

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.