



Education  
Funding  
Agency

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

Tel: 0370 000 2288  
Email enquiry form:  
[www.education.gov.uk/help/contactus](http://www.education.gov.uk/help/contactus)

Date: 14 February 2014

[REDACTED] and [REDACTED]

Barnfield Academy Trust  
Barnfield Business Centre  
Station House  
Harpenden  
Herts  
AL5 4SW

Dear [REDACTED] and [REDACTED]

As you know, we received serious whistle blowing allegations relating to financial irregularities and governance at the Barnfield Federation in late August. A joint Skills Funding Agency (SFA) and Education Funding Agency (EFA) investigation was launched in September and has now concluded.

Information has been passed to the police, and they are currently assessing it. The final SFA and EFA reports will be published as soon as possible following this assessment. The investigations identified significant financial irregularity, together with breaches of the Academies Financial Handbook; the Academy's Funding Agreement; Charity Commission regulation; and the Companies Act 2006. These breaches are underpinned by substantial concerns on overall governance and accountability across the Federation.

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust.

Upon receipt of this FNTI, all of the delegated authorities as identified in the Academies Financial Handbook (AFH) will be revoked, and all transactions by your academy trust previously covered by these delegations (regardless of size) must come to the EFA for approval. These delegated authorities shall be returned to the academy trust providing that the terms set out in the FNTI have been complied with and continue to be complied with, to the satisfaction of the Secretary of State.

Barnfield Academy Trust is required, pursuant to the provisions of the AFH and the Funding Agreement, to comply with the terms of this Notice. These terms are set out in Annex A and summarised in Annex B.

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 annexes 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, which all academies must comply with by virtue of the terms of the Funding Agreement. As a result of this breach of AFH, and therefore also of the Funding Agreement, the termination process in the Funding Agreement may be triggered. Depending upon the severity of the breach, this may be considered a material breach of the terms of the funding agreement and lead to the termination of the Funding Agreement.

I should be grateful if you would acknowledge receipt of this letter by email and within 3 days of the date of this letter to [REDACTED]. Please send me your formal response to these findings and a complete action plan to meet the requirements associated with this Notice by 28 March.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sue Baldwin".

Sue Baldwin  
Director: Academies and Maintained Schools

**Financial Notice to Improve**

**Barnfield Academy Trust**

**Ref: BAT 2014**

**Conditions**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of the significant weaknesses in financial management and governance highlighted within the EFA report of February 2014. This includes breaches of the Academies Financial Handbook, the Funding Agreement, Charity Commission regulation and the Companies Act 2006.
2. The Trust is required to prepare and implement an action plan to address the underlying weaknesses in financial management and governance and the serious findings uncovered in the report that have led to the issue of this Notice.
3. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved.
4. Please note however:
  - The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the control weaknesses identified;
  - The Trust should take all appropriate actions to ensure the agreed action plan is fully implemented; and
  - The EFA must be satisfied that the Trust is doing what it can to rectify the weaknesses identified.

**Timescales**

5. The Trust will need to further develop its action plan, setting out a full set of actions to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice. The final plan must be submitted to the EFA by 28 March.
6. We will agree milestones and monitoring as part of finalising the plan. We would expect all underpinning systems and processes to be fully operational by the end of August 2014.
7. Full implementation of the plan by the Trust should be complete within a timeframe to allow externally audited 2013/14 financial statements to be submitted on time.

**Monitoring and Progress**

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

9. The Trust should contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan.
10. Should it become evident that the Trust is unlikely to fulfil the conditions of this Notice within the above timescales the EFA 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 all measures set out in the action plan are in place and the EFA is able to validate, by visiting the Trust to conduct testing as appropriate, that the new arrangements are being embedded throughout the Trust.
12. When the Trust meets the conditions outlined in the annex, the Notice will no longer apply. At this point the EFA will write to the Trust again to confirm the Notice has been lifted.

## **Specific Actions Required of the Trustees**

The Trustees must ensure that all the issues raised in the EFA's review relating to significant breaches of the Academies Financial Handbook, the Funding Agreement, Charity Commission regulations and Companies Act 2006 are addressed.

We recognise the progress that has already been made in responding to the issues and developing an action plan. This plan needs to developed and further strengthened – particularly in relation to governance; shared services; and financial management.

The action plan will need to fully address the following issues and itemise the specific actions proposed. Specific issues relating to Trustees are:

- **Governance and leadership**

Given the serious breaches identified, review whether the Accounting Officer, Trustees, Chair of Governors and the Company Secretary have the qualifications, skills and abilities to carry out their roles effectively and replace where required.

In particular, we would expect:

- A significant refresh in the membership of the governing body.
- A new interim Accounting Officer in place for Barnfield Academy Trust with the right qualifications, skills and abilities.
- A new independent Clerk that reports to the Chair of the BAT.

Provide clarity on the governance structure proposed going forward, particularly how the different Trust Boards will interact, the mix and skills of the individual Board members and the level at which decisions will be made.

- **Salary increases**

Salary increases for senior members of staff are to be approved by the Board. Salary levels should be in line with sector norms

- **Supplier/professional services**

Services are to be subject to proper procurement procedures.

- **Related party transactions**

Related party transactions are to be properly disclosed in the Trust's financial statements.

## **Specific Actions Required of the Accounting Officer**

The Accounting Officer must address all the issues raised in the EFA's review relating to significant breaches of the Academies Financial Handbook, the Funding Agreement, Charity Commission regulations and Companies Act 2006.

The action plan will need to fully address the following issues and itemise the specific actions proposed:

- **Governance**

Ensure that Accounting Officers receive training on their role in order to undertake this effectively.

- **Financial Returns**

Financial returns, e.g budget return and audited financial statement of accounts, are to be submitted to the EFA by the prescribed deadlines.

- **Financial management**

Funds for each academy trust should be kept separate from each other to avoid any inappropriate pooling of funds and internal lending.

- **Payments**

Payments are only to be made for appropriate items of expenditure that meet the funding agreement conditions.

Any payments that could be classed as novel and contentious are to be referred to the EFA for approval.

- **Shared services**

Service level agreements specifying the services required and the cost of these are to be agreed before the start of each academic year. The costs should represent value for money for the Trust.

- **Funding**

EFA funding should only be used in accordance with the Funding Agreement. The amount of £18,144.97 identified as being used to fund Barnfield academies 6th formers short courses at Barnfield College will be recovered by the EFA. The academies will then be required to pay this to the College.