



Education  
Funding  
Agency

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

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

23 August 2016

Barry Hersom  
Interim Principal  
Heathrow Aviation Engineering UTC  
Potter Street  
Northwood  
HA6 1QG

Dear Mr Hersom,

### **Financial notice to improve: Heathrow Aviation Engineering UTC**

I am writing to you in your capacity as Accounting Officer of Heathrow Aviation Engineering UTC (“the Trust”) regarding the Trust’s current financial position.

I recognise the cooperation and extensive discussions that have taken place between the Trust and the Education Funding Agency (EFA), the change you have already made to reduce expenditure and that you have agreed to an external review of the current governance arrangements in place. I must be clear however that we are concerned by the apparent loss of financial control, the failure of the Trust to balance its budget and the circumstances in which the requested advances have become necessary. Having considered all of the evidence and representations, I am now writing with a final decision to issue a Financial Notice to Improve (the “Notice”) to the Trust.

As you are aware, the Trust has failed to set a balanced budget which has resulted in cash flow problems. This is a formal requirement of the Trust’s Funding Agreement (FA) as set out in the Academies Financial Handbook (AFH).

Paragraph 2.2.2 of the Academies Financial Handbook clearly states:

*The board of trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute their approval(s).*

Failure to set a balanced budget is therefore a breach of the AFH and the FA.

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 on 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.

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 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.

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 within three working days of the date of this letter to [REDACTED].

I am copying this letter to Geoff Rodgers, Chair of Governors at the Heathrow Aviation Engineering UTC and Martin Post, the Regional Schools Commissioner (RSC) for North West London and South Central.

I look forward to hearing from you.

Yours sincerely,



**Mike Pettifer**  
**Director: Academies and Maintained Schools Group**

CC. Geoff Rodgers, Chair of Governors  
Martin Post, RSC for North West London and South Central

**Financial notice to improve**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Heathrow Aviation Engineering UTC ('the Trust'):
  - experiencing cash flow difficulties in 2015/16 and 2016/17 which has and will result in advances of GAG funding from the EFA
  - failing to set a balanced budget as required in the Academies Financial Handbook (AFH) paragraph 2.2.2
  - failing to demonstrate appropriate financial management and governance

**Conditions**

2. The Trust is required to provide a revised 3-year financial recovery plan (from 2016/17 to 2018/19) that provides detail on how you will return to a balanced budget position as soon as possible and clearly shows any requirement for future EFA support and dates of repayment. Any requirement must be kept to a minimum.
3. The Trust is required to conduct an external governance review, to ensure that the necessary controls and procedures are in place, the scope of which should be agreed with the EFA. This review should be completed by 30 September 2016 and consider whether the Trust and its 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 with the EFA, together with an action plan for implementation of the review's recommendations by 17 October 2016.
4. The Trust is required to provide monthly management accounts that accurately show the current and forecast financial position, including a rolling 12 month cash flow forecast.
5. The Trust is required to provide assurance that the Accounting Officer, Chair of Governors and Chief Financial Officer have the qualifications, skills and abilities to carry out their roles effectively. As a minimum we would expect:
  - The Trust to compile a corporate scheme of delegation, setting out the clear role, responsibilities and duties of the Accounting Officer and providing assurance that the individual is a fit and suitable person for the role
  - The Trust to provide assurance that an appropriately qualified or experienced Chief Financial Officer (CFO) is in place and has the capacity to carry out the role.
6. The Trust is required to submit 2015/16 audited accounts by the deadline required by the Education Funding Agency.

**Financial management requirements**

7. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
8. The Trust should take all appropriate actions to ensure an action plan is fully implemented.
9. The EFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

### **Timescales**

10. The Trust to provide the corporate scheme of delegation by 17 October 2016.
11. Trust to submit a revised recovery plan by 17 October 2016.
12. Trust to submit the action plan resulting from an external governance review by 17 October 2016.
13. The Trust must supply monthly management reports as set out above for the first 12 months of the Notice. The frequency of the progress reports thereafter will be determined by the EFA by 31 August 2017, based on the trust's progress against its conditions.

### **Monitoring and progress**

14. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
15. The EFA reserves the right to amend and add further specific conditions to this Notice should they be required.
16. 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 EFA will begin to consider and explore the contractual intervention options available.

### **Compliance and the end of the notice period**

17. Compliance with this Notice will be demonstrated when:
  - All terms and conditions of the Notice have been met
  - The EFA is satisfied with the Trust's performance against the agreed recovery plan and the action plan for implementation of the governance review's recommendations
  - The Trust requests approval from the EFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent us using the [efa-enquiry-form](#)
  - The EFA receives audited financial statements with an unqualified audit opinion 31 December 2016
  - The EFA receives the auditors' management letter which does not raise concerns by 31 December 2016

18. When the Trust meets the conditions outlined in this annex, the EFA will write to the Trust to confirm that the Notice has been lifted.