



Dr Michael Firth
Headteacher, Meridian School &
Accounting Officer, Royston Schools Academy Trust
The Meridian School
Garden Walk
Royston
Herts
SG8 7JH

23 July 2014

Dear Dr Firth

FINANCIAL NOTICE TO IMPROVE

I am writing to you in your capacity as the Principal and Accounting Officer of Royston Academies Trust ('the Trust') about the financial position at the Trust. This follows the further recovery plan submitted to us on 23 June 2014.

I am issuing this Financial Notice to Improve ('the Notice') in response to the failure of the Trust to balance its budget, which has led to the provision of repayable 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 forecast deficit of up to £800,000 over the next three years. We have considered the latest recovery plan submitted by the Trust and agree that it now presents a financial recovery that is credible and acceptable. We have already provided emergency deficit funding of £150,000 to avoid insolvency in Academic Year 2013 to 2014. We confirm that we will make available a further £650,000 deficit funding, subject to the conditions of the Notice. This funding will be available in addition to the Trust's standard General Annual Grant and other pre-existing grants, as set out in Annex B. All funding provided will be fully recovered.

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. The Notice will operate for an initial period of two years, though with a review after one year. 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 31 July 2014 to acknowledge receipt of 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 'Tony Foot', with a stylized flourish at the end.

Tony Foot
Acting Director, Academies and Maintained Schools

cc – David Brynjolfsson, Chair of Governors

Financial Notice to Improve

Royston Schools Academy Trust

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 budgets;
 - the Trust's requirement for additional financial support from EFA in the medium term;
2. The Trust is required to:
 - Deliver against the agreed recovery plan and meet the conditions set out in Annex B below; 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 contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in their action plan.

End of the Notice Period

4. The Notice is for an initial period of two years, though it will be reviewed after one year. The Notice will be lifted when the Trust has:
 - a. Met the conditions set out in Annexes B and C below;
 - b. Demonstrated clear improvements in its financial position and its management of the financial recovery; and
 - c. Not recorded an audit qualification or adverse regularity opinion in the audited financial statements for any years during which the Notice applies.

DEFICIT FUNDING - Royston Schools Academy Trust

Recovery Plan

1. The recovery plan provided by the Trust provides a clear strategy to reduce costs and stabilise financial health in order to secure the Trust's long-term viability. The EFA considers that with the proposed costs savings and staff restructuring, the plan presents a financial recovery that is credible and acceptable.
2. To help the Trust recover, the EFA will provide advances of funding on the basis of the agreed recovery plan dated 23 June 2014, but only where such financial support is absolutely necessary.
3. To allow the Trust to continue operating during its recovery period, the EFA will allow the trust to repay the deficit funding over a four year period. The repayments will be completed by no later than 31 August 2021.

Conditions

The Trust is required to:

5. Deliver against the agreed recovery plan; ensure the projected deficit is under control and continue to improve financial position; remain on course to generate an in-year surplus by 2017/18; and repay deficit funding by 31 August 2021 at the latest.
6. Comply with the funding agreement requirement to submit all audited financial statements to EFA on time by 31 December, without qualification.
7. Supply the EFA with monthly progress reports on the work undertaken to deliver the recovery plan and the improvements and outcomes achieved, as detailed in Annex B for the 2014/15 academic year, after which the frequency of those reports will be reviewed.
8. Contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in their action plan and if necessary engage external financial and educational support to recover the position.
9. Continually review the operating model and cost base to shorten the time it takes to return to a balanced budget position and to repay the deficit funding. The schedule presented by the Trust represents the maximum agreed period in which these outcomes should be achieved and the Trust should present more comprehensive quarterly progress reports to the EFA (supplementing the reports at 7 above) setting out the actions that have been taken to accelerate the financial recovery.

10. Undertake a review of its governance arrangements to ensure that the necessary controls and procedures are in place. It should also consider whether the governing body has the right mix of skills and experience to oversee the financial recovery and ensure value for money in the Trust's operations. The findings of that review should be shared and agreed with the EFA by 30 September 2014.
11. Avoid audit qualification or adverse regularity opinions in the audited financial statements for any years that this Notice applies.

Monitoring and Progress

Financial Reports

We expect the Trust to continue to supply the following financial information by the 20th of each month until further Notice:

1. 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.

Nb. Income and expenditure classifications in this report should follow those in the recovery plan.

2. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year.
3. A detailed monthly cashflow forecast rolling forward 12 months ahead. For example, the first cashflow report should cover the period from 1 July 2014 to 30 June 2015.

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