



Education
Funding
Agency

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

Tel: 0370 000 2288
[efa-enquiry-form](#)

8 March 2016

Mark Ryan
Chair, Governing Body
Perry Beeches The Academy Trust
Beeches Road
Birmingham
B42 2PY

Dear Mr Ryan

Financial notice to improve

I am writing to you in your capacity as Chair of Perry Beeches The Academy Trust (“the Trust”) further to the receipt of our two reports, the first a fact-finding report at Perry Beeches The Academy Trust and the second an investigation into eligibility for Free School Meals.

I would like to thank you for the cooperation you have shown with my team and to recognise progress made to date on some of the actions and recommendations highlighted in the reports. However, there have been serious breaches of the Academies Financial Handbook including serious concerns about financial management, control and governance. This letter and its annex consequently serve as a written notice to improve financial management and governance at the Trust.

Upon receipt of this Financial Notice to Improve (“the Notice”), all of the delegated authorities as identified in the Academies Financial Handbook 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.

Perry Beeches The Academy Trust is required, pursuant to the provisions of the Academies Financial Handbook and the Master Funding Agreement, to comply with the terms of this Notice. These terms are set out in the annex.

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 Academies Financial Handbook. 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. We will also continue with any planned or routine assurance activity, which may result in additional requests for information.

We have acknowledged receipt of the action plan that you provided on 29 January 2016, however you should now revise that action plan in the light of both reports and the terms of this Notice and return it to me by 29 April 2016.

I should be grateful if you would acknowledge receipt of this letter by email within 5 working days of the date of this letter to [REDACTED].

I am copying this letter to Pank Patel, Regional Schools Commissioner for the West Midlands.

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

CC. Pank Patel, Regional Schools Commissioner for the West Midlands

Financial notice to improve

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve as a consequence of:
 - the significant weaknesses in financial management and governance highlighted during a fact finding visit and an investigation visit, recorded in the associated reports dated December 2015 and March 2016
 - breaches of the Academies Financial Handbook (AFH) relating to a lack of independent financial checks, risk identification and internal controls
 - breaches of the AFH by not retaining sufficient evidence of funding eligibility for the required period
 - inadequate free school meal and census quality assurance processes
2. The Trust is required to carry out the following:
 - Prepare and implement an action plan to address the underlying weaknesses in financial management, governance and controls that have led to the issue of this Notice. This should build on but not be limited to the action plan submitted to the EFA on 29 January 2016 and reflect the findings of both reports

Financial management and governance

3. As part of the action plan submitted on 29 January, the Trust is undertaking an independent review of its membership, board of governors, other structures and the Trust's general model of governance. In order that the EFA can be assured that the review is sufficiently robust, the terms of reference should be agreed with the EFA by 31 March 2016. Thereafter, the EFA will want to agree the actions that are required to address the identified weaknesses.
4. In particular, the EFA will want assurance that the trustees have the skills, knowledge and experience to govern and run the Trust. An independent review of the skills, knowledge and experience is required and an agreed plan developed to address any gaps through recruitment, training or other development activities.
5. Given the seriousness of the breaches identified, the Trust must provide assurance that the Accounting Officer, Chair of Governors and Chief Financial Officer have the qualifications, skills and abilities to carry out their roles effectively. As a minimum we would expect:
 - the Trust to compile a corporate scheme of delegation, setting out the clear role, responsibilities and duties of the Accounting Officer and providing assurance the individual is a fit and suitable person for the role, reflecting on

the findings of the two EFA reports. This must be ratified by the end of March 2016

- the Trust to provide assurance that an appropriately qualified or experienced Chief Financial Officer (CFO) has been appointed
 - the Trust must ensure that an appropriate test of fitness and suitability has been undertaken following the appointment of the new Chair of Governors
6. The Trust must carry out a review of all its senior employees' payroll arrangements to ensure they fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax.
 7. The Trust must develop, ratify and implement a full suite of policies to ensure financial control arrangements within the Trust comply with the AFH and other statutory legislation requirements on the Trust. This internal control framework (including independent checks of these controls) should be approved by the board no later than 30 April 2016, although implementation may take longer.
 8. The Trust must review and implement any changes to ensure that all conflicts of interest are identified, recorded and assessed to ensure the Trust is compliant with the AFH. This must be completed no later than 29 April 2016.
 9. The Trust must ensure that it publishes all relevant and pecuniary interests of trustees and members on each relevant Trust and academy website from the date of this Notice onwards.
 10. The Trust must maintain records and make disclosures in accordance with the requirements of the AFH and Academy Accounts Direction in their annual accounts. This is to evidence that transactions with related parties and other connected parties have been conducted in accordance with the high standards of accountability and transparency required within the public sector.
 11. The Trust must ensure that relevant health and safety laws are complied with by developing and implementing a written health and safety policy.
 12. The Trust must make provision for funds to be repaid to the EFA in relation to the identified error rate regarding the eligibility of pupils for free schools meals. This equates to £118,291.

Financial controls

13. The Trust must ensure a tendering policy is developed and implemented that demonstrates value for money and adherence with the procurement regulations and is compliant with the AFH no later than 30 April 2016.
14. The Trust must ensure that contracts and/or service level agreements are in place to ensure services are satisfactorily delivered and at the appropriate quality.
15. The Trust must strengthen its free school meal processes and ensure an adequate free school meal and census quality assurance process is put in place that complies

with the requirements for evidence retention, and that management information systems are fit for purpose.

Timescales

16. The Trust must further develop and update the action plan submitted to the EFA on 29 January 2016 to reflect the recommendations in the two reports, setting out a full set of actions to address the weaknesses in its financial management, controls and governance arrangements that have led to the issue of this Notice. The final plan must be submitted to [REDACTED] by 29 April 2016.
17. We would expect all the underpinning systems and processes to be operational by 1 August 2016. Monitoring will continue with the expectation that the Trust will have unqualified financial statements from the academy financial year 2015/16 and onwards.

Monitoring and progress

18. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved. The EFA Risk Analysis team will arrange a follow-up visit to the Trust in May 2016 to review whether the above conditions have been implemented to the EFA's satisfaction. Please note, however, that 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
 - should take all appropriate actions to ensure the agreed action plan is fully implemented
 - must contact the EFA at an early stage if it believes that performance is falling behind the schedule set out in the action plan
19. The EFA reserves the right to amend and add further specific conditions should they be required. The EFA must be satisfied that the Trust is rectifying the weaknesses identified. Should it become evident that the Trust is unlikely to fulfil the requirements set out in this Notice or within the above timescales the EFA will begin to consider and explore the contractual intervention options available, including termination of the Master Funding Agreement.

Compliance and the end of the notice period

20. Compliance with this Notice will be demonstrated by delivery of the requirements set out in it, and when:
 - no audit qualification or adverse regularity opinions are recorded in the audited financial statements for the years 1 September 2015 to 31 August 2017
 - a robust governance structure that fulfils the requirements of the Academies Financial Handbook has been operating for at least 12 months; and

- the EFA is able to validate, by visiting the Trust to conduct testing if appropriate, that the new arrangements are fully embedded
- when the Trust meets the conditions outlined in this annex, the EFA will write to the Trust to confirm that the Notice has been lifted

21. When the EFA is satisfied that the Trust meets the conditions outlined in this Notice, the Notice will no longer apply. At this point the EFA will write to the Trust again to confirm the Notice has been lifted.