



Education  
Funding  
Agency

**Mr Jason Weeks**  
**Chair of Governors**  
**Sawtry Community College**  
**Fen Lane**  
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**Education Funding Agency**  
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**[www.education.gov.uk/help/contactus](http://www.education.gov.uk/help/contactus)**

**Date: 26 September 2014**

**Dear Mr Weeks**

As you know, we received serious whistle blowing allegations relating to financial irregularities and governance at Sawtry Community College in early July. An Education Funding Agency (EFA) review of financial management and governance at Sawtry Community College was launched in late July and has now concluded.

The review identified significant financial irregularity, together with breaches of the Academies Financial Handbook.

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust.

Upon receipt of this FNtl, all of the delegated authorities as identified in the Academies Financial Handbook (AFH) will be revoked, and all transactions by your academy trust previously covered by these delegations (regardless of size) must come to the EFA for approval. These delegated authorities shall be returned to the academy trust providing that the terms set out in the FNtl have been complied with and continue to be complied with, to the satisfaction of the Secretary of State.

The Sawtry Community College Academy Trust is required, pursuant to the provisions of the AFH and the Funding Agreement, to comply with the terms of this Notice. These terms are set out in Annex A and summarised in Annex B.

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 the Funding Agreement. As a result of this breach of AFH, the termination process 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 Funding Agreement.

I should be grateful if you would acknowledge receipt of this letter by email and within 3 days of the date of this letter to [REDACTED]. Please send me your formal response to these

findings and a complete action plan to meet the requirements associated with this Notice by Friday 17 October.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Baldwin'. The signature is fluid and cursive, with the first name 'Sue' written in a large, stylized loop.

Sue Baldwin  
Director, Academies and Maintained Schools Group

**Cc Sarah Wilson, Accounting Officer**

**Sawtry Community College****Conditions**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of the financial irregularities and weaknesses in financial management and governance highlighted within the EFA report of September 2014. This includes breaches of the Academies Financial Handbook.
2. The Trust is required to prepare and implement an action plan to address the underlying weaknesses in financial management and governance and the serious findings uncovered in the report that have led to the issue of this Notice.
3. The Trust should supply the EFA with monthly progress reports on the work undertaken and the improvements and outcomes achieved.
4. 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 agreed action plan is fully implemented; and
  - The EFA must be satisfied that the Trust is doing what it can to rectify the weaknesses identified.

**Timescales**

5. The Trust will need to develop its action plan, setting out a full set of actions to address the weaknesses in its financial management and governance arrangements that have led to the issue of this Notice. The final plan must be submitted to the EFA by Friday 17 October.
6. We will agree milestones and monitoring as part of finalising the plan. We would expect all underpinning systems and processes to be fully operational by the end of December 2014.

**Monitoring and Progress**

7. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
8. 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.

9. Should it become evident that the Trust is unlikely to fulfil the conditions of this Notice within the above timescales the EFA will begin to consider and explore the contractual intervention options available.

### **Compliance and the End of the Notice Period**

10. Compliance with this Notice will be demonstrated when all measures set out in the action plan are in place and the EFA is able to validate, by visiting the Trust to conduct testing as appropriate, that the new arrangements are being embedded throughout the Trust.
11. When the Trust meets the conditions outlined in the annex this specific Notice will no longer apply. At this point the EFA will write to the Trust again to confirm the Notice has been lifted.

The Trustees must ensure that all the issues raised in the EFA's review relating to significant breaches of the Academies Financial Handbook are addressed.

The action plan will need to fully address the following issues and itemise the specific actions proposed:

1. The academy and its trustees must review its financial procedures and policies to strengthen guidance around:
  - the need to provide invoices / receipts for all expenditure,
  - examples of acceptable and unacceptable expenditure (using EFA irregularity reports on the gov.uk website),
  - documented authorisation of all expenditure, as per the scheme of delegation,
  - number of visits and level of independent scrutiny over transactions (by the Responsible Officer - RO),
  - ensuring all areas mentioned in this report and raised by the independent transactional review are adequately covered by the RO,
  - back up arrangements where independent scrutiny (RO) is unavailable,
  - ensuring travel allowances conform to HMRC requirements,
  - all travel, where possible, is authorised in advance,
  - all travel claims use a standard form, are formally authorised and capture sufficient detail,
  - trustees ensuring they have suitable methods to monitor senior management working patterns and work/diary commitments.

Updated financial policies and procedures should be formally approved by trustees and communicated to all staff.

2. The academy must engage a detailed and independent transactional review of income and expenditure (including private funds) since conversion to fully determine the security of public funds and provide a more accurate picture of irregular transactions (including values). The scope of this review must be pre-agreed, with, and the results must be communicated to, the EFA in a timely manner.

As a minimum the review will be required to cover all areas highlighted in this report.

The EFA will then decide on any further actions to be taken based on the results. This includes recovering any funds from the academy which were not spent for the purposes intended.

3. The academy and its trustees must review its HR procedures and policies to ensure:
  - Documented performance management is conducted, at regular intervals, for all staff,

- Trustees determine a set of approved rewards / benefits / allowances which can be applied to staff,
- Where additional salary/benefits/bonuses or allowances are paid/provided to staff, these must be selected from an approved list, and there is a justified rationale and approval for the award,
- Salary benchmarks are agreed by trustees and used to inform future appointments,
- Salary and benefits are included in work conducted by the RO.

Updated policies and procedures should be formally approved by trustees and communicated to all staff.

As mentioned in recommendation 2, pay and performance should be included within the detailed independent review.

4. The academy and its trustees should review the storage and sale of alcoholic stock to determine whether this appears regular and proper.

The academy must also ensure assets / stock testing is covered by the RO.

The academy must also ensure procedures/policies and future contracts of employment are updated to include requirements on the treatment and return of assets/stock.

5. To ensure that it complies with the academies financial handbook, the academy must ensure that it can demonstrate appropriate oversight of financial transactions. Also that it has in place sound internal control and risk management processes.

The academy internal control framework must have regard to:

- co-ordinating the planning and budgeting processes,
- applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties,
- preparation of timely monthly management accounts, including income and expenditure reports on an accruals basis, cash flow forecasts and balance sheets as appropriate,
- ensuring that delegated financial authorities are respected,
- selection, planning and oversight of any capital projects,
- the propriety and regularity of financial transactions,
- the management and oversight of assets,
- the risk of fraud and theft,
- ensuring efficiency and value for money in the organisation's activities, and

- ensuring any associated teacher training providers have a separate bank account.
6. The academy should consider undertaking a skills audit of its trustees, governors, senior leadership team and staff with financial responsibilities. Any identified skills gaps should be resolved in a timely manner.
  7. The academy must ensure that it has a robust process in place for independent checking of financial controls, systems, transactions and risks. It must therefore establish either a dedicated audit committee or committee whose remit includes the functions of an audit committee.
  8. This committee must agree the programme of work for the RO. Further these visits should be planned to ensure that all areas of internal control and key risks identified by the academy are covered and reported to the committee.
  9. The academy must ensure that a contingency and business continuity plan is produced and tested at regular intervals.
  10. The academy should review the 2013/14 risk register to confirm its adequacy and make any necessary adjustments to allow for adoption and regular review.
  11. The scheme of delegation should be updated to ensure that the required detail around delegated authorities and values is recorded.
  12. The academy must consider when making special staff severance payments whether the proposed payment is based on a careful appraisal of the facts, including legal advice and that value for money will be achieved.
  13. The academy should ensure that governing body minutes provide an accurate reflection of what was discussed during meetings. Also that any decisions made are minuted.
  14. The academy must also ensure that in its arrangements with its subsidiary (Sawtry Multitask) and the associated teacher training provider (Cambridge Partnership) it can demonstrate discipline in financial management, maintain proper accounts and the propriety and regularity of financial transactions.
  15. The academy must ensure that it can use its judgement as to whether to seek prior advice for future payments which may be considered novel or contentious.
 

Novel payments or other transactions are those in which the academy has no experience, or are outside the range of normal business activity for the academy.

Contentious transactions are those which might give rise to criticism of the academy by the public or the media.

Public money must always be spent prudently and in ways that command broad public support.
  16. Trustees/governors and senior staff must declare all business interests including any paid employment to allow for easier related payment transactions analysis.

17. The academy must ensure that there are measures in place to manage any conflicts of interest.
18. The academy must ensure that the competitive tendering policy in place is applied.
19. If there are preferred suppliers or single tenders the academy must be certain that all criteria within the handbook are met and that their decisions can be fully supported.

In addition, the trustees should ensure that all reasonable steps are taken to recover public funding that is proved to have been misused.