



Education  
Funding  
Agency

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

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

22 August 2016

Ms Rachel Mallows MBE  
Chair of Governors  
The Education Fellowship Trust  
The Old Dairy, Grange Road  
Islip, Near Kettering  
Northants NN14 4JB

Dear Ms Mallows,

### **Financial notice to improve: The Education Fellowship Trust**

I am writing to you in your capacity as Chair of The Education Fellowship Trust (“the trust”). I recognise the collaboration and extensive discussions that have taken place between the trust and officials. However my concerns remain in relation to the weak financial management and inadequate governance at the trust.

This letter and its annex therefore serve as a written notice to improve financial management, control and governance at the trust. It reflects the weak financial position of the trust and continued concerns around governance and oversight of financial management by the Board.

The trust is required, pursuant to the provisions of the Academy Financial Handbook (AFH) and the Funding Agreement (FA), to comply with the terms of this Financial Notice to improve (“the Notice”). These terms are set out in Annex A. In addition, the Notice will be published in due course on gov.uk.

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 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.

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 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.

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

I am copying this letter to Johnson Kane, Chief Executive Officer for the trust and Martin Post, the Regional Schools Commissioner (RSC) for North West London and South Central.

Yours sincerely,

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

**Mike Pettifer**

**Acting Director: Academies and Maintained Schools Group**

CC. Mr Johnson Kane, CEO for the trust  
Mr Martin Post, RSC

Ref: FNTITEFT201607

### **Financial notice to improve**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') to the Education Fellowship Trust (the trust) as a result of the trust's:
  - Failure to ensure robust governance arrangements (AFH 2.1.3);
  - Failure to ensure good financial management and effective internal controls (AFH 2.2.4).

### **Conditions**

2. We require the trust to:
  - establish a new governance arrangement that satisfies the EFA that it is in line with the new model articles of association as set out on GOV.UK. In particular those new governance arrangements must ensure the formal dissolution of The Education Fellowship Limited (TEFL). The trust must supply clear evidence of both the dissolution of TEFL and of the resolution of the board to adopt new articles of association no later than 4 November 2016.
  - commission an independent review of financial management and governance across the trust which should include a skills audit of the current members and trustees. This includes confirmation that the Accountability Officer can provide assurance to Parliament, and the public, of high standards of probity in the management of public funds, particularly value for money, regularity, propriety, in line with the AFH (AFH 1.15.19). The Terms of Reference for the review and the CV of the individual or company to be appointed must be agreed with the EFA in advance of the review. The Terms of Reference must be agreed with the EFA no later than 16 September 2016 and the review completed by 4 November 2016.
  - the trust must share the final report from the review with the EFA. The trust must then set out in an action plan how it will address any and all skills gaps identified by the review, including intention to appoint more independent trustees to ensure greater oversight of the executive team. That action plan must be submitted to the EFA no later than 9 December 2016.
  - prepare, submit and (once agreed with the EFA) implement an action plan to address both the recommendations of the EFA financial management and governance report dated July 2016 and the underlying weaknesses in financial management and governance within the trust. The action plan should be submitted no later than 9 December 2016.
  - prepare and submit a recovery plan setting out the financial position for each school within the trust and for the central operations run by the trust. The plan must be externally validated by experts (for example, from the Association of School and College Leaders, the National Association of Head Teachers or the National association of School Business Management). The plan must be submitted no later than 18 November 2016 and must include, as a minimum:
    - how the trust will achieve a balanced budget for each school in the trust by the end of the 2017/18 academic year. This must be supported by

robust forecast budgets for each school through to 2019/20 with evidence to support realistic pupil numbers

- a clear efficiency and savings plan for the trust setting out specific areas, including staffing costs, in which the trust will make savings at each school and in their central operations
- how (and when) the trust will achieve a reserves position that equates to 5% of the total GAG for the trust

### **Financial management requirements**

3. The trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen any control weaknesses identified.
4. The trust should take all appropriate actions to ensure the action plan is fully implemented.
5. The EFA must be satisfied that the trust is doing everything it can to rectify the weaknesses identified.

### **Timescales**

6. The trust must meet the timescales as set out above.

### **Monitoring and progress**

7. The trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress. 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.
8. The EFA reserves the right to amend and add further specific conditions should they be required. 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 EFA will begin to consider and explore the contractual intervention options available.
9. The trust must provide quarterly updates on the budget position and the progress on savings initiatives by working day 5 of the relevant month, beginning September 2016. The EFA will provide the format and content of the report for the quarterly updates.

### **Compliance and the end of the notice period**

10. Compliance with this Notice will be demonstrated when:

- the trust demonstrates compliance with all financial returns required as a consequence of this Notice and as part of the funding agreement.
- the Conditions set out above have all been met and we are satisfied that the underlying weaknesses in financial management and governance have been addressed.
- the trust requests approval from the EFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent to the EFA using the [efa-enquiry-form](#).
- the EFA receives audited financial statements with an unqualified audit opinion by 31 December 2016.
- the EFA receives the auditors' management letter which does not raise concerns by 31 December 2016.

- financial recovery consistent with the agreed recovery plan has been sustained until this Notice is lifted, as evidenced in the audited financial statements for that year.
- no late returns, audit qualification, or adverse regularity opinions are recorded in the audited financial statements for the period until this Notice is lifted.

11. When the trust meets the conditions outlined in this annex, the Notice will no longer apply and the EFA will write to the trust to confirm that the Notice has been lifted.