



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 Ash Patil
Chair of Governors
The Watford UTC
Colonial Way
Watford
Hertfordshire
WD24 4PT

Dear Mr Patil

Financial notice to improve: The Watford UTC

I am writing to you in your capacity as Chair of Governors for The Watford UTC ('the Trust') as I am concerned about the failures in governance and financial management at the Trust following several requests for financial support and the failure to produce a balanced budget.

Paragraphs 2.2.2 and 2.2.7 of the Academies Financial Handbook (AFH) clearly state that the Trust should set a balanced budget and manage its cash position.

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 about 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 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 within three working days of the date of this letter to [REDACTED]. I am copying this letter to Emma Loveland, the Accounting Officer and Martin Post, Regional Schools Commissioner.

I look forward to hearing from you.

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: Emma Loveland, Accounting Officer
Martin Post, RSC

Financial notice to improve

1. The Education and Skills Funding Agency (ESFA) is issuing a Financial Notice to Improve (the 'Notice') as a consequence of:
 - the Trust's failure to produce a balanced budget and manage its cash position as required in the AFH paragraphs 2.2.2 and 2.2.7

Conditions

2. The Trust is required to undertake an integrated curriculum financial review to identify financial savings and produce a revised recovery plan for submission to the ESFA. The recovery plan must demonstrate:
 - a balanced budget no later than 2019/20 showing that no further funding is required beyond 2018/19
 - full repayment of outstanding repayable deficit funding
 - pupil growth for 2019/20 and beyond at a realistic rate supported by evidence such as local demographics or feeder school knowledge.
3. The Trust must complete a skills audit of all governors, with particular focus on those with a financial responsibility and submit it by 1 June 2018.
4. The trust is required to commission an independent review of the UTC's financial systems in order to strengthen the reporting procedures and ensure more accurate budget forecasting. This is to be completed and submitted with an action plan to ESFA by 1 June 2018.
5. The UTC must conduct a skills audit of all staff with financial responsibility. This is to be completed and submitted with a development plan by 1 June 2018.
6. The Trust is required to submit the Budget Forecast Return Outturn (BFRO) and the Budget Forecast Return (BFR) by the deadline required by the ESFA.
7. The Trust must submit to the ESFA:
 - minutes of each meeting of the Trust and each of its sub committees
 - monthly management accounts and cash flow forecasts
 - monthly pupil number forecasts.
8. The Trust must by 29 June 2018 reach agreement with MET to join it by September 2018 OR by 28 September 2018, identify a shortlist of alternative MATs, with the preferred MAT identified by November 2018. This MAT will be from a selection determined by the Department.

Financial Management Requirements

9. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.

10. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Timescales

11. The Trust must provide the revised recovery plan by 18 May 2018.

12. The BFRO is due to the ESFA by 21 May 2018 and the BFR is due by 30 July 2018.

13. The 2017/18 audited financial statements are due to the ESFA by 31 December 2018.

14. The Trust must provide monthly management accounts, cash flow forecasts and pupil number forecasts on the tenth working day of each month.

Monitoring and Progress

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

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 ESFA will begin to consider and explore the contractual intervention options available.

Compliance and End of Notice Period

17. Compliance with this Notice will be demonstrated when:

- The Trust has submitted a recovery plan which the ESFA has agreed is appropriate to address the areas of non-compliance with the AFH
- The Trust has submitted no additional funding request beyond those agreed in the recovery plan for a period of 12 months
- All outstanding repayable deficit funding has been repaid
- 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 using the [esfa-enquiry-form](#)
- All returns due to the ESFA are submitted on time, without qualification or commentary that raises concerns

18. When the Trust meets the conditions outlined in this Notice, or the UTC transfers to a MAT, the ESFA will write to the Trust again to confirm that the Notice has been lifted.