



Education & Skills
Funding Agency

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

Tel: 0370 000 2288

15 February 2018

Mr A Winn – Chair
Mr A Goulty – Accounting Officer
Rodillian Multi-Academy Trust
Longthorpe Lane
Lofthouse
Wakefield
WF3 3PS

Dear Mr Winn and Mr Goulty

Financial Notice to Improve

I am writing to you in your capacities as Chair and Accounting Officer of the Rodillian Multi-Academy Trust (“the Trust”).

Firstly, I want to thank you for the positive action you have taken following the Financial Management and Governance Review in March 2017, the cooperation you have shown my team and the ESFA’s Provider Risk Assurance (PRA) teams and the changes you have already made to strengthen accounting and financial controls.

However, whilst the deadlines specified within [REDACTED]’s letter to you of 30 August 2017 were met, I am concerned about the Trust’s failure to balance its budget and the historic failures in financial governance and management, some of which remain unresolved. These have been highlighted in the three ESFA reports and the Trust’s 2016/17 Financial Statements and accompanying Management Letter. The reports and letter cite a number of material weaknesses in the accounting practices and internal control systems of the Trust. Whilst I acknowledge that you have taken some action to address matters, there are outstanding issues which taken together give cause for concern and this does not provide the ESFA with assurance of good financial management and governance within the Trust. It also represents breaches under s1.5.13, s1.5.22, s2.2.4, s2.3.3, s3.1.3, s3.3.1, s3.4.1, s3.7.15 and s4.8.2. of the Academies Financial Handbook.

This letter and its annex consequently serve as a written notice to improve financial management, control and governance at the Trust. This reflects the continued concerns about governance and the 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 Financial Notice to Improve (“the Notice”). These terms are set out in Annex 1. In addition, the Notice will be published in due course on www.gov.uk.

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. 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. 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 would be grateful if you would acknowledge receipt of this letter and provide a formal response recognising the requirements associated with this Notice within 3 working days of the date of this letter. This should be sent by e-mail to [REDACTED].

I am copying this letter to Vicky Beer CBE, Regional Schools Commissioner for Lancashire and West Yorkshire.

I look forward to hearing from you.

Yours sincerely

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

Mike Pettifer
Director, Academies and Maintained Schools

Copy to: Vicky Beer CBE, Regional Schools Commissioner

Financial Notice to Improve

1. The Education and Skills Funding Agency (ESFA) is issuing a Financial Notice to Improve (the 'Notice') as a consequence of the Trust's:
 - failure to demonstrate adequate financial management and governance control
 - failure to achieve a balanced budget
 - failure to take sufficient action to avoid the current cash-flow position
 - misuse of Condition Improvement Funding (CIF)

Conditions

2. The Trust is required to develop and implement an action plan which responds to all of the issues identified in the two ESFA reports issued in January 2018, as well as:
 - giving assurance of improvements to financial management and governance
 - ensuring strong processes are in place for the Trust to adequately monitor financial performance and the financial risks to its operations
 - ensuring that proper arrangements are put in place whereby there is sufficient independence to offer robust challenge and hold the CEO and Accounting Officer to account for the management of the budget/finances
 - sharing the outcome of the recent internal governance review with the ESFA and the RSC. Conducting an external review of governance if the ESFA or RSC feel that it is not apparent that the Trust Board has the right mix of skills and experience to oversee the financial recovery and ensure value for money in the Trust's operations
 - providing a revised and accurate recovery plan to return the Trust to a surplus budget position during 2019/20
 - demonstrating that every possible economy is being made to achieve a balanced budget – this must consider the Trust-wide SMT structure, service providers and staffing costs across the four academies. The Trust must demonstrate that it has made use of the Schools Efficiency and Financial Health tools available at schools-financial-health-and-efficiency and also engaged fully with any additional resources made available through this programme i.e. a School Efficiency Adviser
 - reporting to the ESFA the savings that will be achieved following an integrated curriculum and financial planning review and evidence of implementation of the review and savings made
 - dealing with all matters of concern raised in the Trust's Management Letter and notifying the ESFA of the resolutions
 - providing an accurate and detailed 5-year budget forecast
 - making the ESFA aware of any threats to its recovery at the earliest opportunity

- submitting monthly management accounts by the 25th of each month that show income and expenditure and provide the following information:
 - The budget for the current academic year to date
 - Actual results for the current academic year to date
 - A narrative explaining any significant variances for the year to date
 - The budget for the current full academic year as stated in the recovery plan
 - The latest forecast for the current full academic year
 - A narrative explaining any significant variances for the current full academic year

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 weaknesses identified.
4. The Trust should take all appropriate actions to ensure an action plan is fully implemented.
5. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Timescales

6.

Item	Date due by
Action plan	20/03/18
Revised, detailed 5-year budget forecast	31/03/18
Revised recovery plan	31/03/18
Outcome of the recent internal governance review	13/03/18
Resolution of Management Letter issues	30/04/18

Monitoring and Progress

7. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
8. Should it become evident that the Trust is unlikely to fulfil the conditions and / or requirements set out in this Notice within the above timescales, the ESFA will begin to consider and explore the contractual intervention options available.

Compliance and End of Notice Period

9. Compliance with this Notice will be demonstrated when:
 - All of the conditions set out above are complete
 - The ESFA receives assurance that the agreed recovery plan has been delivered

- The Financial Statements for 2019/20 show that the Trust has returned to a cumulative surplus position
- The Trust requests approval from the ESFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent to us using the [ESFA-enquiry-form](#)
- The ESFA receives the Budget Forecast Return, by 31 July each year, up to and including 31 July 2020, demonstrating a forecast return to surplus in line with the recovery plan
- The ESFA receives audited Financial Statements with an unqualified audit opinion by 31 December each year, up to and including 31 December 2020
- The ESFA receives the auditor's management letter which does not raise high risk concerns by 31 December each year, up to and including 31 December 2020

10. When the Trust meets the conditions outlined in this annex, the ESFA will write to the Trust to confirm that the Notice has been lifted.