



Education
Funding
Agency

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

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

29 February 2016

Mr Russell Rook
Group Chief Executive Officer
Chapel Street Community
Schools Trust
21 Crown Lane
Morden
SM4 5BY

Dear Mr Rook

Chapel Street Community Schools Trust – Financial Notice to Improve (FNtI)

I am writing to you in your capacity as Accounting Officer for Chapel Street Community Schools Trust (“the Trust”).

The Trust’s request for urgent additional funding has raised significant concerns about the financial management of the Trust. This is the second occasion on which we have been required to consider additional funding to help the Trust manage financial pressures. I do acknowledge the recent changes in Trust level leadership, but the lack of advance warning of this impending cash flow deficit indicates that the Trust does not have full knowledge and control of their academies’ financial positions. The basis for providing additional funding previously was that the Trust would secure a balanced budget for 2015/16. This has clearly not been achieved.

Our recent Financial Management and Governance visit also indicated that the Trust has been aware of financial management control issues since October 2015, following a commissioned independent internal assurance review, but has not yet fully addressed these problems. We have also noted previous loan arrangements that have not received the appropriate approvals. As a result of these serious concerns over financial control and management, I am 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 and controls alongside taking immediate action to secure a balanced budget for the Trust at the earliest opportunity. I recognise that we will still need to complete discussions on receipt of the Trust’s recovery plan and, at this point, we may need to make some minor amendments to the conditions detailed in this annex.

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 EFA 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, 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 academies 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 within three working days of the date of this letter to [REDACTED] at [REDACTED].

I am copying this letter to the Chair and Chief Executive of the Trust and to Dominic Herrington, Regional Schools Commissioner for the South East and South London.

Yours sincerely,



Sue Baldwin
Director: Academies and Maintained Schools Group

cc:

Sir David Bell, Chair of Chapel Street Community Schools Trust.
David Brown, Chief Executive of Chapel Street Community Schools Trust
Dominic Herrington, Regional Schools Commissioner for the South East and South London

Chapel Street Community Schools Trust

Conditions

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Chapel Street Community Schools Trust's ("the Trust"):

- failure to take action to avoid the current cash flow deficit position of the Trust
- ongoing cash flow deficits expected during March to August 2016 which may require further advances of GAG funding from the EFA
- failure to have in place adequate financial and monitoring controls
- failure to seek approval for previous loan arrangements
- failure to submit the Trust's 2014/15 financial statements by the deadline of 31 December 2015

Finance

2. The Trust is required to provide a recovery plan by 25 March. This plan should:

- aim to return the Trust to a surplus position for the 2016/17 academic year
- demonstrate that every possible economy is being made to reduce the overall amount of deficit – including in relation to curriculum provision and staffing costs across all the Trust's schools/academies
- commit the Trust to providing the EFA with monthly monitoring reports mapping progress in these areas to secure a balanced budget for the 2016/17 academic year

3. The Trust is also required to:

- comply urgently with the funding agreement requirement and submit all audited financial statements to the EFA by no later than the end of March 2016, without qualification
- explain the relationship and financial transfers related to any connected charity or organisation, providing evidence of any approvals including those related to previous borrowing arrangements

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 in your internal assurance report of 2014/15
- The Trust should take all appropriate actions to ensure the recovery plan and internal financial control/management action plan is fully implemented
- The EFA must be satisfied that the Trust is doing everything it can to implement these required changes

Governance

5. The Trust is required to take action to strengthen financial management and monitoring controls. Specifically, this should include:

- providing an action plan with timings to the EFA by end of March 2015 in response to the recommendations detailed in the Trust's 2014/15 internal assurance report
- This plan should detail the necessary steps to secure the expected financial controls and procedures
- ensuring that proper arrangements are put in place whereby the governing body is able to hold to account independently the Accounting Officer and other members of the executive management team
- ensuring all governors are aware of their responsibilities as directors under the Companies Act and as trustees under Charity Commission guidance
- ensuring strong processes are in place for the Trust to monitor adequately financial performance and to take early action in managing financial risks/deficits in relation to all the Trust's schools/academies

Timescales

6. The Trust must review and submit the full recovery plan to the EFA by 25 March.

7. The Trust must provide regular reports updating the EFA on specific progress to achieve a balanced budget by the 2016/17 academic year – EFA will expect these reports at end April, June and August 2016.

8. We may agree further milestones or amendments to existing milestones as part of the finalisation of the Trust's recovery and action plans.

Monitoring and Progress

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

10. The Trust must supply the EFA with monthly financial monitoring information by the 20th working day of each month while this Notice remains in place.

11. 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 and there is no attempt to work within the requirements, the EFA will begin to consider and explore the contractual intervention options available.

Compliance and the End of the Notice Period

12. Compliance with this Notice will be demonstrated when:

- The Trust has met the conditions set out above
- The EFA 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 EFA 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
- The EFA receives an auditor's management letter which does not raise concerns

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