



Education & Skills
Funding Agency

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

1 June 2018

Jeremy Barnes
Chair of Trustees
The Heath Family Trust (North West)
The Heath School
Clifton Road
Runcorn
Cheshire
WA7 4SY

Dear Mr Barnes

Financial notice to improve: The Heath Family Trust (North West)

I am writing to you in your capacity as the Chair of The Heath Family Trust (North West) (“the Trust”).

As you are aware, the Trust has failed to set a balanced budget for 2017/18 onwards and failed to establish strong internal financial controls. These are formal requirements of the Trust’s Funding Agreement (FA) as set out in the Academies Financial Handbook (AFH).

Paragraph 2.2.2 of the AFH:

The board of Trustees must approve a balanced budget, and any significant changes to that budget, for the financial year to 31 August.

Paragraph 2.3.3 of the AFH:

The Trust’s internal control framework must include:

- *co-ordinating the planning and budgeting processes;*
- *applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties;*
- *preparation of monthly budget monitoring reports.*

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, continued concerns on governance and oversight of financial management by the board, and that the Trust required financial support in 2017/18 and 2018/19.

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 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 Notice requirements. 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.

Please acknowledge this letter by email within three working days of receipt to [REDACTED].

I am copying this letter to David Donnelly, Accounting Officer of the Trust, and Vicky Beer CBE, the Regional Schools Commissioner for Lancashire and West Yorkshire.

I look forward to hearing from you.

Yours sincerely

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

Mike Pettifer

Director, Academies and Maintained Schools Group

CC David Donnelly, Accounting Officer

Vicky Beer CBE, Regional Schools Commissioner for Lancashire and West Yorkshire

Financial notice to improve

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (“Notice”) as a consequence of THE HEATH FAMILY TRUST (NORTH WEST) (‘the Trust’):
 - Failing to set a balanced budget for 2017/18 onwards and failure to establish strong internal financial controls as required in the Academies Financial Handbook (AFH) paragraph 2.2.2 and 2.3.3.
 - The Trust’s requirement for financial support from the ESFA in 2017/18 and 2018/19.

Conditions

2. In order to receive the further advance of funds in August 2018 and September 2018 the Trust must:
 - Adopt the latest model funding agreement by 31 July 2018.
 - Work with the School Resource Management Adviser (SRMA), who will visit the Trust in June 2018 to produce an updated financial recovery plan. An updated recovery plan is required six weeks after the visit to reflect any recommendations from the SRMA.
 - Deliver against the agreed SRMA recovery plan and any subsequent recovery plans. Setting in-year balanced budgets from 2018/19 onwards; and completing the repayment of financial support provided by the ESFA by 31 August 2021 at the latest.
 - Provide evidence of using school resource management tools and Integrated Curriculum Financial Planning (ICFP) to improve the Trust’s financial position by September 2018.
 - Use the outcome from the SRMA, ICFP and other initiatives to reduce the amount of recoverable advances that might be sought from the ESFA in 2018/19.
 - Commission an independent financial management and governance review and implement the recommendations made by September 2018.
 - Ensure that proper arrangements are in place, whereby the Trust board has the appropriate skill set and processes in place to challenge and hold to account the Accounting Officer, Finance Officer and other members of the executive management team and evidence this.
3. The Trust is required to submit the Budget Forecast Return (BFR) by the deadline required by the ESFA. The Trust is required to submit 2017/18 accounts by the deadline required by the ESFA.
4. In order to receive the further payment in March 2019 the Trust must:

- Clearly evidence the need for the amount requested. The above conditions should reduce the need for the full amount.
 - Have met all financial returns deadlines.
 - Forecast completing the repayment of financial support provided by the ESFA by 31 August 2021 at the latest.
5. The ESFA reserves the right to appoint two Academy Ambassadors to support its financial recovery at any point in light of the governance review or any governance failures identified.

Financial management requirements

6. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
7. The Trust should take all appropriate actions to ensure the updated recovery plan actions from the SRMA are fully implemented. This plan will demonstrate how the Trust will sustain long-term financial viability. This must be agreed with the ESFA.
8. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Timescales

9. The Trust must adhere to deadlines associated with conditions, monitoring and progress actions and compliance set out in this notice.

Monitoring and progress

10. Provide the ESFA with monthly management accounts and cash flow reports on the 12th of each month, commencing in June 2018, initially for the first twelve months of the Notice. The frequency of the reports thereafter will be determined by the ESFA, based on progress against the Trust's recovery plan.
11. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
12. 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 consider and explore the contractual intervention options available.
13. The ESFA reserves the right to amend and add further specific conditions to this Notice should they be required.

Compliance and the end of the notice period

14. Compliance with this Notice will be demonstrated when:
- Financial recovery, consistent with the agreed recovery plan, has been sustained until 31 August 2020, as evidenced in the audited financial statements for each year.

- Advances of funding can be repaid in line with agreed terms by 31 August 2021.
- 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 us using the [ESFA-enquiry-form](#).
- The ESFA receives the Budget Forecast Return by 31 July each year.
- The ESFA receives audited financial statements with an unqualified audit opinion every year by 31 December.
- The Trust is on the new model funding agreement.
- The ESFA receives yearly auditors' management letters which do not raise concerns until 31 December 2021.
- The recovery action plan is agreed and all actions are completed.

15. 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.