



Education & Skills
Funding Agency

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

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

27 July 2017

Craig Akhurst
Chair of The SchoolsCompany Trust
1st Floor Holborn Gate
330 High Holborn
London
WC1V 7QT

Dear Mr Akhurst

The SchoolsCompany Trust – Financial Notice to Improve (FNtl)

I am writing to you in your capacity as Chair of The SchoolsCompany Trust (“the Trust”) following our recent review of the information provided on the trust’s financial position and the need for continued emergency payments up to end of August 2017.

I know that you have had ongoing discussions with my ESFA colleagues about our significant concerns on the Trust’s financial management, including the short notice and urgent requests for additional funding. We continue to have concerns on the Trust’s response to this financial situation and this has been highlighted again by the failure to produce a recovery plan by the revised deadline of 17 July.

It is now crucial that I set out our expectations on the actions that need to be taken forward to ensure that the Trust urgently address weaknesses in financial management. I am therefore writing with my decision to issue a Financial Notice to Improve (“the Notice”) to the Trust.

This letter and its annex serve as a written notice for the Trust to improve financial management, control and governance. It also reflects the actions that will need to be taken to improve the management of the budget and achieve a balanced budget as soon as possible.

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 Notice. These terms are set out at Annex A.

Upon receipt of this Notice, all of the delegated authorities as identified in the AFH will be revoked, and all transactions by the Trust previously covered by these delegations (regardless of size) must come to the ESFA for approval. For clarity this would include

committing spending on public relations or legal advice without prior approval. These delegated authorities shall be returned to the Trust/academy 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, which all academy trusts must comply with by virtue of the terms of the FA. 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 and within five working days of the date of this letter to [REDACTED].

I am copying this letter to Dominic Herrington, Regional Schools Commissioner (RSC) for the South East and South London and Rebecca Clark, RSC for the South West.

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

cc: Dominic Herrington, RSC for South East and London
Rebecca Clark, RSC for the South West

The SchoolsCompany Trust

Conditions

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of The SchoolsCompany Trust's ("the Trust"):
 - Failure to ensure good financial management and effective internal controls (AFH 2.2.4)
 - Failure to have sufficient oversight over financial management and governance
 - Failure to take sufficient action to avoid the Trust's current cash-flow deficit position
 - Failure to maintain and provide ESFA with accurate/robust budget forecasts; and
 - Failure to meet the conditions of the additional grant funding as agreed in May 2016 and detailed in the grant letter of 21 June 2016

Finance

2. The Trust is required to:
 - conduct an urgent review of all central trust income and expenditure to be incorporated in the recovery plan and submitted to ESFA by end of August
 - urgently seek independent verification on the closing position of the 2016/17 end year budget forecast position
 - implement action in line with the recovery plan to return the Trust to a surplus budget position during 2017/18
 - demonstrate that every possible economy is being made to achieve a balanced budget – this must consider the Trust wide SMT structure, service providers, curriculum provision and staffing costs across the four academies
 - provide an organogram of the central SMT staffing structure matching the current number of academies; and
 - provide the ESFA with monthly financial monitoring/progress reports mapping progress in these areas to work towards securing a balanced budget for 2017/18
3. The Trust is also required to:
 - comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time by 31 December 2017, without qualification
 - contact the ESFA at an early stage if it believes that progress is falling behind schedule once a recovery plan is agreed; and

- engage external financial and educational support to recover the position as advised by the ESFA

Governance

4. The Trust is also required to implement new financial management and monitoring structures and undertake further actions to strengthen governance and independent challenge in managing the budget and finances. Specifically, this should include:

- the introduction of monthly extraordinary/emergency board meetings with dates confirmed to ESFA by August 2017
- to provide the ESFA with notes of board meetings held in 2016/17 by August 2017
- immediately strengthening the trust board with the introduction of RSC approved interim academy trustees to support the current trust – this should be in place no later than September 2017
- to arrange a fully independent review of current governance arrangements with findings shared with ESFA by October 2017
- ensuring all trustees are aware of their responsibilities as directors under the companies Act, Academies Financial Handbook and as trustees under Charity Commission guidance
- ensuring strong processes are in place for the Trust to monitor adequately financial performance and the financial risks to its operation
- Trustees directly securing immediate action to work towards securing a balanced budget
- that the trust considers a change of auditor to ensure robust independent challenge of the accounts
- ensuring that proper arrangements are put in place whereby there is sufficient independence to offer robust challenge and hold the CEO and current Accounting Officer to account for the management of the budget/finances
- ensure that there are robust measures in place to acknowledge and manage related party transactions and that these are reflected appropriately in the accounts

5. 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 recovery plan is fully implemented once this is agreed; and
- the ESFA must be satisfied that the Trust is doing everything it can to rectify the financial management and control failings

Timescales

6. We have set deadlines above in areas requiring urgent action. The ESFA will agree other deadlines in consideration of the recovery plan which we will need by 31 August 2017.
7. The Trust must then provide regular detailed reports updating the ESFA on specific progress to improve financial budget management during 2017/18. The ESFA will expect these reports every 2 months while this FNTI remains in place starting from August 2017.

Monitoring and progress

8. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor progress.
9. The Trust must supply the ESFA with monthly financial monitoring information by the 20th working day of each month for one year from the date of this Notice or until the Trust is dissolved.
10. 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 other options available. The ESFA also reserves the right to amend the conditions of this FNTI should we later identify that other measures or conditions need to be put in place.

Compliance and the end of the notice period

11. Compliance with this Notice will be demonstrated when:
 - the Trust has met the conditions set out above
 - the ESFA receives financial information clearly demonstrating that no further financial support will be required and that any advances of funding can be repaid in line with agreed terms
 - the ESFA receives audited financial statements with an unqualified audit opinion, which confirm that the Trust is performing, at minimum, to the standards agreed in the recovery plan; and
 - the ESFA receives an auditor's management letter which does not raise concerns
12. When the Trust meets the conditions outlined in this annex, the Notice will no longer apply and the ESFA will write to the Trust again to confirm that the Notice has been lifted.