



Education & Skills
Funding Agency

Education and Skills Funding Agency
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT
Tel: 0370 000 2288

[ESFA-enquiry-form](#)

Mr C Kearns – Chair
Gilsland Church of England
Primary School
Gilsland
Brampton
CUMBRIA
CA8 7AA

4 December 2018

Dear Mr Kearns

Financial notice to improve: Gilsland Church of England Primary School

I am writing to you in your capacity as Chair of Gilsland Church of England Primary School (“the Trust”).

Firstly, I want to thank you for the positive action you have taken since taking up the position of Chair in June 2018, the cooperation you have shown my team and the changes you have already made to strengthen accounting and financial controls.

However, whilst the deadlines specified within Kevin Mothersdale’s letter to you of 21 May 2018 were met, I am concerned about the historic failures in financial governance and management, some of which remain unresolved. These have been highlighted in the Trust’s 2016/17 Financial Statements and accompanying Management Letter and in numerous conversations with my team. The discussions 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 ongoing concern and this does not provide the ESFA with assurance of good financial management and governance within the Trust. It also represents breaches under s1.5.5, s2.1.5, s2.2.1, s2.3.3, s2.9.1 and s4.8.2 of the Academies Financial Handbook.

As my team explained, in a telephone conversation with you on 05 November 2018, 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 paul.mudd@education.gov.uk.

I am copying this letter to Janet Renou, Regional Schools Commissioner for the North.

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 Directorate

CC. Janet Renou, 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

Conditions

2. The Trust is required to develop and implement an action plan which responds to all of the issues identified, as well as:
 - carrying out a skills audit of trustees and approaching Inspiring Governance for support in recruitment of additional trustees with the necessary skills
 - giving assurance of improvements to financial management and governance, ensuring full compliance with the AFH, including publication of necessary information on the Trust's website
 - ensuring robust processes are in place for the Trust to adequately monitor financial performance and the financial risks to its operations; this must include the production and review of monthly management accounts
 - submitting monthly management accounts by the 15th of each month (commencing December 2018) which have been agreed and signed off by the Accounting Officer and Chair of the Trust and 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
 - ensuring that proper arrangements are put in place whereby there is sufficient independence to offer robust challenge and hold the Accounting Officer to account for the management of the budget/finances. This should include establishing a committee to provide assurance to the board over the suitability of and compliance with its financial systems and operational controls, ensuring risks are adequately identified and managed. This committee should meet more regularly than the 3 times a year minimum
 - providing a revised and accurate recovery plan demonstrating the Trust's long term financial sustainability and viability
 - making the ESFA aware of any threats to its recovery at the earliest opportunity

- demonstrating that every possible economy is being made to achieve a balanced budget, including considerations of value for money from service providers and staffing costs. The Trust must demonstrate that it has made use of the [School Resource Management](#) tools available on GOV.UK and also engaged fully with any additional resources made available through this programme including a School Resource Management Adviser
- dealing with all matters of concern raised in the Trust's Management Letter and notifying the ESFA of the resolutions
- ensuring the ESFA receives audited financial statements with an unqualified audit opinion by 31 December 2019
- ensuring the ESFA receives the auditors' management letter which does not raise concerns by 31 December 2019

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

Item	Date due by
FNtl action plan	10/01/19
Management Letter action plan	10/01/19
Monthly Management Accounts (then every month thereafter)	15/01/19
Audit Committee proposal and action plan	22/01/19
Revised recovery plan	31/01/19

Monitoring and progress

6. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
7. The ESFA reserves the right to amend and add further specific conditions to this Notice should they be required. This may include the stipulation of an independent governance review, the Terms of Reference for which would have to be agreed with the ESFA.

Compliance and the end of the notice period

8. Compliance with this Notice will be demonstrated when:
 - all of the conditions set out above are complete

- the ESFA is satisfied that the agreed recovery plan is being implemented effectively and the financial viability of the Trust is no longer in doubt
- the ESFA is satisfied the Trust has a strong governance structure in place, with evidence of financial oversight and challenge
- the Trust has published necessary information on the website, as per the AFH
- the Financial Statements for 2019/20 show that the Trust has returned/maintained 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

9. 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.