



Education & Skills  
Funding Agency

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

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

Professor Chris Shiel  
Chair of Trustees  
Avonbourne International Business and  
Enterprise Academy Trust  
Harewood Avenue  
Bournemouth  
Dorset  
BH7 6NY

21 April 2017

Dear Professor Shiel

### **Financial notice to improve: Avonbourne International Business and Enterprise Academy Trust**

I am writing to you in your capacity as Chair of Trustees of Avonbourne International Business and Enterprise Academy Trust (“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 position.

This letter and its annex serve as a written notice to improve financial management at the Trust. It reflects the weak financial position of the Trust and continued concerns around the 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. 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 27 April 2017 to [REDACTED].

I am copying this letter to Debbie Godfrey-Phaure, the Chief Executive Officer and Accounting Officer and Rebecca Clark, the Regional Schools Commissioner for the South West.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Pettifer', is written over a light grey rectangular background.

**Mike Pettifer**

**Director, Academies and Maintained Schools Group**

CC. Ms Rebecca Clark, Regional Schools Commissioner for the South West  
CC. Ms Debbie Godfrey-Phaure, CEO and Accounting Officer

Ref: AVONBFNTI20170317

### Financial notice to improve

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') to Avonbourne International Business and Enterprise Academy Trust (the Trust) as a result of the Trust's:
  - Failure to ensure good financial management and effective internal controls (AFH 2.2.4).

### Conditions

2. We require the Trust to:
  - a) Prepare and submit a revised financial recovery plan for the Trust. The plan should be externally validated by an 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 30 June 2017.**

It must include, as a minimum:

- i. a revised recovery plan for the Trust as a whole which includes Avonbourne College incorporating Avonwood Primary and Harewood College;
  - ii. how the Trust will achieve a balanced budget by the end of the 2019/20 academic year, and each year thereafter up to 2021/22. This must be supported by robust budget forecasts through to 2021/22 with evidence to support pupil number forecasts. This must also demonstrate a significant reduction in the proportion of income spent on staffing costs;
  - iii. a clear efficiency and savings plan setting out specific areas where further savings can be made to include further staffing efficiencies if needed. A contribution to statutory redundancy costs may be considered as part of the recovery plan;
  - iv. a clear timetable for recovery of the repayable deficit funding received; and
  - v. a revised cashflow summary to include all income and expenditure including capital supported by bank statements and a list of debtors/creditors.
- b) Commission a full and independent review of financial management and governance across the Trust which should include, as a minimum, an assessment of the oversight exercised by the Trust board, a skills audit of the current members and trustees and the scope for further efficiency savings, including using economies of scale to reduce staff costs. The review should also include consideration of the option of merging with another multi academy trust (MAT).

- i. the terms of reference for the external review of financial management and governance should be submitted to the ESFA **by 02 May 2017**.
- ii. the findings of the external review of financial management and governance, together with an action plan to implement the recommendations, should be submitted to the ESFA **by 02 June 2017**.

### **Financial management requirements**

3. The Trust is responsible for its own financial management 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:
  - i. Submit to the ESFA an externally validated recovery plan no later than 30 June 2017;
  - ii. Provide the ESFA with terms of reference for the external review of financial management and governance by 02 May 2017;
  - iii. Provide the ESFA with completed review of financial management and governance by 02 June 2017; and
  - iv. Provide the ESFA with financial information on a monthly basis starting June 2017.

### **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. Once the recovery plan has been agreed, the Trust will be required to meet additional specific conditions to enable the ESFA to monitor compliance and progress.
10. 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; and
- iii. A detailed monthly cash flow forecast rolling 12 months ahead.

11. 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 June 2017. The ESFA will provide the format and content of the report for the updates.

12. All information should be emailed to [REDACTED].

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

13. Compliance with this Notice will be demonstrated when:

- the Trust provides and implements a robust deficit recovery plan which sets out a cumulative balanced budget
- the ESFA receives financial information clearly demonstrating that no further financial support will be required and that any advances of funding can be repaid in line with agreed terms
- the Trust demonstrates compliance with all financial returns required as a consequence of this Notice and as part of the funding agreement
- the ESFA receives the findings of the external review of financial management and governance together with an action plan to implement the recommendations
- 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
- the Trust requests approval from the ESFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent to the ESFA using the [ESFA-enquiry-form](#)
- the ESFA receives the Budget Forecast Return, by 31 July 2017
- 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
- 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

14. 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.