



Education & Skills
Funding Agency

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

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

3 February 2021

Ms Bulmer
Lubavitch Multi-Academy Trust
107-115 Stamford Hill
London
N16 5RP

Company Number: **11211005**

Dear Ms Bulmer

Financial notice to improve (“the Notice”): Lubavitch Multi-Academy Trust

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

Firstly, I want to thank you for the positive action you have taken in 2020 and for your cooperation with my team. I know you met with Judy Anckorn on 9 December 2020 to discuss the Trust’s progress towards meeting the conditions set out in the FNtI issued on 22 January 2020. I was pleased to hear that the Trust has taken some significant steps towards satisfying those conditions (annex C provides a summary) and that, in doing so, it has developed a plan that should ensure it achieves financial stability and secures the future of its schools.

However, whilst I recognise the progress that has been made, several important actions are outstanding and concerns remain in relation to the continued weak financial management and control at the Trust. Unless these matters are addressed in a timely manner, this may prevent the Trust from returning to sustained financial health, and may even result in its insolvency. Consequently, I feel this is an appropriate point to review and revise the conditions attaching to the Notice.

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 the effectiveness of financial controls.

The Trust is required, pursuant to the provisions of the Academy Financial Handbook (AFH) and the Funding Agreement (FA), 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Being issued with a Notice means that certain delegated authorities, as defined in the AFH, have been revoked.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
- 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. 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 that 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 annex 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 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. This will amount to a breach of the terms of the FA and may lead to termination.

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]. 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. The Trust is required to publish the FNtl on its website within 14 working 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, Geoff Hadlow, Trust Members (Bill Holledge, Rabbi Efune, Rabbi Yangyalfi, Jan Tallis) and Sue Baldwin, Regional Schools Commissioner for East of England and North East of London.

I look forward to hearing from you.

Yours sincerely



Warwick Sharp
Director, Academies and Maintained Schools Directorate

cc. Geoff Hadlow, interim CEO and Accounting Officer
Sue Baldwin, Regional Schools Commissioner for East of England and North East
London
Bill Holledge, Rabbi Efune, Rabbi Yangyalfi, Jan Tallis (members)

Financial notice to improve

The Education and Skills Funding Agency (ESFA) has decided to issue a Financial Notice to Improve (the 'Notice') as a consequence of the Lubavitch Multi Academy Trust (the 'Trust')

- Failing to maintain robust financial oversight of the academy trust and for not taking full responsibility for its financial affairs as required in the Academies Financial Handbook (AFH) paragraphs 2.1 – 2.8.

Conditions

1. The trust is required to comply with all of the conditions set out in Annex B.

Financial management requirements

2. 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 Academies Financial Handbook.
3. The Trust should take all appropriate actions to ensure the action plan agreed with the ESFA is fully implemented.
4. The ESFA must be satisfied that the Trust is doing everything it can to rectify the weaknesses identified.

Monitoring and progress

5. 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.
6. Until the FNTI is lifted, the trust must inform the ESFA within two working days of receiving notice of resignations or departures of any members or trustees and must seek approval for any appointments.
7. The trust must ensure that its finance committee meets at least 6 times a year.
8. 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

9. 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.

10. 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.

LUBAVITCH MULTI-ACADEMY TRUST

Annex B

Table of conditions

The table below summarises the conditions that have been placed upon the Lubavitch MAT (“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.

	Condition applied	Action/ evidence required from trust	By when
1	<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) 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/is falling behind the schedule set out in their Trust financial plan.</p>	<ul style="list-style-type: none"> - The ESFA receives audited financial statements, BFRO and BFR in line with the published deadline each year. - Returns show recovery in line with the Trust financial plan. 	<p>Audited financial statements, BFRO and BFR submitted in line with the published deadline each year.</p>
2	<p>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-</p>	<p>Request approval for any actions relating to the delegated freedom revoked under the terms of the FNTI.</p>	<p>In advance, allowing at least five working days for the ESFA to consider the request.</p>

	form . Retrospective requests for approval will be deemed as a breach of the AFH.		
3	The trust must ensure that, in line with the requirement set out in the AFH, all trustee contact details are up to date at all times.	The trust to update Get Information About Schools ensuring details for the individuals remains up to date.	Within 14 days of the change (AFH 2020 2.53)
4	The trust must make repayments of the advance of GAG as scheduled on the financial plan.	An update as part of its monthly management accounts.	By the 15 th of each month As per schedule in the agreed repayment plan.
5	The trust must ensure that it carries out all cost saving measures as identified in its financial plan of 13 November 2020.	A monthly progress update against each measure.	By the 15 th of each month until all actions are completed.
6	The trust must ensure it achieves a surplus budget from 2020/21 onwards.	Confirmation through trust's annual returns (audited financial statements, BFRO and BFR).	Audited financial statements, BFRO and BFR submitted in line with the published deadline each year.
7	The trust must confirm completion of work towards ensuring appropriate financial systems and processes are in place to support financial planning. In line with AFH requirement (paragraph 2.6 and 2.7), trust to have in place a clearly communicated procedures, appropriate day to day supervision	The Chair of the trust must confirm, with supporting evidence where appropriate (e.g. an approved finance policy), that trust has completed work towards ensuring appropriate financial systems and process.	By end of Spring term 2021.

	and internal scrutiny overseen by an audit and risk committee and robust controls in place.		
8	The trust must provide an action plan against the recommendations made in management letters and internal audit assessments, within a month of receiving the reports. It must provide monthly update on progress against the action plan.	a) Trust to provide a copy of its action plan b) Submit monthly updates in respect of each report on progress against actions until complete.	(a) Action plan within one month of receiving the reports (b) Monthly updates by 15 th of each month.
9	The trust must provide an unqualified audit opinion for the current year and beyond.	Confirmation through financial statements.	Audited financial statements submitted in line with the published deadline each year.
10	The trust must seek approval prior to entering into any new contacts (excluding pay, contract renewals or regular supplies) that exceeds £5k.	The trust should submit its request for approval supported, as appropriate, by evidence of value for money, details of benchmarking activity and how the contract meets its procurement policy	In advance, allowing at least five working days for the ESFA to consider the request.
11	Board must ensure adequate financial oversight and appropriate actions are taken to maintain financial viability including addressing variances between budgets, and actual performance (paragraph 2.20 of AFH).	The monthly management accounts are considered at every finance committee meeting as well as the board meeting and evidenced on the minutes. Copies of the minutes evidencing consideration of the management accounts submitted to the ESFA	Minutes of each meeting submitted to ESFA within a week of the meeting.

12	The trust must provide a realistic timeline to ensure all its employees have a signed employment contract and personnel files are maintained in a consistent manner across the trust and confirm the action is complete.	(a) Trust to provide an action plan for completion of the action. (b) Trust to provide monthly update on progress until complete.	(a) Action plan within two weeks of receiving the FNtl. (b) Progress update by the 15 th of each month
13	The trust must provide a realistic timeline to carry out a pay structure review to ensure value for money is achieved. Trust to provide progress update against this timeline every month.	(a) Trust to provide an action plan for completion of the action. (b) Trust to provide monthly update on progress until complete.	(a) Action plan within two weeks of receiving the FNtl. (b) Progress update by the 15 th of each month
14	The trust must set a robust recruitment policy, which ensures that the trust has clear guidelines for e.g. advertising of staff posts and benchmarking of staff salaries, to ensure all recruitments are carried out appropriately, before end of the Spring term 2021.	Copy of Board approved recruitment policy and board minutes confirming adoption.	By end of the Spring term 2021.
15	Board must ensure maintenance of a three-year rolling financial plan, to be revised and submitted to ESFA every 6 months, while exploring opportunities to generate further efficiency savings and other income.	Trust to provide updated plan every 6 months	June 2021, December 2021 and 6 monthly thereafter until the FNtl is lifted.
16	The trust is to submit the reasons behind methodology for apportioning overheads between the Foundation and LMAT and its criteria.	Trust to provide details setting out the reasons behind its methodology for apportioning overheads and how this meets the requirement	Within one month of receiving the FNtl.
17	The trust must set a robust reserve policy before end of the Spring term 2021, which takes into account Charities Commission	Copy of board approved policy and board minutes confirming adoption	By end of the Spring term 2021.

	guidance and ensures that it adheres to the policy when setting future budgets.		
18	The trust must have in place a permanent senior executive leader i.e. chief executive or equivalent as set out in the AFH, by the Summer term 2021.	Trust to provide confirmation following appointment.	By Summer term 2021.

Annex C – Summary of progress against the conditions set out on FNtl issued on 22 January 2020

CONDITIONS	PROGRESS
1. Trust is required to: <ul style="list-style-type: none"> - submit all audited financial statement to ESFA on time and without qualification; - Submit BFRO and BFR on time; - Contact ESFA at early stage if it believes it is not able to deliver Trust’s financial plan. 	Ongoing
2. Seek approval in advance for any actions under revoked freedom in paragraph 5 of the AFH.	Ongoing
3. The trust must make repayments of the advance of GAG as scheduled in the financial plan.	Ongoing
4. Ensure the trust carries out all cost saving measures identified on the financial plan and as per the timeline submitted on 14 January 2020.	Partially completed
5. Ensure the trust achieves in-year surplus positions from year 2020/21 and a cumulative surplus position from 2022/23 as per the financial plan of 14 January 2020.	Revised
6. By 5 February 2020, Trust must ensure all necessary trustee contact details are up to date on Get Information About Schools site.	Completed
7. In line with RPT requirement, Trust seek approval on SLA that exceeds £20k per year.	Completed
8. By 5 February 2020, Trust to submit timeline for carrying out regular internal audits each year.	Completed
9. By 5 February 2020, Trust to submit revised code of conduct for trustees.	Completed
10. The trust is required to ensure all redundancies are completed by 31 March.	Completed
11. Restructuring and new staff structure to be in place by 1 May 2020.	Partially completed
12. By 1 March 2020, trust to confirm permanent CFO.	Completed (appointed on 1 April 2020)
13. The trust must ensure it has a permanent CEO in place by 1 May 2020 and that it must provide updates on key stages for the recruitment campaign on a monthly basis until the appointment is secured in May.	Revised
14. By 31 March 2020, trust to confirm appropriate financial systems and processes in place to support the processing of invoices and payments to support financial planning.	Outstanding

15. The trust is to submit the reviewed methodology for apportioning overheads between the Foundation and LMAT and its criteria.	Outstanding
16. The trust is required to provide confirmation to ESFA from the Chair that all points raised by auditors within the management letter and internal audit assessment of the 2018/19 accounts have been addressed and resolved.	Outstanding
17. Trust to provide a clean audit opinion for current year and beyond.	Ongoing
18. By 5 February 2020, trust to provide detailed actions taken to resolve supplier fraud of £22k highlighted in the audit report.	Completed