



Education & Skills  
Funding Agency

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

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

1 December 2020

Mr A Atashzai  
East London Science School Trust  
The Clock Mill  
Three Mill Lane  
London  
E3 3DU

Company Number: 07962059

Dear Mr Atashzai

### **Financial Notice to Improve: East London Science School Trust**

I am writing to you in your capacity as the Chair of Trustees of East London Science School Trust (the Trust).

As you are aware, the recent Investigation Report has found numerous examples of breaches of the Academy Financial Handbook (AFH).

The key areas highlighted include:

- that there is inadequate evidence to support performance management and pay increases for Trust senior staff
- breaches around improper recruitment and the setting of salaries for new appointees, especially where appointees had a prior connection to the principal.
- a number of failures in governance arrangements were identified, including:
  - poor board oversight and internal scrutiny
  - a weakness in safeguarding the Trust's debit card and bank accounts
  - inadequate policies and procedures covering key elements of finance and governance
  - the Trust and principal failing to manage conflicts of interest

I am aware that the Trust has started to respond to address some of the issues raised, including providing a plan of suggested actions. However, each academy trust's accounting officer is responsible for regularity, propriety, and compliance, and is key in ensuring that value for money is achieved. The Governing Board is responsible for challenging the accounting officer to ensure that these outcomes are achieved at all times.

The ESFA is aware that such governance issues lead onto serious financial issues and the ESFA remains concerned about the Trust's shortfalls in governance, accountability, and financial viability.

This letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust (Financial Notice to Improve or "the Notice"). It reflects the weak financial position of the Trust and continued concerns on governance and oversight of financial management by the Board.

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 in Annex A and Annex B.

Being issued with a Notice means that certain delegated authorities, as defined in the AFH, have been 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. Further details of the approval process will be forwarded to the Accounting Officer upon acknowledgment of receipt of this letter. 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.

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 issue a revised 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. This will amount to a breach of the terms of the FA and may 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]. In line with the requirements set out in ESFA's publishing policy, the Trust has 10 working days to offer any final comments on factual accuracy before publication. The Trust is required to publish the FNtl on its website within 14 days of it being issued and retain it on the website until the FNtl is lifted by ESFA.

I am copying this letter to the Accounting Officer David Perks, Trust Members Dennis Hayes, Lesley Louise Katon and Mark Smith, and Sue Baldwin the Regional Schools Commissioner (RSC) for East of England and North-East London.

I look forward to hearing from you.

Yours sincerely

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

**Warwick Sharp**  
**Director, Academies and Maintained Schools Directorate**

Cc: David Perks, Accounting Officer  
Trust Members: Dennis Hayes, Lesley Louise Katon, Mark Smith  
Sue Baldwin, RSC for East of England and North-East London

### Financial notice to improve

The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of East London Science School Trust (the 'Trust') breaching numerous conditions of the Academies Financial Handbook (AFH) (AFH 2017 s2.1.3, 1.5, 1.5.12, 1.5.20, 3.1 & 3.2, AFH 2018 s1.3, 1.34, 1.5, 1.5.5, 2.2.1, 2.4.3, 2.4.4 & 3.10 and AFH 2019 s1.8 -23 & 5.37).

### Conditions

1. The Trust is required to submit an action plan which the ESFA finds acceptable and agrees to. The action plan must include:
  - improvement actions in response to all of the issues identified in the ESFA Investigation Report
  - a robust financial plan
  - improvement actions in response to all of the issues identified in the National Governance Association's Governance Review
  - improvement actions in response to the findings of the upcoming internal audits undertaken by UHY Hacker Young
2. Any new appointments to the Trust board or changes to its members must be approved by the ESFA.
3. The Trust must ensure the ESFA receives notice of all board meetings, including extra-ordinary meetings and finance committee meetings, agendas, and draft and final minutes.
4. The Trust must submit evidence to the ESFA that the trust has considered options for the future, including joining a strong Multi-Academy Trust.
5. If the decision to transfer the academy into a MAT is not made by the end of February 2021, the Trust must move onto the latest model Funding Agreement and Articles of Association.
6. The Trust's Board and Finance Committee must meet a minimum of 6 times a year.
7. The Trust must provide the ESFA with confirmation of how its board intends to hold the Accounting Officer to account for the numerous breaches of the Academies Financial Handbook identified in the Investigation Report and the concerns that have been raised in the Governance Review.
8. The Trust must provide the ESFA with regular updates on the actions taken to ensure effective oversight of the principal in his role as Accounting Officer and leader of the academy.

### Financial management requirements

9. The Trust must send the ESFA all monthly management accounts and cashflow forecasts.
10. The Trust must comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification.
11. The Trust must request approval from the ESFA, in advance, for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent using the esfa-enquiry-form. Retrospective approval will be deemed as a breach of the AFH.
12. The Trust must calculate and repay to the ESFA all irregular expenditure identified in the Investigation Report.

### **Monitoring and progress**

13. The Trust is required to submit the evidence for the specific conditions to the timescales outlined in Annex B to enable the ESFA to monitor compliance and progress.
14. 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 given timescales, the ESFA will begin to consider and explore the contractual intervention options available.

### **Compliance and the end of the notice period**

15. As outlined in Annex B, the trust is required to submit evidence to demonstrate compliance with the conditions of this notice, which the ESFA will use to monitor the trust's progress. Annex B sets out the detail of the evidence required to fulfil the condition and the timescales to submit this evidence to the ESFA.
16. When the Trust meets all the conditions outlined in this Notice, is fully compliant with the most recent edition of 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 East London Science School 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.

	<b>Condition</b>	<b>Evidence required to show compliance with the notice</b>	<b>Timescale</b>
1	<p>The Trust is required to submit an action plan and timeline, which the ESFA finds acceptable and agrees to.</p> <p>The action plan must include:</p> <ul style="list-style-type: none"> <li>a) improvement actions in response to all of the issues identified in the ESFA Investigation Report</li> <li>b) a financial plan, incorporating all reasonable SRMA recommendations and exploring and adopting National Deals (<a href="#">Deals for Schools</a>). The plan must include, as a minimum: <ul style="list-style-type: none"> <li>I. the 2017/18 PNA for which repayment has already been agreed</li> <li>II. the 2018/19 PNA of £272,459, showing how full repayment will be made</li> <li>III. a full return to cumulative surplus.</li> <li>IV. How the trust will maintain a cumulative surplus</li> </ul> </li> </ul>	<p>The action plan must be shared with and agreed by the ESFA, and regular progress updates must be provided e.g. revised schemes of control, training for trustees etc.</p> <p>The Trust must provide the ESFA with details of the actions they have taken to implement the recommendations identified by the SRMA. The Trust should incorporate these within the financial plan. This must be supported by robust 5 year minimum budget forecasts, with evidence to support realistic pupil number forecasts.</p> <p>Evidence that the Trust Board has the appropriate skill set and processes in place to challenge and hold the Accounting Officer,</p>	<p>The action plan to be submitted within 20 working days of the FNtl.</p>

	<p>V. a clear efficiency and savings plan setting out specific areas where further savings can be made across the trust</p> <p>c) improvement actions in response to all the issues highlighted in the Governance Review conducted by the National Governance Association</p> <p>d) improvement actions in response to the findings of the upcoming internal audits undertaken by UHY Hacker Young.</p>	<p>Finance Officer and other members of the executive management team to account.</p> <p>Evidence that the Trust Board and Chair have the appropriate skill set to provide scrutiny and direction.</p> <p>Ongoing evidence of progress against the action plan, once agreed.</p>	
2	Any new appointments to the Trust Board or changes to its members must be approved by the ESFA.	The Trust to provide the ESFA with details of proposed new appointments, including a brief bio and what skills they bring to the role.	Until FNtl is lifted.
3	The Trust must send the ESFA all monthly management accounts and cashflow forecasts.	Monthly management accounts and cashflow forecasts to be sent to the ESFA.	By the 15 <sup>th</sup> of each month.
4	<p>The Trust must:</p> <ul style="list-style-type: none"> <li>- ensure that the Board and the Finance Committee each meet a minimum of 6 times a year.</li> </ul>	The Trust submits notice of all board meetings, including extra-ordinary meetings and finance committee meetings.	Throughout the duration of the Notice – notices of meetings should be received no later than 48hrs before the meetings.

5	<p>The Trust must:</p> <p>provide the ESFA with notices showing dates of all Board meetings, including extra-ordinary meetings and Finance Committee meetings; and supply the agenda, draft and agreed minutes (in particular all information relevant to the Trust’s financial or governance position) to the ESFA as soon as they are available.</p>	<p>The Trust submits notice of all board meetings, including extra-ordinary meetings and finance committee meetings; and that the agenda and draft minutes (including confidential notes) are forwarded to the ESFA as soon as they are available.</p>	<p>Throughout the duration of the Notice – Minutes should be supplied within 10 working days after the meeting.</p>
6	<p>The Trust must:</p> <ul style="list-style-type: none"> <li>a) consider options for the future of the Trust, including joining a strong Multi-Academy Trust (MAT) with proven strong existing governance and financial arrangements to ensure compliance with this notice.</li> <li>b) If a decision to transfer the academy into a MAT is not made by the end of February 2021, the Trust must adopt the latest Model Funding Agreement and Articles of Association.</li> </ul>	<p>Trust to provide a detailed breakdown of the reasoning behind any decisions regarding joining a MAT that are agreed, and produce evidence as requested.</p>	<p>End of February 2021.</p>
7	<p>The trust is required to:</p> <ul style="list-style-type: none"> <li>a) Comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification.</li> <li>b) Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA.</li> <li>c) The Trust is required to submit the Budget Forecast Return (BFR) by the deadline required by the ESFA.</li> </ul>	<p>The ESFA receives all financial statements by their due dates each year until FNtl is lifted.</p>	<p>Until FNtl lifted.</p>

	d) 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.		
8	The Trust must request approval from the ESFA, in advance, for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent using the <a href="#">esfa-enquiry-form</a> . Retrospective approval will be deemed as a breach of the AFH	The Trust must submit a request for approval in advance for any actions relating to the delegated freedom revoked under the terms of the FNtl.	Until FNtl lifted.
9	The Trust must calculate and repay to the ESFA all irregular expenditure that was identified from the Investigation Report.	Calculations and payment to be sent to the ESFA.	Within 8 weeks of the date of the FNtl
10	The Trust must provide the ESFA with confirmation of how its board intends to hold the Accounting Officer to account for the numerous breaches of the Academies Financial Handbook identified in the Investigation Report, and any other concerns which have been raised in the recent Governance Review conducted by the National Governance Association (NGA). This must include confirmation of the processes that it has put in place to ensure that specific failings are addressed, as well as ensuring that effective challenge and scrutiny is provided moving forwards.	As stated in the condition.	Within 4 weeks of the date of the FNtl and regular updates until FNtl is lifted.

11	The Trust must provide the ESFA with regular updates on the actions taken to ensure effective oversight of the principal in his role as Accounting Officer and leader of the academy.	Evidence of appropriate challenge (such as within board minutes).	At least quarterly.
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