



Education
Funding
Agency

Department for Education
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Tel: 0370 000 2288
Email enquiry form:
www.education.gov.uk/help/contactus

14 August 2014

[REDACTED]
[REDACTED]
Hadlow Rural Community School
Ashes Lane
Hadlow, Kent
TN11 0AN

Dear [REDACTED]

Financial Notice to Improve

I am writing to you in your capacity as [REDACTED]
[REDACTED].

Further to your discussions with [REDACTED] and [REDACTED] and our subsequent review of the information you have provided to us, I have decided that we do need to move to the next stage. Therefore this letter and its annexes serve as a written notice to improve financial management, control and governance at the Trust as a result of our concerns relating to the Trust's delivery of its capital new build project, non-submission of required financial returns and failure to provide an adequate response to our June Financial Management and Governance Evaluation visit recommendations. This Notice is issued pursuant to paragraph 2.4.35 of the Academies Financial Handbook 2013.

Upon receipt of this Financial Notice to Improve ("the Notice"), all of the delegated authorities as identified in the Academies Financial Handbook (AFH) will be revoked, and all transactions by the Trust of this nature (regardless of size) must come to the Education Funding Agency (EFA) 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.

The Trust is required, pursuant to the provisions of the Academy Financial Handbook and the funding agreement, to comply with the terms of this Notice. These terms are set out in Annex A.

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, which all academies must comply with by virtue of the terms of the funding

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

I should be grateful if you would acknowledge receipt of this letter by email and within 5 working days of the date of this letter to [REDACTED] at [REDACTED]. Please provide the information requested in Annex A by the dates set out in the Annex. I am copying this letter to [REDACTED] [REDACTED], for his information until the appointment of the Trust's Accounting Officer is confirmed to us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sue Baldwin', with a stylized, cursive script.

Sue Baldwin

Director, Academies and Maintained Schools Group

c.c. [REDACTED]

Hadlow Rural Community School (HRCS) Academy Trust**Conditions**

1. The Education Funding Agency (EFA) has decided to issue a Financial Notice to Improve (the 'Notice'), pursuant to paragraph 2.4.35 of the Academies Financial Handbook 2013, as a consequence of:
 - The Trust's inadequate management of the delivery of its capital new-build project. The Trust has reported that it is significantly over-budget compared to the budget set by the EFA and the Trust has not kept the EFA adequately informed on the progress and issues affecting delivery;
 - The Trust's non-submission of 2 key EFA financial returns (March 2014 accounts and 2014/15 budget forecast) and the Trust's incomplete 2012/13 financial statements – which did not cover the full period or include a regularity audit report;
 - The Trust's failure to put in place an adequate action plan in response to the EFAs June 2014 FMGE visit recommendations – which were provided to the Trust on 4 July 2014.
2. The Trust is required to:
 - By 15 September 2014, provide the EFA with:
 - Full details of the elements of the Trust's capital project that cause the project to be over-budget
 - Full open book access to the accounts relating to the Trust's capital project delivery
 - Full inclusion in the Trust's capital project delivery process – including invitations and access to all related meetings
 - Submit monthly capital spend profiles on the second Friday of each month for the duration of the capital delivery phase.
 - By 15 September 2014, submit the following financial returns to the EFA in accordance with [relevant guidance](#):
 - 2014/15 budget forecast
 - March 2014 accounts
 - Submit financial statements to year ending 31 August 2014 in accordance with the [relevant guidance](#) and by the required deadline.
 - By 30 September 2014, prepare and implement an action plan to address the EFA's 17 FMGE recommendations – outlined at Annex B)
 - By 30 September 2014, provide the EFA with copies of Service Level Agreements for all shared services provided to the Trust by [REDACTED].

- Submit monthly management accounts for the attention of [REDACTED] at academy.questions@education.gsi.gov.uk.
- These should be approved by the Board of Trustees and include the Trust's current and projected surplus / deficit positions. The Trust should submit these as follows:
 - On a monthly basis, 21 calendar days after month-end, for 6 months beginning with accounts for August 2014
 - Thereafter, on a quarterly basis, 21 calendar days after the end of each financial-year quarter whilst the Notice remains in place

Monitoring and Progress

3. The Trust is required to meet the specific conditions outlined above to enable the EFA to monitor compliance and progress.
4. The EFA Risk Analysis Division will arrange a visit to the Trust in October 2014 to assess progress against the requirements of this Notice and to review that they have been implemented to the EFA's satisfaction.
5. The Trust should contact the EFA at an early stage if it believes that it will not meet the requirements set out in this Notice.
6. Should it become evident that the Trust is unlikely to fulfil the requirements set out in this Notice or within the above timescales, the Trust will be considered to have failed to comply with the terms of the Academies Financial Handbook, as set out in the funding agreement and, should the severity of the breach amount to a material breach of the funding agreement, termination processes may be considered.

Compliance and the End of the Notice Period

7. Compliance with this Notice will be demonstrated when:
 - The EFA is satisfied with the costing, project plan and delivery of the Trust's new-build project.
 - The EFA receives:
 - audited financial statements to 31 August 2014 containing unqualified financial statements and regularity audit opinions within the specified deadlines as set out in the accounts direction;
 - 2014/15 budget forecast in accordance with [relevant EFA guidance](#)
 - March 2014 accounts in accordance [with relevant EFA guidance](#)
 - The EFA is satisfied the Trust has fully addressed the 17 FMGE recommendations (outlined at Annex B).
8. If the Trust meets the conditions outlined in this annex to the satisfaction of the Education Funding Agency, the Notice will no longer apply and the EFA will write to the Trust again to confirm that the Notice has been lifted.

- The Trust must formally appoint [REDACTED] as an ex-officio Trustee and update Companies House records at the earliest opportunity.
- The Trust must formally appoint [REDACTED] as Accounting Officer.
- The Trust should review the appointments of [REDACTED]
[REDACTED]
[REDACTED] and
[REDACTED]
[REDACTED] in order to ensure the Finance and Resources Committee, whose remit includes the functions of an audit committee, is able to apply independent and appropriate levels of scrutiny and challenge to effectively hold the finance function to account.
- The Trust must formally appoint a principal finance officer to lead the finance department.
- The full board of trustees must approve a balanced budget for the financial year and must minute the approval.
- The Trust must ensure it has in place a process for independent checking of financial controls, systems, transactions and risks, with findings, conclusions and recommendations reported to Trustees
- The Trust should ensure the school's financial position is managed so as to maintain a cumulative revenue surplus
- The Trust should review the provision of central services at least every two years to ensure the services provided by [REDACTED] represent value for money and confirm the related party does not gain from their position by receiving payments under preferential terms.
- The Trust should ensure the [REDACTED] and [REDACTED]
[REDACTED] complete the register of business interests as soon as possible, prior to attending any meetings.
- The Trust must complete an annual statement explaining how the Trust has secured value for money, submitting a copy to the EFA.
- The Trust must ensure that each year it submits audited annual accounts, prepared in line with the requirements of the Academies Financial Handbook and Academies Accounts Direction, to the EFA for the year ended 31 August. The Trust must ensure that copies of the same set of audited annual accounts for the period ended 31 August are submitted to both the EFA and Companies House.
- The Trust must include a statement on regularity, propriety and compliance in the annual report that accompanies the accounts. The statement on regularity, propriety and compliance should be signed by the academy's accounting officer as they are

personally responsible to Parliament for the resources that are under their control during the financial year.

- The Trust must include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit.
- The Trust should ensure that it receives and reviews audit reports relevant to the school's activities.
- The Trust should ensure it agrees a schedule of internal audit activities, directed by identified risks to internal financial control.
- The Trust must ensure it notifies the EFA's chief executive in writing of the vacating or filling of the positions of chair of Trustees, chief executive or principal as accounting officer and principal finance officer.