discussions that have taken place between the trust and officials. However my concerns remain in relation to the weak financial management and inadequate governance at the trust.

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 continued concerns around 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 Financial Notice to Improve (“the Notice”). These terms are set out in Annex A. In addition, the Notice will be published in due course on GOV.UK.

Upon receipt of this Notice, all of the delegated authorities as identified in the AFH (sections 3.6-3.10) 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 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.

I should be grateful if you would acknowledge receipt of this letter by email by 25 September to [REDACTED]

I am copying this letter to Kate Griffin (Interim CEO of the trust) and to Christine Quinn (the Regional Schools Commissioner (RSC) for the West Midlands). 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. Ms Kate Griffin, Interim CEO Plymouth CAST
Ms Christine Quinn, RSC WM

Financial notice to improve

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') to Plymouth CAST (the trust) as a result of the trust's:
 - Failure to ensure robust governance arrangements (AFH 2.1.3);
 - Failure to ensure good financial management and effective internal controls (AFH 2.2.4).

Conditions

2. We require the trust to:
 - i. Prepare and submit an action plan setting out the steps it will take to address the issues identified by the independent reviews of governance and financial management, pupil premium and safeguarding. That action plan must be submitted to the EFA no later than 20 October 2017.
 - ii. Prepare and submit a revised financial recovery plan for the trust. The plan should be externally validated by an independent expert (such as those available at the Association of School and College Leaders, the National Association of Head Teachers or the National association of School Business Management). The plan must be submitted no later than 17 November 2017. The plan must include, as a minimum:
 - how the trust will achieve a cumulative surplus position by the end of August 2020, and each year thereafter. This must be supported by robust budget forecasts through to 2021/22 with evidence to support realistic pupil number forecasts
 - a clear efficiency and savings plan setting out specific areas where further savings can be made to include further staffing efficiencies resulting in no more than 82% of income being spent on staffing across the trust by September 2020, with a further reduction by September 2021
 - iii. Implement new financial management and monitoring structures and undertake further actions to strengthen challenge in managing the budget and finances. This must include:
 - ensuring all trustees are aware of their responsibilities as directors under the Companies Act and as trustees under Charity Commission guidance
 - ensuring effective processes are in place for the trust to monitor financial performance and the financial risks to its operation. This will be exemplified in a written report to be submitted by 10 Nov 2017

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 any control weaknesses identified.
4. The trust should take all appropriate actions to ensure the action plan is fully implemented.
5. The ESFA must be satisfied that the trust is doing everything it can to rectify the weaknesses identified.

Timescales

6. The trust must meet the timescales as set out above.

Monitoring and progress

7. The trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress. The trust should contact the ESFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan.
8. The ESFA reserves the right to amend and add further specific conditions should they be required. 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.
9. We will expect the trust to supply the following financial information on a monthly basis for a period of 12 months from agreement of the plan. The frequency of reports thereafter will be determined by the ESFA, based on progress against the recovery plan:
 - i. A revenue income and expenditure report with 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.
 - ii. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year.
 - iii. A detailed monthly cash flow forecast rolling 12 months ahead.
10. The trust must provide monthly returns on the budget position and the progress on savings initiatives by working day 5 of the relevant month, beginning November 2017. The ESFA will provide the format and content of the report for the updates.

Compliance and the end of the notice period

11. Compliance with this Notice will be demonstrated when:

- the trust demonstrates compliance with all financial returns required as a consequence of this Notice and as part of the funding agreement
- the Conditions set out above have all been met and we are satisfied that the underlying weaknesses in financial management and governance have been addressed
- the trust requests approval from the ESFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH
- the ESFA receives audited financial statements with an unqualified audit opinion by 31 December 2017
- the ESFA receives the auditors' management letter which does not raise concerns by 31 December 2017
- financial recovery consistent with the agreed recovery plan is demonstrated as evidenced in the budget forecast return and the audited financial statements for that year
- no late returns, audit qualification, or adverse regularity opinions are recorded in the audited financial statements for the period until this Notice is lifted
- 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

12. When the trust meets the conditions outlined in this annex, the Notice will no longer apply and the ESFA will write to the trust to confirm that the Notice has been lifted.