



Education
Funding
Agency

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

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

6 June 2016

Mr M Larcombe
Manchester Creative Studio
16 Blossom Street
Manchester
M4 5AW

Dear Mr Larcome

Financial notice to improve: Manchester Creative Studio

I am writing to you in your capacity as the Chair of Manchester Creative Studio (“the Trust”).

As you know, the Education Funding Agency (EFA) has been monitoring the Trust’s progress towards meeting the conditions set out in Kate Copley’s letter of 22 January 2016. Whilst a recovery plan has now been submitted, it requests deferral of some of the 2014/15 Pupil Number Adjustment (PNA), suggests that deferral of the 2015/16 PNA will also be required and is dependent on a donation from an external party to maintain positive cash flow. Additionally, the recent governance review suggested that the current structure does not enable focus on key quality and leadership issues and recommends that action should be taken to fill skills gaps.

Paragraph 2.2.2 of the Academies Financial Handbook (AFH) clearly states that the board of trustees must approve a balanced budget. Failure set a balanced budget is therefore a breach of the AFH and the Funding Agreement (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 AFH and the 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] at [REDACTED].

I am copying this letter to Raja Miah, Chief Executive and Accounting Officer of the MCS Trust and Vicky Beer, Regional Schools Commissioner (RSC) for Lancashire and West Yorkshire.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sue Baldwin', written in a cursive style.

Sue Baldwin

Director: Academies and Maintained Schools Group

CC. Raja Miah, Chief Executive and Accounting Officer of the MCS Trust
Vicky Beer, Regional Schools Commissioner for Lancashire and West Yorkshire

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 Manchester Creative Studio's ("the Trust"):
 - Failure to set a balanced budget as required in the Academies Financial Handbook (AFH) paragraph 2.2.2

Conditions

2. We require the Trust to provide a financial plan that has been subject to external scrutiny which:
 - achieves a cumulative surplus by 2018/19
 - repays the remaining 2014/15 Pupil Number Adjustment (PNA) in equal payments in June and July 2017
 - takes account of the repayment of 2015/16 PNA once the amount has been calculated (August 2016)
3. The Trust must improve the accuracy of estimation of pupil numbers in future years to avoid further PNA
4. The Trust must strengthen the governance arrangements before September 2016 ensuring that there is appropriate financial and educational representation on the governing body

Financial management requirements

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

Timescales

8. Submit a financial plan that has been subject to external scrutiny and meets the above conditions by 15 July 2016
9. The Trust must repay the remaining 2014/15 PNA in June and July 2017

Monitoring and progress

10. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress

11. 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

12. Compliance with this Notice will be demonstrated when:

- The Trust has repaid all PNA and returned to a cumulative surplus
- 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](#)
- All returns due to the EFA are submitted on time, without qualification, up until and including the 2017/18 audited financial statements

13. 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.