



Education & Skills
Funding Agency

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

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

21 July 2017

Mr Richard Martin
DRB Ignite Multi Academy Trust
5 The Courtyard
Buntsford Gate Business Park
Buntsford Hill
Bromsgrove
B60 3DJ

Dear Mr Richard Martin,

Financial notice to improve: DRB Ignite

I am writing to you in your capacity as the Chair of DRB Ignite Multi Academy Trust ("the Trust").

I am aware that the Trust has been proactive in taking steps to strengthen governance and address the breaches of the Academies Financial Handbook (AFH) that were identified in the Financial Management & Governance Review (FMG) conducted in February 2017.

However, my concerns remain regarding the Trust's financial management processes, internal controls, capacity to ensure compliance with the AFH and the skills and capabilities of the Board of Trustees identified in the FMG report. The FMG review conducted by Education & Skills Funding Agency (ESFA) Provider Risk Assurance Team highlighted a number of significant breaches of the AFH including 1.5.14, 2.2.4, 2.3, 3.1.3, 3.1.13, 3.2.14 and 3.1.22.

A full breakdown of the breaches of the AFH identified in the FMG report is set out in Annex B of this letter.

This letter and its annex 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 on 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.

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 ESFA 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 three working days of the date of this letter to; [REDACTED]

I am copying this letter to Robert Bowater, Accounting Officer of the Trust and Christine Quinn, the Regional Schools Commissioner (RSC) for West Midlands.

I look forward to hearing from you.

Yours sincerely,



Mike Pettifer
Director: Academies and Maintained Schools Group

CC. Robert Bowater
Christine Quinn

Annex A

DRB Ignite

Financial notice to improve

1. The Education & Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the ‘Notice’) to DRB Ignite (‘the Trust’) due to:

- the Trust’s governance structure lacks separation, accountability and oversight between layers of governance
- the Trust does not have a policy for managing related party transactions in place as required by the AFH 3.1.13
- the Trust has entered into contracts totalling £439k to date with related parties. The contracts with the related parties did not comply with the “at cost” requirements of the AFH as they did not contain the statement of at “cost assurance” and did not meet the open book requirement AFH 3.2.14
- no formal procurement process was undertaken for central MAT expenditure including the RPT’s, this breaches Official Journal of the European Union (OJEU) tendering requirements and AFH 3.1.3 and AFH 3.2.14
- there is inadequate separation between the trust and the limited company DRB Ignite Limited
- the AO and other members of the trust’s SMT are not on payroll as required by the AFH 3.1.22
- the Trustees and SMT lack the skills required by the AFH 1.5.14
- the Trust’s internal audit function is completed by DRB group which is not independent as required by the AFH 2.2.4 and AFH 2.3.

Conditions

2. The Trust is required to commission two independent reviews; one must focus on governance arrangements and the second to review financial management processes:

- the governance review must include a skills audit of the current Members and Trustees at the Trust
- the financial management review must focus on ensuring compliance with the AFH, assess the Trust’s internal control mechanisms and risk management procedures and include confirmation that the Accounting 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, and propriety’, in line with the AFH (AFH 1.15.19)
- both reviews must include recommendations to address issues identified
- the Terms of Reference for the reviews and the CVs of the individual or company to be appointed must be agreed with the ESFA in advance of the review. The Terms of Reference must be agreed with the ESFA no later than

4 August 2017 and the reviews completed by 1 September 2017. The trust must share all draft and final reports from the reviews with the ESFA.

3. **The Trust must set out in an action plan how it will address any recommendations identified from the reviews. The action plan must be submitted to the ESFA no later than 29 September 2017. The Trust must review progress against the action plans and provide quarterly updates to ESFA.**
4. **The Trust is required to submit an accurate Budget Forecast Return (BFR) by the deadline required by the ESFA.**
5. **The Trust is required to submit 2016/17 accounts by the deadline required by the ESFA.**

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 an action plan is fully implemented.**
8. **The ESFA must be satisfied that the trust is doing everything it can to rectify the weaknesses identified.**

Timescales

9. **The Terms of Reference for the reviews and the CVs of the individual or company to be appointed must be agreed with the ESFA in advance of the review. The Terms of Reference must be agreed with the ESFA no later than 4 August 2017 and the reviews completed by 1 September 2017.**
10. **The Trust must set out in an action plan how it will address any recommendations identified from the reviews. The action plan must be submitted to the ESFA no later than 29 September 2017. The trust must review progress against the action plans and provide quarterly updates to ESFA.**
11. **The BFR return is due to the ESFA by 31 July 2017. The 2016/17 audited accounts are due to the ESFA by 31 December 2017.**

Monitoring and progress

12. **The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.**
13. **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 begin to consider and explore the contractual intervention options available.

Compliance and the end of the notice period

14. Compliance with this Notice will be demonstrated when:

- the ESFA receives the terms of reference and CV's for the independent reviews of governance and financial management processes
- the ESFA receives the outcome of the independent reviews
- the Trust has submitted an action plan which the ESFA has agreed is appropriate to address the areas of non-compliance with the AFH
- the Trust has provided evidence that it has completed all the actions contained within its action plan and that the ESFA are satisfied with the progress and evidence provided.
- 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 to us using the ESFA-enquiry-form
- the ESFA receives the accurate Budget Forecast Return, by 31 July 2017
- the ESFA receives audited financial statements with an unqualified audit opinion 31 December 2017
- the ESFA receives the auditors' management letter which does not raise concerns by 31 December 2017.

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.

Annex B

Breaches of the AFH Identified in FMG Review February 2017

Issue Identified	Resulting breach of AFH
No formal procurement process was undertaken for any central Trust expenditure.	<p>3.1.3 Academy Trusts must ensure that:</p> <ul style="list-style-type: none"> • spending decisions represent value for money, and are justified as such • internal delegation levels exist and are applied within the trust
The value of contracts awarded to Sue Egersdorff Associates Ltd and DRB Group exceed the OJEU thresholds. No evidence was available to suggest consideration of OJEU tender requirements.	<p>3.1.3 Academy Trusts must ensure that:</p> <ul style="list-style-type: none"> • a competitive tendering policy is in place and applied, and Official Journal of the European Union (OJEU) procurement thresholds are observed
The Trust failed to observe its internal purchasing, procurement and tendering processes policy when contracting with DRB group and Sue Egersdorff Associates Ltd.	<p>3.1.3 Academy Trusts must ensure that:</p> <ul style="list-style-type: none"> • a competitive tendering policy is in place and applied,
<p>No evidence was available to suggest actual or conceived conflicts of interest had been managed for connected party expenditure.</p> <p>Invoices from DRB group for 2015/2016-2016/2017 were signed by the same director that authorised the invoice for payment by the Trust.</p>	<p>3.1.12 Academy Trusts must be even-handed in their relationships with connected parties by ensuring that:</p> <ul style="list-style-type: none"> • Trustees understand and comply with their statutory duties as company directors to avoid conflicts of interest, <p>3.1.13 The Board of Trustees must ensure that the requirements for managing connected party transactions are applied across the Trust. The Chair of the Board of Trustees and the Accounting Officer (as senior executive leader) must ensure that their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with connected parties to avoid both real and perceived conflicts of interest, promoting integrity</p>

Issue Identified	Resulting breach of AFH
	and openness in accordance with the seven principles of public life.
Contracts with DRB group and Sue Egersdorff Associates Ltd did not comply with the “at cost” policy.	<p>3.2.2 Subject to sections 3.2.7 to 3.2.12, a trust must pay no more than ‘cost’ for goods or services provided to it by the following persons (‘services’ do not include services provided under a contract of employment):</p> <ul style="list-style-type: none"> • any Member or Trustee of the Academy Trust <p>3.2.14 The contracts with the related parties did not comply with the “at cost” requirements of the AFH as they did not contain the statement of at “cost assurance” and did not meet the open book requirement.</p>
The role of the Accounting Officer has rotated between 3 Directors/Members since incorporation.	1.5.19 Each Academy Trust must designate, in writing, a named individual as its Accounting Officer. The individual must be a fit and suitable person for the role. The Accounting Officer should be the senior executive leader of the Trust. In Trusts comprising a single academy, this should be the principal. In multi-academy trusts, it should be the chief executive or equivalent. The role of Accounting Officer must not rotate.
Directors at the Trust stated that the AO role is provided as part of a service level agreement with DRB Group therefore the AO is not on Trust payroll.	3.1.22 Academy Trusts must ensure that their senior employees’ payroll arrangements 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, as set out in HM Treasury’s Review of the Tax Arrangements of Public Sector

Issue Identified	Resulting breach of AFH
	Appointees. Failure to comply with these requirements can result in a fine by HM Treasury.
The Trust failed to inform ESFA of the changes to Trust Membership.	<p>4.7.4 The trust must notify DfE of the appointment or vacating of the positions of:</p> <ul style="list-style-type: none"> • Member, Trustee and local governor • Chair of Trustees, chairs of local governing bodies, Accounting Officer and Chief Financial Officer, including direct contact details within 14 days of that change.
The role of the Chief Financial Officer is provided through a contract with DRB group and not by a permanent contract of employment.	2.1.10 The academy trust must have a Chief Financial Officer (CFO), appointed by the Trust's Board, who is the Trust's Finance Director, Business Manager or equivalent, to lead on financial matters.
The Trust does not have any independent Directors or Members (i.e. not receiving a payment or benefit) who are qualified accountants or have equivalent experience.	2.1 Trustees and managers must have the skills, knowledge and experience to run the Academy Trust.
The Trust's internal audit function is completed by DRB group which is not independent.	<p>2.2.4 The Board of Trustees, and any separate committee responsible for finance, must:</p> <ul style="list-style-type: none"> • ensure good financial management and effective internal controls <p>2.3</p> <p>The Academy Trust must have in place sound internal control, risk management and assurance processes.</p>
All current Members of the Trust's Finance Committee receive some form of benefits from the Trust therefore are not sufficiently independent.	<p>2.4.3 Audit committee functions should be established in such a way as to achieve internal scrutiny which delivers objective and independent assurance, which means that:</p> <ul style="list-style-type: none"> • staff employed by the Trust should not be members of an Audit Committee, but may attend to provide information and participate in discussions • where the Trust operates a combined Finance and Audit Committee, staff may

Issue Identified	Resulting breach of AFH
	be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions
Interviews with Trustees indicated that the Finance Committee, which is responsible for financial oversight of the Trust, met infrequently through 2016.	2.1.3 The Board and its committees must meet regularly enough to discharge their responsibilities under their articles of association, funding agreement and this handbook, to ensure robust governance and effective financial management arrangements. Board meetings must take place at least three times a year (and business conducted only when quorate) although Trusts may well consider it appropriate to meet more frequently, particularly medium-sized and larger Trusts with more complex structures, and any undergoing a period of change.
Discussions with some Directors and Members highlighted knowledge gaps around applicable financial and governance frameworks.	1.5.14 The Board of Trustees should identify the skills and experience that it needs, and address any gaps through recruitment, and/or induction, training and other development activities.