



Education & Skills  
Funding Agency

Education and Skills Funding Agency  
Sanctuary Buildings  
Great Smith Street  
London  
SW1P 3BT  
Tel: 0370 000 2288  
[ESFA-enquiry-form](#)

4 May 2018

Mr Tim Boulton  
University of Chester Academies Trust  
164 Whitby Road  
Ellesmere Port  
Cheshire  
CH65 6EA

Dear Mr Boulton

### **Financial notice to improve: University of Chester Academies Trust**

I am writing to you in your capacity as the Chair of University of Chester Academies Trust (“the Trust”). As you are aware, the trust has submitted a deficit in its latest financial forecast exceeding £3m. It is a requirement of the trust’s funding agreement (FA) that a balanced budget must be returned.

Paragraph 2.2.2 of the Academies Financial Handbook (AFH) 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 submit a balanced budget is therefore a breach of the AFH and the FA.

As you are aware, the Education and Skills Funding Agency (ESFA) has been monitoring the Trust since 2017 to develop a robust and sustainable recovery plan. I recognise the cooperation and extensive discussions that have taken place between the Trust and officials. However, my concerns remain in relation to the weak financial position and financial management at the Trust.

This letter and its annex serve as a formal notice to improve financial management, control and governance at the Trust. It reflects the financial position of the Trust and continued concerns on governance and oversight of financial management by the Board of Trustees.

The Trust is required, pursuant to the provisions of the AFH and 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 ESFA for approval. This can be done using the online ESFA-enquiry-form. These delegated authorities shall be returned to the

Trust providing that the terms set out in the Notice have been complied with on a substantiated basis and 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 Annex A 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.

I would be grateful if you could direct any queries, and acknowledge this letter within 3 working days of receipt, to [REDACTED].

I am copying this letter to the Accounting Officer – David Cumberland, and Regional Schools Commissioner for West Midlands – Christine Quinn.

Yours sincerely

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

**Mike Pettifer**

**Director: Academies and Maintained Schools Group**

CC. David Cumberland (Trust Accounting Officer)  
Christine Quinn (Regional Schools Commissioner)

**Financial notice to improve**

1. The Education and Skills Funding Agency (ESFA) has decided to issue a financial notice to improve (the 'Notice') as a consequence of University of Chester Academies Trust ('the Trust') failing to:
  - Approve a balanced budget (AFH 2.2.2).
  - Ensure good financial management and effective internal controls (AFH 2.2.4).
  - Manage cash flow effectively (AFH 2.2.7).

**Conditions**

2. The Trust is required to:
  - Supply monthly financial management accounts on the first day of each month, commencing in June 2018 for a minimum of a 6-month period. These should be agreed and signed off by the Accounting Officer and Chair of the Trust. The frequency of these reports thereafter will be determined by ESFA, based on progress of the Trust's recovery plan.
  - Provide a revised financial recovery plan, which must demonstrate that every possible economy is being made to reduce the overall amount of deficit.
  - Work with the department to substantially strengthen governance arrangements.
  - Carry out integrated curriculum based financial planning.
  - Evidence improving financial projections in the next Budget Forecast Return (BFR), and an eventual sustained cumulative surplus.
  - Ensure all financial returns are completed by dates required in AFH.

**Financial management requirements**

3. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
4. The Trust should take all appropriate actions to ensure the conditions above are met.
5. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

**Timescales**

6. The Trust must demonstrate strengthened governance arrangements from May 2018 to September 2018.
7. The Trust must provide a financial recovery plan by 8 June 2018.
8. The Trust must comply with yearly returns. The following returns are due to the ESFA this year:
  - BFR Outturn (BFR-O) by 21 May 2018.
  - BFR return by 30 July 2018.

- The 2017/18 audited accounts by 31 December 2018.

### **Monitoring and progress**

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

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

11. Compliance with this Notice will be demonstrated when:

- The ESFA is satisfied the Trust has a strong governance structure in place.
- The Trust has reduced its deficit, and provides evidence of a sustained financial improvement.
- The ESFA is satisfied the Trust has carried out integrated curriculum based financial planning.
- 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 us using the [ESFA-enquiry-form](#).
- The Trust has provided an acceptable financial recovery plan and provides evidence it is using national deals or better for its services.
- The ESFA receives the BFR-O by 21 May 2018 and BFR by 30 July 2018.
- The ESFA receives audited financial statements with an unqualified audit opinion by 31 December 2018.
- The ESFA receives the auditors' financial statements and management letter, which do not raise concerns by 31 December 2018.

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