



Education & Skills
Funding Agency

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

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

7 May 2021

Christopher Purchase
Chair of the Board of Trustees
Castle Trust
The Joiners Shop
Historic Dockyard
Kent
ME4 4TZ

Company Number: 08257814

Dear Mr Purchase

Financial Notice to Improve: Castle Trust

I am writing to you in your capacity as the Chair of Trustees at Castle Trust (“the Trust”).

As you are aware, the Trust has a cashflow deficit requiring additional financial support. The Education and Skills Funding Agency (ESFA) were required to provide urgent non-recoverable funding in January 2021 and in May 2021, to enable the trust to meet its financial commitments.

It is a requirement of the Academies Financial Handbook (AFH) 2020 that trusts approve a balanced budget and ensure the trust remains a going concern and financially sustainable, and that financial decisions represent value for money.

The ESFA has been monitoring the Trust’s progress towards achieving a sustainable financial position and ensuring compliance with the AFH. I recognise that discussions have been taking place between the trust and officials in relation to the transfer of Greenway Academy to another trust. However, my concerns remain in relation to the weak financial position and financial management at the trust. Through ESFA’s ongoing engagement with the trust, a series of weaknesses have been identified, each of which constitutes a breach of requirements of the trust’s Funding Agreement (FA) as set out in the AFH.

Paragraph 1.3.4 of the AFH (2018) states:

The trustees must ensure regularity and propriety in use of the trust’s funds, and achieve economy, efficiency and effectiveness – the three key elements of value for money.

Paragraph 2.10 of the AFH (2019) states:

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.

Paragraph 2.8 of the AFH (2020) states:

The board of trustees must:

- *ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable*
- *take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA*
- *as part of its management of the trust's funds, explain its policy for holding reserves in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.*

The trust have made decisions which carry significant financial risk and have failed to demonstrate value for money. Additionally, following a significant change which impacted its income, the trust failed to act quickly enough to make the necessary plans and implement sufficient changes to achieve a balanced budget to ensure it remained a going concern and financially sustainable.

This letter and its annex serve as a written notice to improve financial management and governance at the Trust. It reflects the continued concerns of weak financial controls and the governance and oversight of financial management by the board. We recognise that the trust are making positive progress in transferring Greenway Academy to a new trust and then propose to wind-up the trust.

The Trust is required, pursuant to the provisions of the AFH and the FA, to comply with the terms of this financial notice to improve ("the Notice"). These terms are set out in Annex A.

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. These delegated authorities shall be returned to the Trust once we are satisfied that the requirement 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. 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.

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.

Please acknowledge this letter by email within three working days of receipt 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.

I am copying this letter to Karen White, Chief Executive Officer of the Trust, and Claire Burton, the Regional Schools Commissioner for South-East England and South London.

I look forward to hearing from you.

Yours sincerely



Warwick Sharp
Director, Academies and Maintained Schools Directorate

CC. Karen White, Chief Executive Officer
Claire Burton, Regional Schools Commissioner for South-East and South London

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 Castle Trust (the 'Trust')
 - Failing to ensure regularity and propriety in the use of the Trust's funds as outlined in paragraph 1.3.4 of the Academies Financial Handbook (AFH) 2018
 - Failing to approve a balanced budget and maintain the trust as a going concern as outlined paragraphs 2.8 and 2.10 of the AFH 2019

Conditions

The trust is required to:

2. Submit notice of all board meetings, including extra-ordinary meetings; and ensure that the agenda and draft minutes (including confidential notes) are forwarded to the ESFA as soon as they are available.
3. 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.
4. 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.
5. Agrees to the deployment of a new School Resource Management Advisor (SRMA), to take place at the earliest opportunity but no later than 2nd July 2021, to provide recommendations for actions to return the trust and Greenway Academy to a balanced budget position.
6. Produce a robust implementation plan with clear milestones for any recommendations made by the SRMA by 6th August 2021.
7. Work with any ESFA appointed consultant to oversee compliance with the conditions of this Notice.
8. Accept and implement the recommendations of any ESFA appointed consultant.
9. Continue working with the Regional Schools Commissioner's (RSC) Office and the ESFA to facilitate the smooth transfer of Greenway Academy at the earliest opportunity and the trust's subsequent wind-up.
10. Ensure that all necessary trustee contact details are up to date on Get Information About Schools (GIAS).
11. Provide ESFA with monthly management accounts, including a cashflow report and creditor list by the 7th of each month.

Financial management requirements

12. The Trust is responsible for its own financial management, control and governance and is expected to take appropriate action to strengthen the weaknesses identified.
13. The Trust should take all appropriate actions to ensure an action plan is fully implemented.
14. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Timescales

The trust must:

15. Submit notice of all board meetings by 9th July 2021, including extra-ordinary meetings; and ensure that the agenda and draft minutes (including confidential notes) are forwarded to the ESFA as soon as they are available.
16. Request approval from the ESFA, in advance, for any actions under the revoked freedoms in Part 3 and Annex B of the AFH until the FNtl is lifted. Retrospective approval will be deemed as a breach of the AFH.
17. Request approval for all novel, contentious and/or repercussive transactions from the ESFA in advance until the FNtl is lifted. Retrospective requests for approval will be considered a breach of the AFH.
18. Continue working with the RSC office and the ESFA to facilitate the smooth transfer of Greenway Academy at the earliest opportunity and the trust's subsequent wind-up until the FNtl is lifted.
19. Ensure that all necessary trustee contact details are up to date on Get Information About Schools (GIAS) by 9th July 2021.
20. Provide ESFA with monthly management accounts, including a cashflow report and creditor list by the 7th of each month.

Monitoring and progress

21. The Trust must provide the ESFA with monthly management accounts and cash flow reports on the 7th of each month, commencing in July 2021.
22. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
23. 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

24. Compliance with this Notice will be demonstrated when:

- The Trust and Greenway academy have been returned to a balanced cashflow position
- The Trust has requested approval from the ESFA for any and all actions under the revoked freedoms in Part 5 of the AFH. These requests should be sent using the ESFA-enquiry-form
- The Trust has requested approval from the ESFA for any and all novel, contentious and repercussive payments
- The ESFA receives monthly management accounts, including a cashflow report and creditor list by the 7th of each month
- The ESFA receives notice of all board meetings, including extraordinary meetings, as well as the agenda and draft minutes as soon as these are available
- All statutory information and a register of interests is available on the trust's website and is kept up to date
- The trust ensures that information on GIAS remains up to date

25. 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.