



Education & Skills
Funding Agency

Education and Skills Funding Agency
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[ESFA-enquiry-form](#)

11 January 2021

Philip Patterson
Chair of Trustees
The Hallam Schools' Partnership
Academy Trust
Hallam Pastoral Centre
St. Charles Street
Sheffield
S9 3WU

Company Number: 08665067

Dear Mr Patterson

Financial Notice to Improve: The Hallam Schools' Partnership Academy Trust

I am writing to you in your capacity as the Chair of The Hallam Schools' Partnership Academy Trust.

As you know, the Education and Skills Funding Agency (ESFA) has been monitoring the trust's progress towards meeting the conditions set out in [REDACTED] letter of 25 June 2020. I recognise the cooperation and extensive discussions that have taken place between the trust and officials and the changes you have already made to strengthen the trust board. However, my concerns remain in relation to the financial management and governance at the trust.

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 continued concerns over the lack of central oversight by the board and poor financial management at the trust.

The trust is required, pursuant to the provisions of the Academies Financial Handbook (AFH) and the funding agreement, 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Being issued with a Notice means that certain delegated authorities, as defined in the AFH, have been revoked.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
- General Annual Grant (GAG) carry forward from one year to the next beyond any limit in the funding agreement and the pooling of GAG by multi academy trusts (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 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 annexes 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.

If 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 3 working days of the date of this letter to your ESFA lead contact, [REDACTED] [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 the department publishes the Notice on GOV.UK. The trust is required to publish the FNtl on its own website within 14 days of it being issued and retain it on the website until the FNtl is lifted by ESFA.

I am copying this letter to the Accounting Officer Bob Sawyer, trust Members Bishop Ralph Heskett, Richard Prior, John Metcalfe, The Diocese of Sheffield, The Church of England Diocese of Leeds, also Carol Gray the Regional Schools Commissioner for East Midlands and the Humber and [REDACTED] [REDACTED].

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: Bob Sawyer, Accounting Officer
Bishop Ralph Heskett, Richard Prior, John Metcalfe – Trust Members
The Diocese of Sheffield
The Church of England Diocese of Leeds
Carol Gray, RSC for East Midlands and the Humber



Financial Notice to Improve

1. The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') because of The Hallam Schools' Partnership Academy Trust failing to comply with the Academies Financial Handbook 2019 (AFH 2019) and the Academies Financial Handbook 2020 (AFH 2020):
 - The trust board's failure to ensure regularity and propriety in the use of the trust's funds, and achieve economy, efficiency and effectiveness, as required in paragraph 1.13 of the AFH 2019 and 1.14 of the AFH 2020.
 - The trust's failure to appoint an accounting officer that is fit and suitable for the role, as required in paragraph 1.25 of the AFH 2019 and 1.26 of the AFH 2020.
 - The trust's failure to seek prior ESFA approval to appoint a chief financial officer (CFO) who is not a direct employee of the trust, as required in paragraph 1.36 of the AFH 2020.
 - The trust's failure to appoint a chief financial officer that is appropriately experienced, as required in paragraph 1.36 of the AFH 2019 and 1.37 of the AFH 2020.
 - The trust's failure to maintain robust oversight of the academy trust and failing to take full responsibility for its financial affairs, as outlined in paragraphs 2.1 and 2.2 of the AFH 2019 and AFH 2020.
 - The trust's failure to have sound internal control, risk management and assurance processes in place, as outlined in paragraphs 2.6 and 2.7 of the AFH 2019 and AFH 2020.
 - The trust's failure to ensure that financial plans are prepared and monitored, and failure to ensure rigour and scrutiny in budget management, as required in paragraphs 2.8 and 2.9 of the AFH 2019 and AFH 2020.
 - The trust's failure to ensure budget forecasts for the current year and beyond are compiled accurately and based on realistic assumptions, as required in paragraph 2.11 of the AFH 2019 and AFH 2020.
 - The trust's failure to prepare management accounts in appropriate format every month setting out its financial performance and position, and failing to consider the accounts and address variances between the budget and actual income and expenditure, as required in paragraphs 2.18 to 2.21 of the AFH 2019 and AFH 2020.

- The trust's failure to ensure spending decisions represent value for money, as required in paragraph 2.28 of the AFH 2019 and AFH 2020.
- The trust's failure to return information to ESFA by a set deadline, as required in paragraph 2.51 of the AFH 2020.
- The trust's failure to ensure there is a programme of internal scrutiny in place to provide independent assurance to the board that its financial and non-financial controls, and risk management procedures, are operating effectively, as required in paragraphs 3.1 to 3.5, 3.8, 3.12, and 3.15 of the AFH 2020.
- The trust's failure to ensure requirements for managing related party transactions are applied across the trust, as required in paragraph 5.37 of the AFH 2019 and AFH 2020.

Conditions

2. The trust is required to comply with all the 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 AFH.
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 with sufficient pace.

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.



The Hallam Schools' Partnership Academy Trust

Annex B

Table of conditions

The table below summarises the conditions that have been placed upon The Hallam Schools' Partnership Academy 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. Unless otherwise stated, the evidence required should be emailed to your lead contact at ESFA, [REDACTED] [REDACTED]

Condition	Evidence required to show compliance with the notice	Timescale
1. Strengthen the executive team by: i. Appointing a full-time chief executive officer (CEO) in agreement with the Education and Skills Funding Agency (ESFA) and Regional Schools Commissioner. ii. Appoint a full-time chief financial officer (CFO) who is appropriately qualified and experienced, as agreed with the ESFA.	Through open and fair competition, the trust has appointed a suitably qualified full-time CEO, and a full-time qualified CFO with multi-academy trust (MAT) experience, and can provide assurance of their capacity to implement the changes required for the trust to reach compliance. Documentation to provide to ESFA includes: Recruitment advertising strategy;	Trust to provide the following documentation within 5 working days of it being agreed by the trust board, and allow ESFA 5 working days following submission for review: Recruitment advertising strategy; recruitment timetable; job description for each role, including salary level; list of interview panel members; sifting and interview methodology and selection criteria.

	<p>Recruitment timetable;</p> <p>Job description for each role, including salary level;</p> <p>List of interview panel members;</p> <p>Sifting and interview methodology and selection criteria.</p> <p>Management information on the number of applications for each role and the number of candidates interviewed for each post.</p> <p>CVs and pen pictures, including relevant experience/background, of potential successful candidate for each post.</p> <p>Provide fortnightly updates through engagement calls between the CEO and Regional Delivery Directorate colleagues in the Department for Education, on the plans and actions being taken to stabilise and strengthen trust leadership and management.</p>	<p>Trust to provide the following within 5 working days of it being available:</p> <p>Management information on the number of applications for each role and the number of candidates interviewed for each post;</p> <p>CVs and pen pictures, including relevant experience/background, of potential successful candidate for each post.</p> <p>Trust to provide fortnightly updates to RDD colleagues on the plans and actions being taken to stabilise and strengthen trust leadership and management.</p>
<p>2. From January 2021, supply the following financial information on a monthly basis:</p> <p>a. Revenue income and expenditure report showing comparison to the year-to-date budget, as well as a forecast of the position at</p>	<p>The trust submits the required information to ESFA, paying particular attention to the information on management accounting provided via a link in the AFH 2020.</p>	<p>The management reports for each month must be submitted to ESFA by the 15th of each following month.</p>

<p>the end of the academic year with explanations of all significant variances;</p> <p>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</p> <p>c. Provide separate accounting details for any 'central' or 'core' teams within the trust.</p>		
<p>3. Provide ESFA with a cash flow forecast which should show the total of payments and receipts to the bank account for each month with the month-end cash balance. Note that cash flow relates to receipts and payments, such as grant funding received; payments to creditors; and payments and receipts to and from HMRC for payroll deductions and VAT repayments.</p>	<p>The trust submits the required information to ESFA, paying particular attention to the information on management accounting provided via a link in the AFH 2020.</p>	<p>The cash flow forecast for each month to be submitted to ESFA by the 15th of each following month.</p>
<p>4. Provide ESFA with the month-end aged creditors report, as well as a reconciliation of the total balance outstanding to the current liabilities figure in the balance sheet. This should be in the form of a breakdown of the balance sheet figure such as would be included in the notes to the financial statements, clearly showing how the trade creditors balance per the aged creditors report is included in total of current liabilities, which will include other figures such as deferred income and accruals.</p>	<p>The trust submits the required information to ESFA, paying particular attention to the information on management accounting provided via a link in the AFH 2020.</p>	<p>The monthly creditors report to be submitted to ESFA by the 15th of each following month.</p>
<p>5. Ensure that the ESFA receives notice of all board meetings, including extra-ordinary meetings, and finance and audit committee meetings; and that the</p>	<p>The trust submits written notice of all board meetings, including extra-ordinary meetings, and finance and audit</p>	<p>Ongoing.</p>

<p>agenda and draft minutes and all attachments and information relevant to the trust's financial or governance position are provided to the ESFA. The ESFA or a representative of it, reserve the right to observe any board meetings we deem appropriate.</p>	<p>committee meetings; and that the agenda and draft minutes (including confidential notes and attachments) are forwarded to the ESFA as soon as they are available but no later than 5 working days before a meeting takes place or 5 working days after for minutes. The ESFA or a representative of it, reserve the right to observe any board meetings we deem appropriate.</p>	<p>Notice, agenda and papers to be provided at least 5 working days before the meeting takes place.</p> <p>Minutes must be submitted within 5 working days of the meeting taking place.</p>
<p>6. Ensure that proper arrangements are in place, whereby the trust board 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.</p>	<p>The trust must evidence, via meeting minutes, that the board is providing the right balance of challenge and have the skills necessary to carry out their duties effectively. The ESFA or a representative of it, reserve the right to observe any board meetings we deem appropriate.</p>	<p>Ongoing – evidenced in meeting minutes.</p>
<p>7. Provide evidence to ESFA of improved and robust measures to ensure compliance, including publication of necessary information on the trust's website as per the AFH.</p>	<p>The trust has published all necessary information on their website, as required by the AFH.</p>	<p>Within 4 weeks of this letter.</p>
<p>8. Review all senior employees' payroll arrangements and satisfy the department that all fully meet their tax obligations and comply with HM Treasury's guidance about the employment and contract arrangements of individuals on the avoidance of tax.</p>	<p>The trust submits the findings of the review to ESFA.</p> <p>The trust confirms, in writing, compliance with the employment</p>	<p>Within 4 weeks of this letter.</p>

<p>Comply with the employment requirements set out in AFH 2020 1.26 and 1.36.</p>	<p>requirements set out in AFH 2020 1.26 and 1.36.</p>	
<p>9. Appoint independent chair of trustees as per the advice provided in the External Governance Review. The chair of trustees must have the capability to take responsibility for ensuring the effective functioning of the board and for setting professional standards of governance and accountability for the board.</p>	<p>The trust provides the biography and skills audit of potential chair to ESFA. Appointment to be evidenced in trust board minutes.</p>	<p>Within 4 weeks of this letter.</p>
<p>10. Provide programme of internal scrutiny for the academic year 2020/21.</p> <p>Share a copy of the latest internal audit report with updated progress against actions.</p> <p>Provide firm dates of when the next internal audit will be carried out and a commitment to send the findings to ESFA within 1 week of its submission to the board.</p>	<p>The trust provides programme of internal scrutiny to ESFA.</p> <p>The trust provides copy of internal audit report with updated progress against actions to ESFA.</p> <p>The trust provides finding of future internal audits to ESFA within 1 week of submission to the board.</p>	<p>Programme of internal scrutiny to be submitted to ESFA within 2 weeks of this letter.</p> <p>Copy of latest internal audit report to be submitted to ESFA within 8 weeks of this letter.</p> <p>Internal audit reports completed in future must be provided within 1 week of submission to the board.</p>
<p>11. Implement new trust-wide 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 trust to monitor financial performance and the financial risks to its operation. This will be evidenced by a written report, and the trust must answer all the financial management and governance self-assessment (FMGS) questions found</p>	<p>The trust submits written report, including answers to all questions in the FMGS online form, and provide evidence of policies/processes that have been implemented on ESFA request.</p> <p>The written report must include details on trust-wide monitoring of supplier</p>	<p>Report and evidence of policies and processes to be provided within 8 weeks of this letter.</p> <p>The trust must implement a central financial system as soon as possible but no later than 12 weeks of this letter – and provide regular</p>

<p>at: Academies financial management and governance self-assessment - GOV.UK (www.gov.uk), providing evidence of policies/processes that have been implemented on ESFA request.</p> <p>The trust must:</p> <ul style="list-style-type: none"> a) Implement and submit to ESFA a trust-wide risk management policy and the trust risk register; b) Implement and submit to ESFA a trust-wide procurement policy that ensures that the requirements of AFH 2020 2.28 are complied with; c) Implement a process to ensure its register of interests is kept up to date per the requirements of AFH 2020 5.44 - 5.47; d) Review its processes for managing conflicts of interests and Related Party Transactions (RPTs) and submit these to the ESFA; e) Implement a central financial system. 	<p>activity to demonstrate the trust is using its buying power most effectively.</p> <p>The trust must provide details on how it currently pays for central services.</p> <p>The trust must implement a central financial system.</p>	<p>fortnightly updates on progress to ESFA.</p>
<p>12. Review its finance structure and complete an audit of finance skills across the finance department, including within central teams and individual academies. Where there are any gaps in experience or capacity, the trust should act quickly to mitigate and address the identified risks and/or issues.</p>	<p>The trust provides the findings of the review and action plan to address identified risks and issues, with monthly progress updates, to ESFA.</p> <p>Provide results of the full finance skills audit that has been commissioned by the trust and provides an action plan of</p>	<p>Within 8 weeks of this letter.</p> <p>Monthly progress updates to be provided, thereafter.</p>

	how the trust intends to address any financial skills gaps.	
13. Explore and adopt National Deals (Deals for Schools), unless evidence is provided to the ESFA that an alternative (or current) supplier provides better value for money.	<p>The trust provides ESFA with evidence that an alternative supplier provides better value for money as tested through a robust procurement process.</p> <p>And/or</p> <p>The trust adopts "Deals for Schools" where better value can be obtained by using it.</p>	Within 8 weeks of this letter.
14. Demonstrate that it has made use of the School Resource Management (SRM) tools available at https://www.gov.uk/government/collections/schools-financial-health-and-efficiency and also engaged fully with any additional resources made available through this programme i.e. a School Resource Management Adviser (SRMA).	<p>The trust provides results of the audit into best value activity at the individual academies.</p> <p>Report to provide evidence and an analysis of budget management forecasting and scrutiny, including benchmarking and other SRM tools.</p>	Within 8 weeks of this letter.
15. 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. Some core metrics to consider are:	The trust undertakes ICFP analysis and produces a report on potential saving/benefits.	Within 8 weeks of this letter.

<ul style="list-style-type: none"> • average teacher contact ratio • average class size • pupil to teacher ratio • average teacher cost • % spend on teachers • SLT as % of teaching workforce <p>The School resource management self-assessment tool</p> <p>[https://www.gov.uk/government/publications/school-resource-management-self-assessment-tool] includes key metrics relevant to an ICFP approach, the trust may wish to use this as a starting point for their ICFP review.</p>		
<p>16. Following completion of the previously agreed deployment of a School Resource Management Advisor (SRMA) the trust must make reasonable endeavours to implement improvements identified by the SRMA. The trust must provide an evidenced business case as to why better efficiencies and effectiveness can be achieved by not implementing a particular recommendation.</p>	<p>The trust provides ESFA with an action plan, detailing the actions they have taken to implement the SRMA's recommendations and a business case for those actions they do not want to comply with.</p>	<p>Timeframe to be informed by final version of the SRMA report.</p>
<p>17. All RPTs must be pre-approved by the ESFA.</p>	<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>For the full term of the FNtl.</p>

<p>18. Requests approval from the ESFA, in advance, for any actions under the revoked freedoms in Part 3 and Annex B of the AFH 2020. These requests should be sent using the ESFA enquiry form. 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>
<p>19. The trust is required to:</p> <ul style="list-style-type: none"> a) Comply with the funding agreement requirement to submit all audited financial statements to the ESFA on time and without qualification; b) Submit the Budget Forecast Return Outturn (BFRO) by the deadline required by the ESFA; c) The trust is required to submit the Budget Forecast Return (BFR) by the deadline required by the ESFA. 	<p>The ESFA receives audited financial statements by 31 December, each year until the FNtl is lifted (extended to 31 January 2021 for 2019/20 audited financial statements).</p> <p>The ESFA receives BFRO by date required, each year until FNtl is lifted.</p> <p>The ESFA receives BFR by date required, each year until FNtl is lifted.</p>	<p>Submit audited financial statements by 31 December, each year until the FNtl is lifted (extended to 31 January 2021 for 2019/20 audited financial statements).</p> <p>Submit BFRO by date required, each year until FNtl is lifted.</p> <p>Submit BFR by date required, each year until FNtl is lifted.</p>
<p>20. Ensure that all necessary trustee contact details are up to date and information published about trustees and executive leadership is compliant with the requirements set out in AFH 2020 2.53 to 2.57.</p>	<p>All fields specified in 'Get information about schools' (GIAS) for the individuals must be completed before the FNtl can be lifted. The trust must ensure its record on GIAS for the individuals remains up to date and is fully compliant with sections 2.53 to 2.57 of the AFH 2020.</p>	<p>Ongoing.</p>