



Education & Skills  
Funding Agency

Education & Skills Funding Agency  
Sanctuary Buildings  
Great Smith Street  
London  
SW1P 3BT  
Tel: 0370 000 2288  
[ESFA-enquiry-form](#)

28 September 2020

Caroline Prosser  
Chair of Trustees  
Townfield Primary School  
Townfield Lane  
Prenton  
Wirral

Company Number: 09119526

By email:  
[REDACTED]

Dear Ms Prosser,

### **Financial Notice to Improve: Townfield Primary School**

I am writing to you in your capacity as the Chair of Townfield Primary School (“the Trust”) further to an Education & Skills Funding Agency (ESFA) investigation, and related report into financial and governance concerns at the Trust.

As a result of this formal investigation, a number of governance and financial management issues have been identified and highlighted in the ESFA’s investigation report that has been shared with you. The report cited several material weaknesses in the governance and financial management of the Trust. The evidence reviewed during the investigation does not provide the ESFA with assurance of good financial management, and governance, and breaches the sections of the Academies Financial Handbook (AFH) highlighted in Annex A to this letter.

As you are also aware, the Trust has not submitted its audited financial statements and auditor’s management letter, which were due on 31 December 2019. This is a formal requirement of the Trust’s Funding Agreement (FA) as set out in the AFH.

Paragraphs 4.1 - 4.4 of the Academies Financial Handbook clearly state:

*The academy Trust must... prepare annual report and accounts in line with the Charity Commission’s Statement of Recommended Practice (SORP) and ESFA’s Accounts Direction...the accounts must be audited...[and] submitted to ESFA by 31 December. Failure to submit this return is therefore a breach of the AFH and the FA.*

The Trust also failed to submit the Accounts Return by the 20 January 2020 deadline.

Further to this, the Trust has not been preparing and monitoring the budget as required by the AFH in paragraphs 2.18-2.24.

I am pleased to note that the Trust has already taken steps to improve its governance and financial management. Due to the number of material weaknesses and breaches identified, 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 about governance and oversight of financial management by the Board.

The Trust is required to comply with the terms of this Notice, pursuant to the provisions of the AFH and its FA. 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 requirements 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. Depending upon the severity of the breach, this may amount to a 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.

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].

I am copying this letter to Moira Loftus, the Accounting Officer, Trust Members Deborah Bostock, Judith Roach, Ted Behan, and Vicky Beer the Regional Schools Commissioner (RSC) for Lancashire & West Yorkshire.

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. Moira Loftus, Accounting Officer,  
Deborah Bostock, Trust Member  
Judith Roach, Trust Member  
Ted Behan, Trust Member  
Vicky Beer, Regional Schools Commissioner, Lancs & West Yorkshire

**Financial Notice to Improve**

1. The Education & Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of Townfield Primary School ('the Trust') failing to demonstrate adequate financial controls and governance and breaches to elements of the Academies Financial Handbook (AFH) as follows:
  - Conflicts of interest and lack of independent oversight and scrutiny: AFH 2015 and 2016 – s1.5.10 and s3.1.13
  - Abuse of position: AFH 2015 and 2016 – s1.5.18 and s3.1.13
  - No board approval for gifting items: AFH 2017 – s1.5.12
  - Purchase of fuel on charge card; breach of Trust policies: AFH 2016 – s1.5.10, s1.5.18 and s3.1.3
  - Misuse of public funds: AFH 2016 – s1.5.10, s1.5.18, s2.1.7 and s3.1.3
  - Lack of board oversight for compliance with Trust policies, use of public funds and management of conflicts: AFH 2015 and 2016 – s1.5.10, s2.1.1 and s3.1.3
  - Non-compliance with Trust policies, including travel and subsistence and security and use of Trust charge cards: AFH 2016 – s2.3.1
  - Inadequate segregation of financial duties and internal control weaknesses: AFH 2016 – s2.3.1
  - Financial statements and Accounts Return not submitted by deadline: AFH 2019 – 4.1-4.4 4.9-4.12
  - Lack of board oversight when preparing and monitoring the budget: AFH 2019- 2.18-2.24

**Conditions**

2. The Trust is required to:
  - a) Provide an action plan that identifies improvement actions addressing all of the recommendations identified in the ESFA review and the additional conditions noted in this Notice. Plan to be provided by 26 October 2020.
  - b) Commission an independent review of financial management and governance arrangements to identify any gaps and recommendations for improvement.
  - c) The terms of reference of the review and the outcome must be shared with the Education & Skills Funding Agency. The scope of the review should include but not be limited to:
    - i. 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)
    - ii. Trust procedures and policies
    - iii. Trust operations
    - iv. Personnel records
    - v. Contracts and contract management (including the scope for further efficiency savings, including using economies of scale to reduce staff costs)
  - d) 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.
  - e) 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, ESFA will expect the Trust to approach Academy Ambassadors to help fill any gaps, which may be identified, and specifically to appoint an Academy Ambassador with financial expertise by 23 November 2020.

- f) Confirm agreement by 26 October 2020 about the recovery of funds not used as intended, amounting to £5,636, to be deducted from the GAG payment on 1 January 2021.
- g) The Trust must consider joining a strong Multi-Academy Trust (MAT).
- h) Increase regularity of Board meetings and particularly Audit & Finance Sub-Committee meetings above the minimum of 3 times a year.
- i) The Trust must agree to a further School Resource Management Advisor deployment to ensure that the Trust is maximising financial and operational efficiencies.

**The Trust is also required to:**

- j) Comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification.
- k) Prepare and submit a revised Trust financial plan. The plan should be externally validated by an independent expert (such as those available at the Association of School and College Leaders, the National Association of Head Teachers or the Institute of School Business Leaders). The plan must be submitted no later than 23 November 2020. The plan must include, as a minimum:
  - i. how the trust will achieve a cumulative surplus position by the end of August 2021, and each year thereafter. This must be supported by robust budget forecasts through to 2024/25 with evidence to support realistic pupil number forecasts
  - ii. a clear efficiency and savings plan setting out specific areas where further savings can be made across the trust
- l) We will expect the trust to supply the following financial information on a monthly basis for a period of 12 months from agreement of the plan. The frequency of reports thereafter will be determined by the ESFA, based on progress against the Trust financial plan:
  - I. Revenue income and expenditure report with a narrative explaining any significant variances for the current full academic year. Income and expenditure classifications in this report should follow those in the Trust financial plan;
  - II. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year;
  - III. A detailed monthly cash flow forecast rolling 12 months ahead;
  - IV. Details of any further aged creditors, which cause cash flow pressures;
  - V. Provide separate accounting details for any 'central' or 'core' teams within the trust.
- m) Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA.
- n) Submit the Budget Forecast Return (BFR) by the deadline required by the ESFA.
- o) 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.

- p) Ensure that all necessary Trustee and member contact details are up-to-date on Get Information About Schools.

### **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 implemented fully.
5. The Trust must satisfy the ESFA that it is doing everything it can to rectify the weaknesses identified.

### **Timescales**

6. The Trust must commission the review of financial management and governance by 26 October 2020, and have completed the review by 7 December 2020.
7. The BFR return is due to the ESFA by 29 September 2020. The 2019/20 audited accounts are due to the ESFA by 31 December 2020. The BFRO should also be submitted by the date specified in 2021.
8. The Trust Financial Plan should be submitted to the ESFA by 23 November 2020.

### **Monitoring and progress**

9. The Trust is required to meet the specific conditions outlined above to enable the ESFA to monitor compliance and progress.
10. 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**

11. Compliance with this Notice will be demonstrated when:
  - a) The ESFA has received an action plan to address issues identified in the published investigation report and has been provided with regular updates on progress.
  - b) The ESFA receives the terms of reference for the independent review of financial management and governance.
  - c) The ESFA receives the outcome of the independent review of financial management and governance.
  - d) The Trust has provided details to confirm it has considered joining a MAT.
  - e) The ESFA receives minutes confirming the scheduling of increased board meetings above the minimum required.
  - f) The ESFA receives the Trust Financial plan by 23 November 2020.
  - g) The ESFA has received monthly management accounts for 12 months following the issue of this notice.
  - h) 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 the ESFA using the [ESFA-enquiry-form](#).
  - i) The ESFA receives the BFR by 29 September 2020.
  - j) The ESFA receives audited financial statements for 2019/20 with an unqualified audit opinion by 31 December 2020.
  - k) The ESFA receives the auditors' management letter by 31 December 2020 that does not raise further concerns.

- l) The ESFA receives the BFRO by the date specified in 2021.
- 12. The conditions compliance table in Annex B advises the Trust of the evidence required and timescales given for the Trust to be deemed compliant with this Notice.
- 13. 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.

**Table of conditions**

The table below summarises the conditions that have been placed upon Townfield Primary School (“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>
<b>1</b>	Provide an action plan that identifies improvement actions to address all of the issues identified in the ESFA review and the additional conditions noted in this Notice. Plan to be provided by 26 October 2020.	Action plan must be shared with ESFA, as well as regular progress updates	Action plan submitted to the ESFA by 26 October 2020
<b>2</b>	<p>Commission an independent review of financial management and governance arrangements to identify any gaps and recommendations for improvement.</p> <p>The terms of reference of the review and the outcome must be agreed in advance with the ESFA. The scope of the review should include but not be limited to:</p> <p>a) 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)</p> <p>b) Appointment of an Academy Ambassador with financial expertise by 23 November 2020.</p> <p>c) Trust procedures and policies;</p> <p>d) Trust operations;</p> <p>e) Personnel records;</p> <p>f) Contracts and contract management (including the scope for further efficiency savings, including using economies of scale to reduce staff costs).</p>	<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>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, ESFA will expect the Trust to approach 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 for approval by 26 October 2020.</p> <p>Appointment of Academy Ambassador with financial expertise by 23 November 2020.</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 7 December 2020.</p> <p>School Resource Management Advisor deployment date to be agreed by 1 January 2020.</p>



	<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. ESFA must also be consulted on the choice of supplier for the independent review.</p> <p>g) The Trust must consider joining a strong Multi-Academy Trust (MAT).</p>	The Trust provides written details of its considerations.	By 18 January 2021
<b>3</b>	The Trust must repay to the ESFA any funds that were not shown to have been used as intended by parliament.	£5,636 will be deducted from the Trust's GAG payment	Re-payment to be agreed by 26 October 2020 for repayment in January 2021.
<b>4</b>	Increase regularity of Board meetings and particularly Audit & Finance Sub-Committees above the minimum of 3 times a year.	The Trust submits minutes confirming the scheduling of an increase in board meetings above the minimum of 3 times a year and ensures that agenda and draft minutes are forwarded to the ESFA as soon as they are available.	By 26 October 2020
<b>5</b>	<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>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 its trust financial plan.</p>	<p>a) The ESFA receives audited financial statements by 31 December 2020.</p> <p>b) The ESFA receives BFRO by date required.</p> <p>c) The ESFA receives BFR by 29 September 2020.</p> <p>d) The financial returns show recovery in line with the trust financial plan.</p>	<p>By 31 December 2020.</p> <p>By date required in 2021.</p> <p>By 29 September 2020.</p>
<b>6</b>	The Trust requests approval from the ESFA, in advance, for any actions under the revoked	The Trust must submit a request for approval for any actions relating to the	Until the FNtl is lifted.

	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.	delegated freedom revoked under the terms of the FNtl.	
7	Ensure that all necessary Trustee contact details are up-to-date.	All fields specified in Get Information about Schools (GIAS) for the relevant individuals in the Trust must be completed before the FNtl can be lifted. The Trust must ensure its record on GIAS for the individuals remains up-to date.	By 26 October 2020
8	Prepare and submit a revised Trust financial plan. The plan should be externally validated by an independent expert (such as those available at the Association of School and College Leaders, the National Association of Head Teachers or the Institute of School Business Leaders). The plan must be submitted no later than 23 November 2020. The plan must include, as a minimum: <ul style="list-style-type: none"> <li>i. how the trust will achieve a cumulative surplus position by the end of August 2021, and each year thereafter. This must be supported by robust budget forecasts through to 2024/25 with evidence to support realistic pupil number forecasts</li> <li>ii. a clear efficiency and savings plan setting out specific areas where further savings can be made across the trust</li> </ul>	Financial recovery consistent with the agreed Trust financial plan is demonstrated as evidenced in the budget forecast return and the audited financial statements for that year.	By 23 November 2020
9	We will expect the trust to supply the following financial information on a monthly basis for a period of 12 months from agreement of the Trust financial plan. The frequency of reports thereafter will be determined by the ESFA, based on progress against the Trust financial plan:	Trust submits the required information to ESFA on time for a minimum of 12 months and until further notice.	The management reports must be submitted to the ESFA by 15 of the month following the month the reports relate to, for a minimum of 12 months, until further notice.

	<ul style="list-style-type: none"><li>a. Revenue income and expenditure report with a narrative explaining any significant variances for the current full academic year. Income and expenditure classifications in this report should follow those in the Trust financial plan;</li><li>b. A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year; and</li><li>c. A detailed monthly cash flow forecast rolling 12 months ahead.</li><li>d. Details of any further aged creditors, which cause cash flow pressures.</li><li>e. Provide separate accounting details for any 'central' or 'core' teams within the trust.</li></ul>		
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