



Education & Skills  
Funding Agency

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

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

19 January 2022

Ms Shaminder Rayatt (Chair of Trustees)  
The Khalsa Academies Trust Limited  
Hollybush Hill  
Stoke Poges  
Slough SL2 4QB

Company Number: 07549443

Dear Ms Rayatt,

### **Notice to Improve: Khalsa Academies Trust**

I am writing to you in your capacity as the Chair of The Khalsa Academies Trust (the Trust), regarding the Financial Notice to Improve (FNtI) issued by my predecessor, Mike Pettifer, on 12 February 2020.

As you know, the Education and Skills Funding Agency (ESFA) has been monitoring the Trust's progress towards meeting the conditions of the FNtI. I recognise the extensive discussions that have taken place between the Trust and officials, and the work the Trust has undertaken to strengthen accounting, internal financial controls and improve safeguarding.

I am encouraged that because of that work, many of the conditions set out in the Financial Notice to Improve issued to the Trust in February 2020 have now been met. However, some important issues remain, and more action is required to strengthen and embed robust governance at the Trust. Whilst I am pleased to note that the Trust has successfully recruited additional trustees, more time is also required for effective systems and processes to be put in place to ensure strong governance and management, including robust oversight of financial management by the Board.

I have therefore concluded that this is an appropriate time to close the existing FNtI and issue a new Notice to Improve (NtI) to the Trust (comprised of the outstanding conditions attached to the original FNtI and some further additional conditions), this notice will supersede the previous Notice of February 2020.

This letter and its annexes therefore serve as a written notice to improve oversight and governance control at the Trust (Notice to Improve or “the Notice”). It reflects our continuing concern regarding the effectiveness of governance and insufficient oversight of financial management by the Board.

The Trust is required, pursuant to the provisions of the Academy Trust Handbook (ATH) 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Being issued with a Notice means that certain delegated authorities, as defined in the ATH, have been revoked. All transactions of this nature must 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 or buildings of a duration beyond any limit in the funding agreement
- carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
- pooling of GAG.

The Trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the Notice has been complied with, and improvement is sustainable.

If the Trust comes to the ESFA to seek retrospective approval this will be deemed a breach of the ATH. 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 Annex B 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 ATH. This will amount to a breach of the FA and may lead to termination.

If continued non-compliance with the ATH 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] at [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 this Notice on its website within 14 days of it being published by the ESFA and retain it on the website until this Notice is lifted by ESFA.

I am copying this letter to the Accounting Officer Simon Webb, Trust Members Bhaskar Mukherjee, Ian Stephen Anderson, Moni Singh Pangali, Tarlochan Singh Rai and Dame Kate Dethridge (the Regional Schools Commissioner (RSC) for North West London and South Central) and Sue Baldwin (the RSC for East of England and North East London).

We look forward to hearing from you.

Yours sincerely



**Warwick Sharp**

**Director, Academies and Maintained Schools Directorate**

CC. Simon Webb – Interim CEO and Accounting Officer  
Dame Kate Dethridge – (RSC North West London and South Central)  
Sue Baldwin - (RSC East of England and North East London)  
Bhaskar Mukherjee, Ian Stephen Anderson, Moni Singh Pangali,  
Tarlochan Singh Rai (Members)

## Notice to Improve

The Education and Skills Funding Agency (ESFA) has decided to issue a Notice to Improve (the 'Notice') as a consequence of The Khalsa Academies Trust (the 'Trust'):

- Failing to apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management, as required by paragraph 1.13 of the Academy Trust Handbook (ATH).
- Failing to maintain robust oversight of the Trust, as required by paragraph 2.1 of the ATH.
- Failing to conduct checks to ensure systems are effective and compliant, as required by Part 3 of the ATH.

## Conditions

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

## Financial management and governance 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 ATH.
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. 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

7. 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.
8. When the Trust meets all the conditions outlined in this Notice, is fully compliant with the most recent edition of the ATH 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 The Khalsa Academies Trust (“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 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 of requirements</b>	<b>Timescales</b>
<b>1</b>	<b>Finance</b>		
<b>a</b>	<p>The Trust must demonstrate that every possible economy is being made to achieve a balanced budget – this must consider the Trust-wide SMT structure, service providers and staffing costs across its academies.</p> <p>The Trust must demonstrate that it has made use of the School Resource Management tools available at <a href="https://www.gov.uk/government/collections/school-s-financial-health-and-efficiency">https://www.gov.uk/government/collections/school-s-financial-health-and-efficiency</a> and also engaged fully with any additional resources made available through this programme.</p> <p>The Trust must engage and co-operate fully with a School Resource Management Adviser (SRMA), commissioned by the ESFA.</p> <p>The Trust should make reasonable endeavours to comply with and implement the recommendations for improvements identified by an SRMA.</p>	<p>The Trust must provide evidence of use of the School Resource Management tools available.</p> <p>The Trust must engage and co-operate fully with an SRMA commissioned by the ESFA.</p> <p>The Trust must provide ESFA with details of the actions the Trust has taken/intends to take to implement the improvements identified by the SRMA.</p>	<p>The Trust to provide evidence of use of the tools available in their completed TFP <b>by 31 March 2022.</b></p> <p>The Trust to produce and share an action plan following discussion of final SRMA report with the ESFA. <b>Deadline to submit action plan to be agreed following discussion of the final report.</b></p> <p>The Trust to review changes it made as a result of SRMA recommendations and share with ESFA the impact of these changes (via minutes of Trustees’ Board meetings). <b>Deadline to be agreed following discussion of the action plan.</b></p>
<b>b</b>	Prepare and submit a Trust financial plan (TFP) that clearly sets out the financial position at Atam	The Trust demonstrates that financial recovery is consistent with the validated	The validated Trust financial plan must be submitted to the ESFA <b>no later than</b>

<p>Academy, The Khalsa Academy Wolverhampton (TKAW), Central Service, Khalsa Secondary Academy (to the point of transfer) and any efficiency savings to be made to the management of the Central Service's budget. 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, the Institute of School Business Leaders or the Trust external auditor).</p> <p>The plan must include, as a minimum:</p> <ul style="list-style-type: none"> <li>a) how the Trust will achieve a balanced budget at its Central Service by the <b>31 August 2023</b>. This must be supported by a <b>restructuring plan with associated risk assessment</b>.</li> <li>b) a clear efficiency savings plan setting out specific areas where further savings can be made across the Trust.</li> </ul> <p>The Trust's School Resource Management Self-Assessment Tool action plan must be submitted with the TFP to the ESFA  <a href="https://www.gov.uk/government/publications/school-resource-management-self-assessment-tool">[https://www.gov.uk/government/publications/school-resource-management-self-assessment-tool]</a></p>	<p>TFP. The recovery should also be demonstrated in the budget forecast return and the audited financial statements for that year.</p> <p>The minutes of the Trust's Finance Audit &amp; Risk (FAR) Committee evidence regular review of the TFP, including reporting any changes and reasons thereof.</p> <p>Any changes to the Trust financial position and identified risks should be fully documented in the minutes of meetings for the FAR committee and the Trust board meetings together with actions taken to resolve issues.</p>	<p><b>31 March 2022.</b></p> <p>Audited accounts <b>submitted to the ESFA by 31 December 2022.</b></p> <p>Draft minutes of FAR committees and full board submitted to the ESFA <b>within 10 working days of the meeting.</b></p>
<p><b>c</b> We will expect the Trust to supply the detailed financial information (as set out in the next column) on a monthly basis for a period of 12 months (for the Trust, Central Service, Atam Academy TKAW and KSA to the point of transfer). The frequency of reports thereafter will</p>	<p>The Trust will provide monthly returns of the following:</p> <ul style="list-style-type: none"> <li>• Revenue income and expenditure report with a narrative explaining any significant variances for the current full academic year. Income and</li> </ul>	<p>Trust to submit the required information to ESFA <b>on or before the last working day of each month</b> for the previous month.</p>

	<p>be determined by the ESFA, based on progress against the Trust financial plan.</p> <p>The frequency of reports thereafter will be determined by the ESFA, based on progress against the TFP.</p>	<p>expenditure classifications in this report should follow those in the Trust financial plan.</p> <ul style="list-style-type: none"> <li>• A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year.</li> <li>• A detailed monthly cash flow forecast rolling 12 months ahead.</li> <li>• Details of any further aged creditors, which cause cash flow pressures; and</li> <li>• Provide separate accounting details for any 'central' or 'core' teams within the trust.</li> </ul>	
<b>2</b>	<b>Governance</b>		
<b>a</b>	<p>Participate fully in an external review of governance and comply with the action plan set out within the review feedback report. This will be commissioned and funded by ESFA.</p> <p>The scope of the review will include but not be limited to:</p> <ol style="list-style-type: none"> <li>1. Trust governance arrangements (as a minimum, an assessment of the oversight exercised by the Trust board and a skills audit of the current members and trustees).</li> <li>2. Trust procedures and policies.</li> <li>3. Trust operations.</li> <li>4. Personnel records (ensuring all contracts are signed by both parties and are with the correct date).</li> <li>5. Contracts and contract management (including the scope for further efficiency savings, including using economies of scale to reduce staff</li> </ol>	<p>The Trust must participate in full in an external review of governance as commissioned and funded by the ESFA.</p> <p>Where non-compliance or improvements are identified, the Trust must provide evidence of having reviewed and actioned any recommendations from the external review of governance in accordance with the action plan.</p> <p>The Trust to regularly review the action plan and update its actions where necessary. This should be fully documented in the minutes of board meetings. The updated action plan must be shared with ESFA on a monthly basis, to demonstrate progress against</p>	<p>Timeline of the external review of governance to be agreed between the Trust and ESFA, considering reviewer and trust board availability.</p> <p>Evidence of this review being scheduled for an agreed date must be submitted to the ESFA within 10 working days of contact from the reviewer.</p> <p>This review must be completed within 4 months of the initial contact from the reviewer.</p>

<p>costs.)</p> <p>6. Evidence of active listening to the views of staff, parents and pupils.</p> <p>7. Interactions between members and trustees to support robust oversight of the trust.</p> <p>8. Identify areas for improvement, including systems and processes to ensure better governance at the Trust.</p> <p>9. Share examples of good practice from elsewhere that could be utilised by the Trust.</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.</p> <p>In particular, compliance with the trust's Articles of Association, the Funding Agreement, the Academy Trust Handbook and the Companies Act 2006.</p> <p>The findings of the external review of governance will be shared with the Trust.</p> <p>Where non-compliance or improvements are identified, the ESFA will agree with the Trust an action plan and timeline to address those issues. The action plan must be agreed by the Trust, implemented and evidenced by the Trust before this condition is deemed to have been met</p> <p>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>actions and what mitigation has been applied where progress is not in line with expectations.</p> <p>If the review identifies any gaps in skills and experience at board level, the Trust must provide evidence of approaching Academy Ambassadors to help fill any gaps which may be identified.</p>	
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<b>b</b>	<p>The Trust ensures there are clear lines of accountability between the Accounting Officer of the Trust and the trustees, including effective oversight and support for financial management.</p>	<p>The Trust provides clear evidence of oversight and challenge through the minutes / papers of trustees' meetings and committees for 12 months.</p> <p>The ESFA or an appointed independent observer to be invited to observe at least one meeting each term to provide assurance of challenge.</p>	<p>Minutes and papers of meetings to be submitted to ESFA <b>within 10 working days of the meeting.</b></p> <p>Dates of independent observer to be agreed with Chair of trustees by <b>31 March 2022.</b></p>
<b>c</b>	<p>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>Evidence of an effective performance management system and process in place to appraise senior leader's mid-year and at the end of the year (removing any personally sensitive or commercially sensitive/confidential information related to or belonging to a</p>	<p>Copies of mid-year and end of year review paperwork and outcome report to be shared with the <b>ESFA by end of June 2022 and by end of December 2022</b> (removing any personally sensitive or commercially sensitive/confidential information related to or belonging to a</p>

		<p>third party).</p> <p>The trustees are providing the right balance of challenge as evidenced in the minutes of meetings and through board observations.</p> <p>The trustees have the skills necessary to carry out their duties effectively as evidenced by appropriately updated skills audit and matrix.</p> <p>Observation by ESFA / appointed independent person and minutes of meetings (as above).</p>	<p>third party).</p> <p>Minutes of meetings shared with the ESFA <b>within 10 working days following the meeting.</b></p> <p>Dates of independent observer to be agreed with Chair of trustees <b>by 31 March 2022.</b></p>
<b>d</b>	<p>The ESFA receives notice of all board meetings / committees' meetings including extra-ordinary meetings; and the agenda, draft minutes and papers (which relate to the Trust's financial, or governance position) are forwarded to the ESFA as soon as they are available.</p> <p>Continue regularity of Board meetings and particularly Audit &amp; Finance Sub-Committees to at least 6 times a year.</p>	<p>The Trust submits notice of all board meetings, including extra-ordinary meetings; and that the agenda, draft minutes, and papers (which relate to the Trust's financial or governance position) are submitted to the ESFA.</p>	<p>Trust to share calendar of all trustees' meetings with the ESFA <b>by 31 March 2022.</b></p> <p>Minutes of meetings shared with the ESFA <b>within 10 working days following the meeting.</b></p>
<b>e</b>	<p>Members to have closer oversight, ensuring the effectiveness of the board to address the identified issues.</p> <p>Members to consider the process by which they are kept sufficiently informed about the Trust to be able to exercise their powers effectively. For example, this may be by holding an AGM of members. If a meeting of members is held, notice of the meeting, agenda and draft minutes (can be</p>	<p>Evidence shared with ESFA of steps taken for members to have closer oversight. For example, this may be evidenced through the minutes of members' meeting(s) in which it shows members having received information on issues affecting the Trust and appropriate actions taken where necessary.</p>	<p>Notice of any members' meeting, agenda / papers and draft minutes (can be limited to financial/governance arrangements) must be forwarded to the ESFA <b>within 10 working days of the meeting.</b></p>

	<p>limited to financial/governance arrangements) must be forwarded to the ESFA within 10 working days of the meeting.</p>		
<p><b>f</b></p>	<p>An external review of safeguarding to be commissioned by the Trust to identify any gaps and recommendations for further improvements. The reviewer is to be agreed between the Trust and the ESFA.</p> <p>The terms of reference of the review and the outcome must be shared with the ESFA. The scope of the review should include but not be limited to:</p> <ul style="list-style-type: none"> <li>a. Trust safeguarding arrangements (as a minimum, an assessment of the oversight exercised by the Trust board, a skills &amp; training audit of the current staff and trustees, and arrangements and training for the Designated Safeguarding Lead and any deputies).</li> <li>b. Trust safeguarding procedures and policies and their implementation.</li> <li>c. Trust recruitment processes, including compliance with all statutory requirements.</li> </ul> <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 Funding Agreement, the Academy Trust Handbook, <a href="#">Keeping children safe in education</a>, <a href="#">Working together to safeguarding children</a> and the Education (Independent School Standards) Regulations 2014.</p>	<p>Safeguarding to be effective across the Trust for at least 12 months. The effectiveness of safeguarding to be evidenced either by Ofsted report(s), if available, or an independent external review of safeguarding. As neither the Trust nor ESFA knows whether an Ofsted inspection will take place, it is presumed an external review of safeguarding will be required.</p> <p>The Trust must secure ESFA approval for the appointment of an organisation or individual to carry out the review, prior to commissioning the review.</p> <p>The Trust must submit a copy of the remit for the independent review to be agreed by ESFA; evidence of procurement and commissioning; and share the report/findings with ESFA.</p> <p>The Trust to share evidence of effective collaboration and information sharing (transparency) with local authorities covering each of its academies. This could be the report produced as the outcome of any local authority visit.</p> <p>The Trust must submit copies of its safeguarding policies, signed off by trustees, and an approved plan for</p>	<p>External review of safeguarding to have taken place <b>by end of December 2022</b>, with the requirements for the review having been complied with.</p> <p>The Trust should share copies of any review reports received from the LA with the ESFA within 10 working days of receipt from the LA.</p>

	If non-compliance or improvements are identified, the Trust should provide ESFA with an action plan and timeline to address those issues.	regular review and update of policies to ESFA by the end of December 2022	
<b>g</b>	The Trust to consider updating its Master Funding Agreement / Supplemental Funding Agreements and Articles of Association to reflect the Department latest model.	Evidence in the Board minutes of the discussion.  If the Trust decides to update these documents, standard process should be followed, including that the Deed of Variation (DoV) and Articles of Association (track change and clean version) including draft resolution, should be sent to the ESFA for clearance.	Minutes of the discussion to be shared with the ESFA within 10 working days following the meeting.