



Education & Skills
Funding Agency

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

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

18 December 2018

Ms D Goddard – Chair
Berwick Academy
Adams Drive
Spittal, Berwick-upon-Tweed
Northumberland
TD15 2JF

Dear Ms Goddard,

Financial notice to improve: Berwick Academy

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

Firstly, I want to thank you for the positive engagement you have demonstrated since taking up the position of Chair in September 2018 and the cooperation you have shown my team.

As you know, the Education and Skills Funding Agency (ESFA) has been monitoring the Trust’s progress towards meeting the conditions set out Kevin Mothersdale’s letter of 13 July 2018. I recognise the cooperation and extensive discussions that have taken place between the Trust and officials and the changes you plan to make to strengthen internal financial controls. Additionally, I acknowledge that Berwick faces some unique challenges due to location and demographics. However, my concerns remain in relation to the weak financial position and the governance and oversight of financial management at the Trust, which led to breaches of the Academies Financial Handbook (AFH).

As my team explained, in a meeting with you on 25 October 2018, this letter and its annex consequently serve as a written notice to improve financial management, control and governance at the Trust. This reflects the continued concerns about lack of pace in improving governance and the oversight of financial management by the Board.

The Trust is required, pursuant to the provisions of the AFH and the Funding Agreement (FA), to comply with the terms of this Financial Notice to Improve (“the Notice”). These terms are set out in Annex 1. In addition, the Notice will be published in due course on www.gov.uk.

Upon receipt of this Notice, all of the delegated authorities as identified in the AFH will be revoked, and all transactions by the Trust previously covered by these delegations (regardless of size) must come to the ESFA 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.

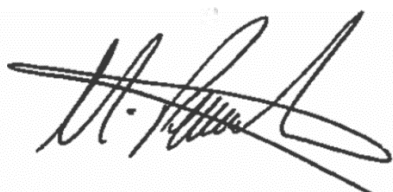
We will monitor progress made towards meeting the requirements associated with this Notice. We will lift the Notice when the requirements set out in the annex have been met. In the event that the Trust fails to meet the requirements of this Notice, to the satisfaction of the Secretary of State, the Trust will be considered to have failed to comply with the terms of the AFH. 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.

I would be grateful if you would acknowledge receipt of this letter and provide a formal response recognising the requirements associated with this Notice within 3 working days of the date of this letter. This should be sent by e-mail to [REDACTED].

I am copying this letter to Janet Renou, Regional Schools Commissioner for the North and Tracy Hush, Berwick Academy Accounting Officer.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Pettifer', written over a horizontal line.

Mike Pettifer

Director, Academies and Maintained Schools Group

CC: Tracy Hush, Berwick Academy Accounting Officer
Janet Renou, Regional Schools Commissioner

Financial Notice to Improve

1. The Education and Skills Funding Agency (ESFA) is issuing a Financial Notice to Improve (the 'Notice') as a consequence of the Trust's:
 - failure to demonstrate adequate financial management and governance control

Conditions

2. The Trust is required to develop and implement an action plan which responds to all of the issues identified, as well as:
 - commission further independent reviews into governance and financial management. This must include as a minimum, an assessment of the oversight exercised by the Trust board, a governance and skills audit of the current members and trustees, ensuring that the board fills any gaps in skills through training or additional appointments. Draft Terms of Reference for that review and a framework must then be created (and shared with the ESFA) to deliver the required changes to ensure compliance and effective governance and financial management. The draft Terms of Reference must be agreed with the ESFA no later than 18 January 2019. The review must be completed by 01 March 2019. The Trust must share all draft and final reports from the review with the ESFA, prepare and implement an action plan to improve efficiency and address any underlying weaknesses identified by the independent review. This plan should set out how the Trust will address any gaps in the existing skills mix of members and/or trustees to ensure that the Trust is compliant with the AFH. The action plan should be submitted no later than 05 April 2019.
 - ensure robust processes are in place for the Trust to adequately monitor financial performance and the financial risks to its operations; this must include the production of relevant documentation for board meetings and publication of meeting minutes on the website. This should also include the internal audit committee providing assurance to the board over the suitability of and compliance with its financial systems and operational controls, ensuring risks are adequately identified and managed. This committee must meet on at least six occasions per academic year, whilst in-year deficits are forecast
 - deliver assurance through an on ongoing programme of independent internal audit per the requirements of AFH 2.9.6. This should be put in place immediately, with the programme for 2018/19 reported to the ESFA by 01 February 2019.
 - continue to engage with the Department, exploring all opportunities to realise efficiencies. This must include consideration to joining a Multi-Academy Trust

- consider the appointment of an Interim Executive Headteacher (IEH), with proven experience of delivering school improvement. The IEH would be responsible for driving improvement across the school and advising the senior leadership team, prior to the appointment of the permanent Head
- work closely with representatives nominated by the Regional Schools Commissioner, utilising their skills and experience effectively to drive school improvement and financial recovery
- deliver a report on Integrated Curriculum Financial Planning (ICFP) to include benchmarking and costed quantified savings; this should include a review of management and the Senior Leadership Team. The report should provide a timeframe for implementation, ensuring the changes to make the required efficiencies are in place for the start of the 2019/20 academic year
- ensure that the statutory policies, and all requirements covered in the Academies Financial Handbook are published on the academy website and are up to date
- continue to submit monthly management accounts by the 10th of each month which have been agreed and signed off by the Accounting Officer and Chair of the Trust and that show income and expenditure and provide the following information:
 - The budget for the current academic year to date
 - Actual results for the current academic year to date
 - A narrative explaining any significant variances for the year to date
 - The budget for the current full academic year as stated in the recovery plan
 - The latest forecast for the current full academic year
 - A narrative explaining any significant variances for the current full academic year
- provide a revised and accurate recovery plan by 10 February 2019; this should include details of financial assistance required. It should also include consideration (with justifications of why some of the efficiencies are not being taken up) and implementation of the School Resource Management Adviser findings and ICFP efficiencies. This should be accompanied by a separate review of non-teaching staff, with a report including a cost/benefit analysis for each role
- make the ESFA aware of any risks to its recovery at the earliest opportunity
- demonstrate that every possible economy is being made to achieve a balanced budget, including considerations of value for money from service providers and staffing costs. The Trust must demonstrate that it has made use of the School Resource Management tools available on GOV.UK and also engaged fully with any additional resources made available through this programme including a School Resource Management Adviser
- deal with all matters of concern raised in the Trust's Management Letter and notifying the ESFA of the resolutions

- ensure the ESFA receives audited financial statements with an unqualified audit opinion by 31 December 2019
- ensure the ESFA receives the auditors' management letter which does not raise concerns by 31 December 2019

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.

Item	Date due by
FNtl action plan	18/01/19
Terms of Reference for independent review into governance and financial management (GFM)	18/01/19
ICFP report	01/02/19
Non-teaching staff report	01/02/19
Independent internal audit programme outline	01/02/19
Revised recovery plan	10/02/19
Independent GFM review deadline	01/03/19
Independent GFM review action plan	05/04/19

Monitoring and progress

7. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
8. The EFA reserves the right to amend and add further specific conditions to this Notice should they be required. This may include the stipulation of an independent governance review, the Terms of Reference for which would have to be agreed with the ESFA.
9. Should it become evident that the Trust is unlikely to fulfil the conditions and / or requirements set out in this Notice within the above timescales, the ESFA will begin to consider and explore the contractual intervention options available.

Compliance and end of notice period

10. Compliance with this Notice will be demonstrated when:
 - all of the conditions set out above are complete

- the ESFA is satisfied that the agreed recovery plan is being implemented effectively and the financial viability of the Trust is no longer in doubt
- the ESFA is satisfied the Trust has a strong governance structure in place, with evidence of financial oversight and challenge
- the Trust has published necessary information on the website, as per the AFH
- the Trust requests approval from the ESFA for any actions under the revoked freedoms in Part 3 and Annex B of the AFH. These requests should be sent to us using the [ESFA-enquiry-form](#)
- the ESFA receives the Budget Forecast Return, by 31 July each year, up to and including 31 July 2020, demonstrating a forecast return to surplus in line with the recovery plan

11. When the Trust meets the conditions outlined in this annex, the ESFA will write to the Trust to confirm that the Notice has been lifted