



Education
Funding
Agency

Education Funding Agency
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www.education.gov.uk/efa-enquiry-form

Mr Mark Sharp
Chair of Governors
The LEAP Academy Trust
The Baverstock Academy
Kings Heath
Birmingham
B14 5TL

5 November 2015

Financial notice to improve – ref: LEAPBAV/WM1001

Dear Mr Sharp

I am writing to you in your capacity as Chair of the LEAP Academy Trust (“the Trust”) to inform you of my decision to issue a Financial Notice to Improve (FNtI) (“the Notice”) to the Trust. This follows the Education Funding Agency (EFA) investigation into serious allegations of financial irregularity and governance between August and September 2015.

Firstly, I want to thank you for the positive action you have taken since taking up the position of Chair in September 2015 and for the cooperation you have shown with my team and the Regional Schools Commissioner in putting in place interim management arrangements.

This letter and its annex serve as a written notice to improve the financial management, control and governance at the Trust in the light of concern over:

- Financial irregularity of the payments made to [REDACTED];
- Significant weaknesses in financial oversight exercised by the Trust Board;
- A lack of policies and procedures operated by the Trust to ensure public funds are protected and to secure best value for those funds;
- A significant number of breaches of the Academies Financial Handbook (AFH) relating to a lack of recruitment, independence checks, risk management and internal controls.

Upon receipt of this FNtI, all of the delegated authorities as identified in the AFH will be revoked, and all transactions by your 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 FNtI have been complied with and continue to be complied with, to the satisfaction of the Secretary of State.

The Trust is required, pursuant to the provisions of the AFH and the Master Funding Agreement, to comply with the terms of this Notice. These terms are set out in Annex A.

We will work with you to support and monitor progress towards meeting the requirements associated with this Notice and provide an appropriate financial support package. We will

lift the Notice when the requirements set out in the annex have been met. If the Trust fails to comply with all the terms of the Notice the Secretary of State may consider it appropriate to terminate the funding agreement because of such non-compliance.

Please send me your formal response to these findings and a detailed action plan designed to meet the requirements associated with this Notice by Friday 11 December 2015.

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

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Sue Baldwin". The signature is written in a cursive style with a large initial 'S'.

Sue Baldwin

Director: Academies and Maintained Schools

The LEAP Academy Trust (The Baverstock Academy)

Ref: LEAPBAV/WM1001

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of:
 - the significant weaknesses in financial management and governance highlighted during the EFA fact-finding visit;
 - breaches of the Academies Financial Handbook relating to a lack of independence checks, risk identification and internal controls.
2. The Trust is required to:
 - prepare and implement an action plan to address the underlying weaknesses in financial management, control and governance and ensure it is compliant with prevailing legislation, including:

Governance

- The Trust must carry out a full independent review of its membership, Board of Governors, other structures and the Trust's general model of governance. The Terms of Reference, the CV of the individual to be appointed to carry out the review of governance must be agreed with the EFA. The draft and final findings of this review and the Trusts formal response to the Review must be shared with the EFA. The Trust must complete this review by the end of February 2016 and provide a detailed Plan as to how it will implement the conclusions of the Review (to be shared with the EFA) no later than 31 March 2016;
- The Trust must compile a corporate scheme of delegation, setting out the clear role, responsibilities and duties of the Accounting Officer. This must be ratified by the end of December 2015;
- The Trust must develop, ratify and implement a full suite of policies to ensure they are compliant with the Academies Financial Handbook 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 the end of January 2016 (though implementation may take longer);
- The Trust must develop and implement a detailed training plan that ensures that all staff are aware of their roles and responsibilities within the scheme of delegation and framework of internal controls no later than 31 March 2016;
- The Trust must develop, ratify and implement a suite of HR policies, including a recruitment policy, with all associated procedures, and ensure that proper and complete employment records are maintained;

- 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 December 2015;
- The Trust must ensure a review is undertaken on its current and future budget plans that can secure both short term and long term financial health and that assumptions underpinning the budget are realistic, that is balanced budgets must be agreed, this would include the preparation of accurate cash flow forecasts which includes all liabilities and income expected in the relevant periods;
- The Trust must ensure the it publishes all relevant and pecuniary interests of trustees and members on the academy website from the date of this FNTl onwards;

Financial management

- The Trust must take all reasonable steps to recover any and all funds that are found to have been paid irregularly (as defined by the AFH), following completion of any and all internal investigations and disciplinary processes;
- The Trust must ensure an appropriately qualified or experienced Chief Financial Officer (CFO) is appointed as soon as possible;
- The Trust must provide an accurate set of financial forecasts for the Trust for the remainder of the current and the next 3 financial years no later than 11 December 2015;
- The Trust must compile a full set of financial regulations and procedures, which are to be ratified by the Trust Board by the end of January 2016. These should incorporate all the requirements of the Academies Financial Handbook;
- The Trust must review its policy for dealing with fraud to ensure appropriate action is taken where fraud or irregularity is suspected or identified;
- The Trust must ensure contracts and/or service level agreements are in place to ensure services specified are delivered and at the appropriate quality and frequency;
- The Trust must review its overtime and out of hour's payment policy and ensure and associated procedures for staff and trustees, which should be submitted to the Board for review and approval.

Supplier/professional services

- The Trust must ensure that Annual Declaration of Business Interests are completed by trustees and senior staff, and retained for scrutiny;
- The Trust should undertake a full review of its operation to ensure that all potential economies of scale, to demonstrate that best value is being obtained;

- The Trust must develop, ratify and implement a purchasing policy and associated procedures, which should be submitted to the Board for review and approval.

Timescales

3. The trust will develop an 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 [REDACTED] [REDACTED] by Friday 11 December 2015.
4. We would expect the underpinning systems and processes to be operational by 1 April 2016. Monitoring will continue with the expectation that the Trust will have unqualified accounts in December 2016. We do not expect to consider any request to lift this FNtl prior to this date.

Monitoring and Progress

5. 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 academy in April 2016 to review that 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.
6. 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.

Compliance and the End of the Notice Period

7. Compliance with this Notice will be demonstrated when all measures set out in the action plan (if approved by the EFA) have been implemented 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 EFA is satisfied that the Trust meets the conditions outlined in this Notice, the Notice will no longer apply. At this point EFA will write to the Trust again to confirm the Notice has been lifted.