



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 Grenville Earney
Learning Link Multi Academy Trust
Trent Lodge
Stroud Road
Cirencester
GL7 6JN

2 January 2020

Company Number: 11002860

Dear Mr Earney

Financial Notice to Improve: Learning Link Multi Academy Trust

I am writing to you in your capacity as the Chair of Learning Link Multi Academy Trust (“the Trust”).

The Trust was in cumulative deficit for 2017/18 and is forecasting a further deficit for 2018/19. Setting a balanced budget is a formal requirement of the Trust’s funding agreement as set out in the Academies Financial Handbook (AFH). I am grateful to the Trust for the work with officials and the school resource management adviser. I remain concerned about the weak financial position of the Trust and its inability to balance the budget.

Paragraphs 2.9 – 2.11 of the AFH state:

2.9 The board of trustees, and any separate committee responsible for finance, must ensure rigour and scrutiny in budget management.

2.10 The board of trustees must approve a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board must minute its approval.

2.11 The board must ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years

We will need to complete discussions regarding the recovery plan and we may make some minor amendments to the conditions detailed in the annex to this letter as a result.

I am further concerned the Trust cannot clearly and accurately identify members and trustees. Such an inability suggests a lack of proper financial oversight and controls, in part evidenced in the cumulative deficit position.

In addition, I understand the Trust has already notified ESFA of its inability to submit the 2018/19 financial statements and auditor's management letter by the due date of 31 December 2019. This is a formal requirement of the Trust's funding agreement as set out in the Academies Financial Handbook:

2.8.1 The academy trust must maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction. The accounts must be audited.

2.8.4 The audited accounts must be:

- *submitted to ESFA by 31 December each year*

Failure to submit this return will therefore be a further breach of your Trust's funding agreement and the AFH.

We now need a framework in place to secure the required improvements to the financial health and the financial management and governance of the Trust.

This letter and its annexes serve as a formal notice to improve financial management, control and governance at the Trust. It reflects the weak financial position of the Trust and continued concerns on governance and oversight of financial management by the Board of Trustees.

The Trust is required, pursuant to the provisions of the AFH and the funding agreement, to comply with the terms of this Financial Notice to Improve ("the Notice"). These terms are set out in Annex A.

Upon receipt of this Notice certain delegated authorities, as defined in the AFH (section 5.6 – 5.30), will be revoked. All transactions previously covered by these delegations, regardless of their size, must now be approved in advance by ESFA, specifically:

- special staff severance payments
- compensation payments
- writing off debts and losses
- entering into guarantees, indemnities or letters of comfort
- disposals of fixed assets beyond any limit in the funding agreement
- taking up a leasehold or tenancy agreement on land and buildings of a duration beyond any limit in the Trust's funding agreement
- GAG carry forward from one year to the next beyond any limit in the funding agreement and the pooling of GAG by MATs

If the Trust comes to the ESFA to seek retrospective approval this will be deemed a breach of the AFH. These delegated authorities shall be returned to the Trust once we are satisfied that the requirements of the Notice have been, and will continue to be complied with, to the satisfaction of the Secretary of State. Further details of the approval process will be forwarded to the accounting officer upon acknowledgment of receipt of this letter.

We will monitor progress made towards meeting the requirements of this Notice. We will lift the Notice when the requirements set out in the annex have been met in full.

We reserve the right to reissue this Notice and add further specific conditions if required, should the Trust fail to make sufficient progress against the original conditions. 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 agreed timescales, we will explore the contractual intervention options available.

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. Depending upon the severity of the breach, this may amount to a breach of the terms of the funding agreement and lead to termination.

If continued non-compliance with the AFH occurs, we may also refer the case to the Charity Commission and/or Insolvency Service for further investigation, as deemed appropriate in the circumstances.

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].

I am copying this letter to the Accounting Officer, Paul Harrison, Trust Member, John Thompson, and Andrew Warren, Regional Schools Commissioner for the West Midlands.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Pettifer', with a long horizontal stroke extending to the right.

Mike Pettifer
Director: Academies and Maintained Schools Directorate

CC. Paul Harrison – Accounting Officer
John Thompson – Member
Andrew Warren – RSC

Financial notice to improve

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Learning Link Multi Academy Trust (the 'Trust')
 - Failing to maintain a balanced budget as required in the Academies Financial Handbook paragraphs 2.9 – 2.11.

Conditions

2. The Trust is required to:
 - a. agree a financial plan with ESFA
 - b. submit monthly management accounts to ESFA by the deadlines set out below, and to meet monthly with a representative from ESFA to monitor the progress of these accounts
 - c. implement a robust procurement policy that ensures that the requirements of 2.27 and 2.28 of the AFH are complied with
 - d. seek prior approval for any new contract or contract extension explicitly detailing any related party transactions
 - e. increase the regularity of its Board meetings and particularly Finance Sub-Committee meetings to at least 6 meetings a year
 - f. must review all senior employees' payroll arrangements and satisfy the department that all fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax
 - g. seek prior approval for recruitment to the central team
 - h. submit all future returns by the deadlines required by ESFA including and not limited to the:
 - budget forecast return
 - budget forecast return
 - land and buildings collection tool
 - school resource management self-assessment tool
 - financial statements
 - auditor's management letter
 - accounts return
 - i. contact the ESFA at an early stage if it believes it is not able to follow is falling behind the schedule set out in their Trust financial plan
 - j. seek approval from the ESFA, in advance, for any actions under the revoked freedoms of the AFH. These requests should be sent using the ESFA-

enquiry-form. Retrospective approval will be deemed as a breach of the AFH.

- k. confirm full governance and management structure including members and trustees, ensuring that all necessary member and trustee records and contact details are up to date

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. The Trust is required to produce a financial plan Thursday 6 February 2020 and work with the ESFA to ensure agreement by Thursday 20 February 2020.
7. The Trust must submit monthly management accounts no later than 10 working days following the end of the month in question.
8. All future returns within the timescales published by the ESFA.

Monitoring and progress

9. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
10. 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 ESFA will begin to consider and explore the contractual intervention options available.

Compliance and the end of the notice period

11. Compliance with this Notice will be demonstrated when:
 - The Trust has submitted the potentially overdue 2018/19 audited financial statements and audited management letter to the ESFA.
 - The Trust has requested approval from the ESFA for any and all actions under the revoked freedoms of the AFH. These requests should be sent using the ESFA-enquiry-form.
 - The ESFA receives all 2019/20 returns within the published timescales advised by the ESFA.
 - The ESFA receives audited 2019/20 financial statements with an unqualified audit opinion by 31 December 2020.

- The ESFA receives the 2019/20 management letter which does not raise further concerns relating to any of the issues highlighted within this Notice by 31 December 2020.

12. The conditions compliance table in Annex B advises the Trust of the evidence required and timescales given for the Trust to be deemed compliant with this Notice.

13. When the Trust meets all the conditions outlined in this annex, is fully compliant with the AFH and no other breaches have been identified, the ESFA will write to the Trust to confirm that the Notice has been lifted.

Table of conditions

The table below summarises the conditions that have been placed upon Learning Link Multi Academy Trust (“the Trust”). It sets out the evidence the Trust must provide, and the timescales the Trust must meet, to show that they have complied with the Financial Notice to Improve (“the Notice”). All conditions set out in the table must be met before the Notice can be lifted.

	Condition applied	Action/ evidence required from Trust	By when
1	The Trust to agree with ESFA a recovery plan including evidence and analysis of budget management forecasting and scrutiny, including using benchmarking and other school resource management tools	A completed financial plan in the format required by ESFA	Produce a financial plan Thursday 6 February 2020 and work with ESFA to ensure agreement by Thursday 20 February 2020
2	The Trust to supply the following financial information on a monthly basis for a period of 12 months from agreement of a financial recovery plan. The frequency of reports thereafter will be determined by ESFA, based on progress against the Trust financial plan: <ul style="list-style-type: none"> a. Revenue income and expenditure report with a narrative explaining any significant variances for the current full academic year. Income and expenditure classifications in this report should follow those in the Trust financial plan b. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year; and c. A detailed monthly cash flow forecast rolling 12 months ahead 	Trust submits the required information to ESFA on time for a minimum of 12 months and until further notice	The management reports must be submitted to ESFA 10 working days following the end of the month in question

	<p>d. Details of any further aged creditors, which cause cash flow pressures</p> <p>e. Provide separate accounting details for any 'central' or 'core' teams within the Trust</p>		
3a	The Trust must implement a robust procurement policy that ensures that the requirements of 2.27 and 2.28 of the Academies Financial Handbook are complied with	Documents setting out procurement policy submitted to ESFA	6 February 2020
3b	The Trust is to seek prior approval for any new contract or contract extension (for example consultancy services and legal advice) explicitly detailing any Related Party Transactions. The contract extensions include any new activity commissioned as part of previously agreed "call-off" contracts or framework agreements.	Relevant documents and information are provided to ESFA to enable ESFA to make a decision	At least 2 weeks prior to a decision being required
4	The Trust is required to increase the regularity of its Board meetings and particularly Finance Sub-Committee meetings to at least 6 meetings a year	The Trust submits a schedule of future meeting dates to ESFA and provides copies of the minutes of the meetings	Future meeting schedule to be provided by 6 February 2020. Draft minutes to be provided with 10 working days of the meeting taking place and final minutes when approved
5	The Trust must review all senior employees' payroll arrangements and satisfy the department that all fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax	Trust submits the findings of the review and satisfies ESFA that all tax obligations are compliant	6 February 2020

6	The Trust must seek prior approval for recruitment to the central team	Relevant documents and information are provided to ESFA to enable ESFA to make a decision	At least 2 weeks prior to any recruitment campaign commencing
7	The Trust must submit all future returns by the deadlines required by ESFA. The returns include (and are not limited to): <ul style="list-style-type: none"> • Budget forecast return outturn • Budget forecast return • Land and buildings collection tool • School resource management self-assessment tool • Financial statements • Auditor's management letter • Accounts return 	The Trust submits the relevant returns	By the deadline published by ESFA
8	The Trust contact the ESFA at an early stage if it believes it is not able to follow is falling behind the schedule set out in their Trust financial plan.	The Trust contacts ESFA with detailed rationale and changes from the agreed financial plan	As soon as any deviation from the plan is identified
9	The Trust requests approval from ESFA, in advance, for any actions under the revoked freedoms of the AFH. These requests should be sent using the esfa-enquiry-form . Retrospective approval will be deemed as a breach of the AFH.	The Trust must submit a request for approval for any actions relating to the delegated freedom revoked under the terms of the FNtl.	Until the FNtl is lifted
10	The Trust must confirm its full governance and management structure including members and trustees, ensuring that all necessary member and trustee records and contact details are up to date.	All fields specified in GIAS for the individuals must be completed before the FNtl can be lifted. The Trust must ensure its record on GIAS for the individuals remains up to date.	6 February 2020 and ongoing