



Education  
Funding  
Agency

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Johnson Kane  
The Accounting Officer  
The Education Fellowship Trust  
Fellowship House  
23-25 Chapel Street  
Titchmarsh  
Northamptonshire  
NN14 3DA

Ref: TEFT/10042014

10 April 2014

Dear Mr Kane

### **Financial Notice to Improve (“The Notice”)**

I am writing to you in your capacity as Chief Executive and the Accounting Officer of The Education Fellowship Trust (“the Trust”).

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust following a Review of Financial Management and Governance undertaken by the Education Funding Agency (EFA) on 18-20 February 2014.

We acknowledge that the Trust has begun to make progress on some of the concerns raised, which is reassuring, however significant issues remain still to be addressed and are contained within this Notice.

Upon receipt of this Notice, all of the delegated authorities as identified in the Academies Financial Handbook (AFH) will be revoked and all transactions by the Trust of this nature (regardless of size) must come to the EFA 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.

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

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 their Funding Agreement. As a result of this breach of the AFH, and therefore of the Master Funding Agreement, the termination processes 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 Master Funding Agreement.

I should be grateful if you would acknowledge receipt of this letter by email and within 5 working days of the date of this letter to [REDACTED]. Please send me your formal response to these findings and an action plan to meet the requirements associated with this Notice by 9 May 2014.

I look forward to hearing from you.

Yours sincerely

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

Sue Baldwin  
Director, Academies and Maintained Schools Group

## **Annex A**

### **Financial Notice to Improve**

#### **The Education Fellowship Trust**

Ref: TEFT/10042014

#### **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 External Assurance team's report dated 25 March 2014.
  - The breaches of the Trust's articles of association relating to the payments received by trustees.
  
2. The Trust is required to:
  - Prepare and implement an action plan to address the underlying weaknesses in financial management, control and governance that have led to the issue of this Notice.
  - In particular, the plan must address all the issues identified in the EFA's Review of Financial Management and Governance produced following the visit on 18-20 February 2014, including:

#### **Governance**

- The Trust must urgently resolve the breaches of the Articles of Association and ensure compliance in the areas of trustee appointments and benefits.
- The Trust should ensure it holds an Annual General Meeting in accordance with the relevant timescales.
- The Trust must formally ratify the CEO as the Accounting Officer in accordance with the Academies Financial Handbook.
- The Trust must compile a corporate scheme of delegation which should be submitted to the Board for review and approval.
- The Trust must develop a full set of corporate policies that are found in all public sector organisations to create an internal control framework. This should be submitted to the Board for review and approval.

- The Trust must develop a risk management policy and associated to procedures, including a risk register, and these should be submitted to the Board for review and approval.
- The Trust must develop a recruitment policy and associated procedures and ensure that proper and complete employment records are maintained.

### **Financial Controls**

- The Trust must establish a separate Audit Committee in accordance with the Academies Financial Handbook.
- The Trust must ensure that the Audit and Finance Committees meet frequently, at least on a termly basis.
- The Trust must compile a full set of financial regulations and procedures. These must be reviewed and formally approved by the Board. These should incorporate the requirements of the Academies Financial Handbook.
- The Trust should review the content and layout of its management accounts, aligning them to best practice.
- The Trust should ensure that all financial records are readily available at Head Office.
- The Trust must develop a policy for dealing with fraud to ensure appropriate action is taken where fraud or irregularity is suspected or identified.
- The Trust should develop a travel and subsistence policy and associated procedures for staff and trustees, which should be submitted to the Board for review and approval.

### **Supplier/professional services**

- The Trust must ensure that Annual Declaration of Business Interests are completed by trustees and senior staff, and retained at Head Office.
- The Trust should undertake a full review of its operation to ensure that all potential economies of scale demonstrate that best value is being obtained.
- The Trust must develop a purchasing policy and associated procedures, which should be submitted to the Board for review and approval.
- The Trust should ensure that all bought-in services are market tested for best value.

### **Monitoring and Progress**

3. The Trust should send an update to the EFA on actions completed, and other progress, at least monthly.
4. The EFA external assurance team will arrange a follow up visit to the Trust's Head Office, together with a sample of academies, to confirm that the above recommendations have been implemented to the EFA's satisfaction.
5. Please note, however, that the Trust remains responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the control weaknesses highlighted in the Review of Financial Management and Governance Report.

### **Timescales**

6. The Trust should submit a final action plan to [REDACTED] by 9 May 2014. That plan should detail all the actions that the Trust intends to take to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice.
7. We would expect the underpinning systems and processes to be operational by 1 September 2014. At this point we will consider whether the Notice may be lifted.

### **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 requirements set out in this Notice or within the above timescales, the Trust will be considered to have failed to comply with the terms of the Academies Financial Handbook, as set out in the funding agreement and, should the severity of the breach amount to a material breach of the funding agreement, termination processes may be considered.

### **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 have been implemented and the EFA is able to validate, by visiting the Trust in August 2014 to conduct testing if appropriate, that the new arrangements are fully embedded throughout the Trust.

12. If the Trust meets the conditions outlined in this annex, the Notice will no longer apply and the EFA will write to the Trust again to confirm that the Notice has been lifted.