



Education
Funding
Agency

Education Funding Agency
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT
Tel: 0370 000 2288
[efa-enquiry-form](#)

29 June 2016

Mr Chris Morgan
Chair
Robert Owen Academy Trust
Blackfriars Street
Hereford
HR4 9HS

Dear Mr Morgan

Financial Notice to Improve – ROBERT OWEN ACADEMY TRUST

I am writing to you in your capacity as the Chair for Robert Owen Academy Trust (“the Trust”) to inform you of my decision to issue a Financial Notice to Improve (“the Notice”).

I am grateful for the cooperation and extensive discussions that have taken place with the Trust and officials. My concerns remain in relation to the weak financial position and financial management at the Trust.

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 about governance and oversight of financial management by the Board.

The Trust is required, pursuant to the provisions of the Academies’ Financial Handbook (AFH) and the funding agreement (FA), to comply with the terms of this Notice. These terms are set out in Annex A. The Notice will be published in due course on GOV.UK.

On receipt of the 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. 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.

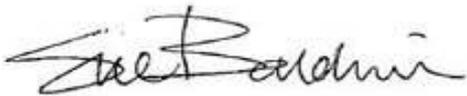
We will monitor progress towards meeting the requirements associated with this Notice. We will lift the Notice when the requirements set out in the annex have been met. In the event that the Trust fails to meet the requirements of this Notice to the satisfaction of the Secretary of State, the Trust will 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 in the terms of the FA and lead to termination.

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

I am copying this letter to Andy Hubble, Principal and Accounting Officer and Pank Patel, Regional Schools' Commissioner (RSC) for the West Midlands.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Baldwin', written in a cursive style.

Sue Baldwin
Director, Academies and Maintained Schools Group

cc: Mr Pank Patel, Regional Schools' Commissioner for West Midlands
Andy Hubble, Principal and Accounting Officer

Ref: FNtIROAT20162306

Financial Notice to Improve

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Robert Owen Academy Trust ("the Trust"):
 - failing to provide a plan that demonstrates any form of financial recovery without additional funding from the EFA, in breach of the conditions set out in David McVean's letter dated 18 January 2016
 - failing to manage and govern itself and its finances in line with the expectations set out in the Academies' Financial Handbook (AFH); including breaches of the AFH relating to the RDFC return.

Conditions

2. We require the Trust to:
 - provide a robust deficit recovery plan which sets out a balanced budget based on realistic pupil numbers whilst outlining plans to repay all outstanding Pupil Number Adjustment (PNA) by April 2020. The recovery plan should be completed on the template that the EFA will provide and must be submitted to the EFA no later than 29 July 2016.
 - commission a full and independent review of financial management and governance across the Trust which should include, as a minimum, an assessment of the oversight exercised by the trust board, as well as a skills audit of the current members and trustees. The Terms of Reference for that review must be agreed within the EFA no later than 12 July, with the CV of the individual or company the trust board seeks to carry out the review to be agreed with the EFA no later than 26 July. The review must be completed by 5 September 2016. The Trust must share all draft and final reports from the review with the EFA.
 - prepare and implement an action plan to address the underlying weaknesses in financial management and governance identified by the independent review. The plan should set out how the Trust will address any gaps in the existing skills mix of members and / or trustees so as to ensure the Trust is compliant with the AFH. The action plan should be submitted no later than 23 September 2016.
 - submit an accurate Budget Forecast Return (BFR) by the deadline required by the EFA.
 - submit 2015/16 accounts and management letter with an unqualified audit opinion by the deadline required by the EFA.
 - prepare and implement a strategy to ensure that the Trust is able to attract sufficient pupils to be viable during the recovery period and beyond without any additional funding from the EFA. This should be included as part of the action plan to be submitted by 23 September 2016.

Financial management requirements

3. 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.
4. The Trust should take all appropriate actions to ensure the recovery plan and internal control action plan is fully implemented.
5. The Trust must satisfy the EFA that it is doing everything it can to rectify the weaknesses identified.

Timescales

6. The Trust must meet the timescales as set out above.

Monitoring and progress

7. The Trust should supply the EFA with monthly financial monitoring information on the 10th of each month commencing in July 2016; initially for the first 12 months of the Notice. The frequency of the reports thereafter will be determined by the EFA, based on progress against the Trust's recovery plan. The following items should be included in this return:
 - a revenue income and expenditure report setting out the financial position, set against both budget and forecast position, with a narrative explaining significant variance. Income and expenditure classifications in this report should mirror those in the recovery plan.
 - a detailed monthly cash flow forecast rolling forward 12 months ahead.
 - information on changes to the school's pupil number projections.
 - an update against milestones within the action plan to address the underlying weaknesses in financial management and governance.
8. The EFA reserves the right to amend and add further specific conditions should they be required. 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 EFA will begin to consider and explore the contractual intervention options available.
9. All information should be emailed to [REDACTED]. Please contact [REDACTED] if you are in any doubt as to the content or format of these monthly reports.

Compliance and the End of the Notice Period

10. Compliance with this Notice will be demonstrated when:
 - the EFA receives the report and action plan from the independent review of financial governance and the milestones within the action plan to address the underlying weaknesses in financial management and governance are discharged.
 - the EFA receives financial information clearly demonstrating that the no further financial support will be required and that any advances of funding can be repaid in line with agreed terms.

- the Trust demonstrates compliance with all financial returns required as a consequence of this Notice and as part of the funding agreement.
- the Trust requests approval from the EFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent to the EFA using the efa-enquiry-form.
- the EFA receives the Budget Forecast Return, by 31 July 2016.
- the EFA receives audited financial statements with an unqualified audit opinion by 31 December 2016.
- the EFA receives the auditors' management letter which does not raise concerns by 31 December 2016.

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