



Education & Skills  
Funding Agency

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

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

17 May 2021

Michael Boland  
Chair of Trustees  
Newton Academy Trust  
Hope Academy  
Ashton Road  
Newton-le-Willows  
Merseyside  
WA12 0AQ

Company Number: 06477646

Dear Mr Boland

### **Financial Notice to Improve: Newton Academy Trust**

I am writing to you in your capacity as the Chair of Newton Academy Trust (“the trust”).

As you are aware, Education and Skills Funding (ESFA) Provider Management Oversight conducted a fact-finding review in February 2020 and a further review of the Trust in November 2020 which identified an extensive number of breaches of the Academies Financial Handbook (AFH).

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Being issued with a Notice means that certain delegated authorities, as defined in the AFH, have been revoked.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.

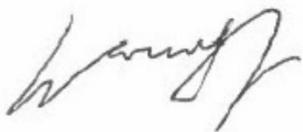
If continued non-compliance with the AFH occurs, we may also refer the case to the Charity Commission and/or Insolvency Service for further investigation, as deemed appropriate in the circumstances.

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 FNtI on its website within 14 days of it being issued and retain it on the website until the FNtI is lifted by ESFA.

I am copying this letter to the Accounting Officer (Marie Adams), Trust Member and Acting Director of Education for the Catholic Archdiocese of Liverpool (Father Michael Fitzsimons), Trust Member and Acting Director of Anglican Diocese of Liverpool (Stuart Harrison), Trust Member (Kenneth Newport), and the Regional Schools Commissioner (RSC) for Lancashire and West Yorkshire (Vicky Beer).

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. Marie Adams, Accounting Officer  
Father Michael Fitzsimons, Acting Director of Education for the Catholic Archdiocese of Liverpool and Trust Member  
Stuart Harrison, Acting Director of Anglican Diocese of Liverpool and Trust Member  
Kenneth Newport, Trust Member  
Vicky Beer, Regional Schools Commissioner for Lancashire and West Yorkshire

**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 Newton Academy Trust (the 'Trust') failing to:
  - ensure regularity and propriety in use of funds as required in the Academies Financial Handbook paragraph 1.14.
  - apply a robust evidence-based process that has oversight of executive pay and holds executives to account as required in the Academies Financial Handbook paragraphs 1.28, 1.29, 1.32, 2.1, 2.27, 2.28, 2.30, 2.31, 5.37, 5.51 and 5.53.
  - maintain effective functioning of the Board and apply robust governance and oversight of financial management as required in the Academies Financial Handbook paragraphs 1.12, 1.15, 2.1, 2.3 and 3.9.
  - maintain an accurate budget forecast that sets a balanced budget that is underpinned by realistic assumptions that is overseen by the Board of Trustees as required in the Academies Financial Handbook paragraphs 2.11, 2.12, 2.18, 2.20 and 2.23.
  - apply effective oversight of related party transactions and comply with statutory duties as required by the Academies Financial Handbook paragraphs 5.16, 5.17 and 5.35.

**Conditions**

2. The Trust is required to comply with all conditions set out in Annex B.

**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 and return to compliance with the Academies Financial Handbook.
4. The Trust should take all appropriate actions to ensure the action plan agreed with the ESFA is fully implemented.
5. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

**Monitoring and progress**

6. 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.

7. 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**

8. 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.
9. 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 Newton 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.

	<b>Condition applied</b>	<b>Action/ evidence required from Trust</b>	<b>By when</b>
1	The Trust ensures there are clear lines of accountability between the Accounting Officer of the Trust and the Trustees, including effective oversight and support for financial management.	The Trust submits evidence a terms of reference and scheme of delegation that evidence the clear lines of accountability between the Accounting Officer and the Governing Body by 24 May 2021.	24 May 2021.
2	<p>Commission an independent review of the Trust’s financial management and governance arrangements to identify any gaps and recommendations for improvement and comply with the recommendations and/or feedback set out.</p> <p>The terms of reference of the review and the outcome must be shared with the ESFA. The scope of the review should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• Trust governance arrangements: (as a minimum, an assessment of the oversight exercised by the Trust board, a skills audit of the current members and trustees)</li> <li>• Trust procedures and policies</li> <li>• Trust operations</li> <li>• personnel records</li> </ul>	<p>The Trust provides the terms of reference and outcome report from the independent review of its financial management and governance arrangements. The Trust must provide evidence of having reviewed and actioned any recommendations from the external review.</p> <p>If the review identifies any gaps in skills and experience at board level, the Trust must provide evidence of approaching Academy Ambassadors to help fill any gaps, which may be identified.</p>	<p>The terms of reference for the external review of financial management and governance should be submitted to the ESFA by 24 May 2021.</p> <p>The findings of the external review of financial management and governance, together with an action plan to implement the recommendations, should be submitted to the ESFA by 5 July 2021.</p>

	<ul style="list-style-type: none"> <li>contracts and contract management (including the scope for further efficiency savings, including using economies of scale to reduce staff costs)</li> </ul> <p>The review should consider the above areas in view of the regulatory framework governing academies and provide assurance on the level of compliance with those requirements. In particular, the Trust's Articles of Association, the Funding Agreement, the Academies Financial Handbook and the Companies Act 2006.</p> <p>Where non-compliance or improvements are identified, the Trust should provide ESFA with an action plan and timeline to address those issues. If the review identifies any gaps in skills and experience, at board level, the Trust is required to fill all gaps within a timely manner. ESFA expect the Trust to approach Academy Ambassadors to help fill any gaps, which may be identified.</p>		
3	<p>The Trust must ensure that proper arrangements are in place, whereby the Trust Board:</p> <ul style="list-style-type: none"> <li>has the appropriate skill set and processes in place to challenge and hold to account the Accounting Officer, Finance Officer and other members of the executive management team and evidence this</li> <li>applies a robust process to monitor financial performance and risks to its financial operations</li> </ul>	<p>The Board must meet at least 6 times a year. The Trust must produce relevant documentation for Board meetings, including a detailed meeting schedule and submit to the ESFA by 24 May 2021.</p> <p>The Audit &amp; Finance Committee must meet at least 6 times a year. The Trust must produce relevant documentation for the Audit and Finance Committee meetings, including a detailed meeting schedule and submit to the ESFA by 24 May 2021.</p> <p>The Trust must submit minutes of meetings with supporting papers to the ESFA, within 1 month following the meeting.</p>	21 June 2021.
4	<p>Implement new financial management and monitoring structures and undertake further actions to strengthen challenge in managing the budget and finances. This must include ensuring effective processes are in place for the</p>	<p>Submit written report, detailing the actions the Trust has taken to strengthen the financial management and monitoring structures, to ESFA by 21 June 2021.</p>	21 June 2021.

	Trust to monitor financial performance and the financial risks to its operation.		
5	<p>Prepare and submit a revised Trust financial plan. The plan should be externally validated by an independent expert. The plan must include, as a minimum:</p> <p>i. how the Trust will maintain a cumulative surplus. This must be supported by robust budget forecasts through to 2024/25 with evidence to support realistic pupil number forecasts.</p> <p>ii. a clear efficiency and savings plan setting out specific areas where potential further savings can be made across the Trust.</p>	<p>Financial position consistent with the agreed Trust financial plan is demonstrated as evidenced in the budget forecast return and the audited financial statements for that year.</p> <p>The Trust must make the ESFA aware of any threats to maintain a cumulative surplus position.</p>	21 June 2021.
6	The Trust must submit monthly management accounts by the 10 <sup>th</sup> of each month.	<p>The Trust must submit monthly management accounts showing income and expenditure and providing the following information:</p> <ul style="list-style-type: none"> <li>a) The budget for the current academic year to date</li> <li>b) Actual results for the current academic year to date</li> <li>c) A narrative explaining any significant variances for the year to date</li> <li>d) The budget for the current full academic year as stated in the recovery plan</li> <li>e) The latest forecast for the current full academic year</li> <li>f) A narrative explaining any significant variances for the current full academic year</li> <li>g) Cash Flow Forecast</li> <li>h) Balance Sheet position</li> </ul>	By 10 <sup>th</sup> of each month, commencing from May 2021 until the FNtl is lifted.

7	<p>Trust to carry out Integrated Curriculum and Financial Planning (ICFP) analysis and to produce a report that identifies any potential savings/benefits and shows how the Trust is using (or will in the future use) data on ICFP metrics to inform its planning and deployment of teachers. As part of this, identify whether it is using guidelines or benchmarks for these metrics – and what they are.</p> <p>Some core metrics to consider are:</p> <ul style="list-style-type: none"> <li>• average teacher contact ratio</li> <li>• average class size</li> <li>• pupil to teacher ratio</li> <li>• average teacher cost</li> <li>• % spend on teachers</li> <li>• SLT as % of teaching workforce</li> </ul> <p>The ESFA will provide support through the School Resource Management Adviser (SRMA) programme.</p>	<p>The Trust must undertake a full ICFP review. The Trust must report any savings to the ESFA which will be achieved following this review and provide evidence of the implementation of this review.</p> <p>Following this review, the Trust should demonstrate to the ESFA that strong processes are in place to adequately monitor financial performance and the financial risks to its operations.</p>	<p>Timeframe to be identified by SRMA.</p>
8	<p>The Trust should make all reasonable endeavours to implement improvements identified by an SRMA.</p>	<p>The Trust should provide ESFA with details of the actions they have taken to attempt to implement the improvements identified by the SRMA. The Trust may want to incorporate this within an action plan.</p>	<p>Timeframe to be identified by SRMA.</p>
9	<p>The Trust must make progress towards joining a strong Multi-Academy Trust (MAT).</p> <p>The ESFA expect any decision regarding joining a MAT to result from careful consideration of all relevant factors. The Trust must provide the ESFA with a detailed breakdown of the evidence considered and reasoning underlying the Trust's decision. This includes but is not limited to:</p>	<p>Trust agrees to join a strong MAT, or the Trust provides a detailed breakdown of the reasoning behind any decisions that are agreed and produces evidence as requested in the condition.</p>	<p>19 July 2021.</p>

	<ul style="list-style-type: none"> <li>• details of the MATs that were considered</li> <li>• that the following factors were considered</li> <li>• geographical proximity</li> <li>• alignment of vision and values</li> <li>• capacity and quality of support</li> <li>• long term sustainability</li> <li>• evidence of discussion and scrutiny of proposals e.g. board meeting minutes, MAT presentations, risk analysis etc.</li> <li>• evidence that all decisions have been approved by the board through a majority vote</li> </ul>		
10	All Related Party Transactions must be pre-approved by the ESFA.	<p>Approval for all RPTs received before transaction takes place. Any transactions requiring retrospective approval would count as a breach of this condition.</p> <p>The Trust must disclose all RPTs through the online portal and follow with an email to the ESFA that includes supporting evidence.</p>	Until the FNtl is lifted.
11	Trust must request approval for all novel, contentious and/or repercussive transactions from the ESFA in advance. Retrospective requests for approval will be considered a breach of the AFH.	Trusts requests approval for all novel, contentious and/or repercussive transactions in advance from the ESFA.	Until the FNtl is lifted.
12	<p>The Trust is required to:</p> <p>a) Comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification</p> <p>b) Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA</p>	<p>The ESFA receives audited financial statement and management letter by the date required, each year until the FNtl is lifted.</p> <p>The ESFA receives BFRO by date required, each year until FNtl is lifted.</p>	Submit audited financial statements by the date required each year until the FNtl is lifted.

	<p>c) The Trust is required to submit the Budget Forecast Return (BFR) by the deadline required by the ESFA</p> <p>d) Contact the ESFA at an early stage if it believes it is not able to follow or is falling behind the schedule set out in their Trust financial plan</p> <p>e) Deal with all matters of concern raised in the Trust's Management Letter</p>	<p>The ESFA receives BFR by date required, each year until FNtl is lifted.</p> <p>Returns show recovery in line with the Trust financial plan.</p> <p>Notify the ESFA of the resolutions or proposed resolutions to matters of concern raised in the Trust's management letter.</p> <p>Trust to ensure that it returns all additional statutory returns requested by the ESFA by the deadline date required, e.g. Academies Accounts Return (AAR), Land and Buildings Collection Tool, SRSMAT.</p>	<p>Submit BFRO by the date required, each year until FNtl is lifted.</p> <p>Submit BFR by the date required, each year until FNtl is lifted.</p>
13	<p>The Trust requests 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.</p>	<p>The Trust must submit a request for approval for any actions relating to the delegated freedom revoked under the terms of the FNtl.</p>	<p>Until the FNtl is lifted.</p>
14	<p>Ensure that all necessary Trustee contact details are up to date.</p>	<p>All fields specified in Get Information About Schools for the individuals must be completed before the FNtl can be lifted. The Trust must ensure its record on Get Information About Schools, Companies House and the Trust website for the individuals remains up to date.</p>	<p>Within 4 weeks of each change</p>
15	<p>The Trust is required to publish on its website the number of employees whose benefits exceed £100k.</p>	<p>The Trust must publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, as an extract from the disclosure in its financial statements for the previous year ended 31 August.</p>	<p>Within 4 weeks of the financial statements being submitted</p>