



Education
Funding
Agency

Department for Education
Sanctuary Buildings
Great Smith Street
Westminster
London SW1P 3BT


www.education.gov.uk

Date: 24 June 2013

Mr J. Pendlebury
Accounting Officer
Enterprise South Liverpool Academy
51 Horrocks Avenue
Liverpool
L19 5NY

Dear Mr Pendlebury

FINANCIAL NOTICE TO IMPROVE

I am writing to you in your capacity as the Principal and Accounting Officer of Enterprise South Liverpool Academy Trust ('the Trust') about the financial position at the Trust following our receipt of its proposal for financial recovery set out in its recovery plan submitted to us on 13 May 2013.

I am issuing this Financial Notice to Improve ('the Notice') in response to the failure of the Trust to balance its budget and produce a robust and timely recovery plan, which has led to the provision of deficit funding. 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.

In summary, the Trust is in a significant deficit position with a deficit of up to £2.578million over the next three years. We have provided emergency deficit funding of £265,000 to avoid insolvency in Academic Year 2012 to 2013. We are prepared to provide further deficit funding, subject to the conditions of the Notice, of which we intend to recover £820,000. We have considered the recovery plan submitted by the Trust and to allow it to continue operating during its recovery period, we will make funding available in addition to its standard General Annual Grant and other pre-existing grants, as set out in Annex B.

Upon receipt of this Notice, all delegated authorities listed in section 2.4 of the current Academies Financial Handbook and all relevant sections of revisions to this Handbook will be revoked. All transactions made by the Trust covered in section 2.4 of the current Handbook, 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 of this Notice and will lift it 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, to our satisfaction, we may withdraw the additional funding set out in Annex B. If this results in the Trust breaching the terms of its

Funding Agreement, on the grounds of insolvency, it may lead to the termination of the Funding Agreement.

I would be grateful if you could reply to me by 28 June 2013 to acknowledge agreement to the conditions of this Notice. I have sent a copy of this letter to the chair of the governing body.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Baldwin'. The signature is fluid and cursive, with the first name 'Sue' being more prominent and stylized.

Sue Baldwin
Director of Academies

Cc Keith Sexton, Chair of Governors

Enterprise South Liverpool Academy Trust

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of:
 - the Trust's failure to balance its budget;
 - the Trust's requirement for deficit funding from EFA;
 - the Trust's failure to submit audited financial statements for the Academic Year 2011/12 by relevant deadlines;
 - EFA's ongoing concern about the Trust's ability to manage its finances effectively in order to achieve financial recovery.
2. The Trust is required to:
 - Establish a lead sponsor (Amey plc) that has a controlling interest in the Membership of the Academy Trust, and who will implement appropriate improvements to governance and financial management arrangements;
 - Deliver against the agreed recovery plan;
 - Use its endowment fund of £530k in full in 2012/13 to support the Trust's financial position and accelerate financial recovery, as agreed with Members of the Trust;
 - Submit its signed, audited financial statements for 2011/12 to EFA and Companies House by 28 June 2013; and
 - Comply with the funding agreement requirement to submit all audited financial statements to EFA on time by 31 December, 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.
4. 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.

End of the 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.

1. The recovery plan provided by the Trust provides a challenging strategy to raise student numbers and stabilise financial health in order to secure the Trust's long-term viability. It indicates that the Trust is in a position of significant financial weakness over the next three years with a deficit of up to **£2,578k**, comprising up to £924k 2012/13, £846k in 2013/14 and £808k in 2014/15.
2. EFA considers that, with the contribution of the Trust's endowment fund, the proposed costs 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 will make funding available in addition to its standard General Annual Grant and other pre-existing grants, as set out below.
3. The amounts set out below are the maximum sums EFA will make available. The Trust must seek to minimise its costs and its use of deficit funding whilst ensuring that the recovery plan and academic improvements are delivered. EFA will review the Trust's financial statements for the years ending 31 August 2013, 31 August 2014, and 31 August 2015 and any sums shown as unspent in those financial statements will be taken into account in calculating funding for the following year.

EFA Financial Support and Timing

4. Emergency deficit funding of up to **£129k** (in addition to the **£265k** already provided to the Trust in 2012/13) to be spent on the Academy's day-to-day running costs, in respect of the year ending 31 August 2013, as set out in the recovery plan, to supplement the **£530k** the Trust has committed to contributing from the endowment fund. Release of the funding will be subject to a statement of requirements and financial reports at the time.
5. Emergency deficit funding of up to **£707k** to be spent on the Academy's day-to-day running costs, and on non-statutory staff restructuring costs, in respect of the year ending 31 August 2014. This will be dependent upon the Academy continuing to make satisfactory progress by maintaining or improving on the projections in the plan. Release of the funding will again be subject to a statement of requirements and financial reports at the time.
6. Statutory, pre-opening restructuring funding of up to **£139k** to support the costs of staff redundancies in the period ending 31 August 2014. This funding will be paid on receipt of invoices from the Academy supported by evidence that the individuals have departed.
7. Emergency deficit funding of up to **£808k** in respect of the year ending 31 August 2015. This will again be dependent upon the Academy continuing to make satisfactory progress and maintaining or improving on the projections in the plan. Release of the funding will also be subject to a statement of requirements and financial reports at the time.

8. Of the total of £1,909k emergency deficit funding provided, EFA will recover £820k over a period of 10 years, in equal monthly instalments, commencing in September 2016. We will continue to review the Trust's audited financial statements each year and if these indicate early repayment is achievable EFA will do this on a reasonable basis.

Monitoring and Progress

Annex C

1. Financial Reports

We expect the Trust to continue to supply the following financial information by the 10 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 cashflow forecast rolling forward 12 months ahead. For example, the first cashflow report should cover the period from 1 June 2013 to 31 May 2014.

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

2. Pupil Recruitment

We expect progress reports from you on pupil recruitment to be supplied by the following dates:

- a. A statement of actual pupil numbers for 2013/14 compared to the recovery plan - to be supplied by 10 September 2013.
- b. A statement of anticipated pupil numbers for the years 2014/15 to 2015/16 compared to the recovery plan – to be supplied on each of the following dates:

- 10 November 2013 & 2014
- 10 February 2014 & 2015
- 10 May 2014 & 2015

c. A statement of actual pupil numbers for 2014/15 and 2015/16 - to be supplied by 10 September 2014 and 2015, respectively.

These should be sent to [REDACTED] at [REDACTED].