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for Education

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Date: 24 October 2024

Mr. Gurminder Athwal
Chair of Trustees
Sikh Academies Trust
c/o Khalsa Primary School
Wexham Road
Slough
Berkshire SL2 5QR

Company Number: 13104715

Dear Gurminder,

Notice to improve: SIKH ACADEMIES TRUST

We are writing to you in your capacity as the Chair of Sikh Academies Trust (the Trust), to inform you that the Education and Skills Funding Agency (ESFA) has assessed that the Trust's breaches of the Academy Trust Handbook (ATH) relating to financial management and governance are significant enough to warrant a Notice to Improve. On that basis, we are issuing the Trust with a Notice to Improve on financial grounds.

As you know, the ESFA has been monitoring the Trust's progress towards meeting the actions set out in Judy Anckorn's letter of 5 July 2023. We recognise the cooperation and extensive discussions that have taken place between the Trust and officials; and the changes you have already made to strengthen accounting and internal financial controls. However, on review of the information provided by the trust our concerns remain in relation to the weak financial position, poor financial management and the current governance arrangements at the Trust.

Financial governance within the trust has been affected by the frequent turnover of staff in key management roles. Although there have been qualified individuals in the CEO and CFO roles, there has been a lack of continuity and stability in the executive roles which contributed to the failure to fully implement the board approved recovery plan of September 2023 in a timely manner. The trust required a late in-year pupil number adjustment and additional funding support to meet their obligations and remain solvent.

The breaches we are concerned about are set out below.

1. Accounting Records and their preparation

I would like to begin by reminding you of the duty to ensure accounting records and their preparation must be adequate and in line with industry benchmarks as stated in paragraph 4.1 of the Academy Trust Handbook (ATH):

Paragraph 4.1:

The academy trust must maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.

The audited financial statements for the Sikh Academies Trust as submitted for 2021/22 and 2022/23 did not meet the requirements of the ATH paragraph 4.1 as they did not follow the Academies Account Directions in full for both those years. Specifically, the trust failed to include a bank account in the accounts, neglected to include significant assets on the balance sheet and failed to declare related party transactions.

2. Third Party and Related Party Transactions

The second significant area of breaches relates to the handling of third-party and related-party interests. The Trust did not meet the requirements of the ATH in relation to related parties as stated in paragraphs 5.36 - 5.40 of the ATH for both the 2021/22 and 2022/23 accounts.

2.1 (Paragraph 5.36) Academy trusts must be even-handed in their relationships with related parties by ensuring that:

- ***trustees comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements***

The trust failed to disclose related party transactions between the trust and Slough Sikh School Trust (SSST), relating to the sub-lease held by SSST at Khalsa Primary School in their financial statements in 2020/21, 2021/22 and in 2022/23.

2.2 (Paragraph 5.38) The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board chair and the accounting officer must ensure their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with The 7 principles of public life.

Inadequate assurance was given regarding how the conflicts of interest between SSST and SAT are managed.

2.3 (Paragraph 5.40) The trust must keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

The trust did not declare or disclose the related party transactions between The Slough Sikh School Trust and SAT in the annual accounts in 2020/21, 2021/22 or in 2022/23.

Furthermore, the trust did not keep sufficient records evidencing how the fair apportionment of costs for the sub-lease was arrived at for the period from February 2021 to October 2025.

3. Internal Scrutiny

(Paragraph 3.20) The trust must submit its internal scrutiny summary report to ESFA by 31 December each year when it submits its audited annual accounts. The trust must also provide ESFA with any other internal scrutiny reports, if requested.

No internal scrutiny programme was carried out by the trust in 2022/23.

Despite the cooperation and extensive discussions that have taken place between the Trust and Agency officials we remain concerned about the current weak governance and lack of strategic oversight at the Trust. This letter and its annexes serve as a written Notice to Improve financial management at the Trust (Notice to Improve or “the Notice”). It reflects the continued weak financial position of the Trust and our ongoing concerns around governance and oversight of financial management by the Board.

The Trust is required, pursuant to the provisions of the ATH and the Funding Agreement (FA), to comply with the terms of this Notice which are set out in Annex A and Annex B.

Being issued with a Notice means that certain delegated authorities, as defined in the ATH, are 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
- carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
- pooling of GAG

All transactions which fall within the remit of the above list need ESFA approval in advance of commencement. If the Trust seeks retrospective approval from ESFA this will be deemed as a new breach of the ATH. Further details of the approval process will be forwarded to the Trust’s 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.

The ESFA will monitor progress made towards meeting the requirements of this Notice and will keep us updated through regular case reviews. A decision to lift the Notice will be taken when we are satisfied the requirements set out in the Annexes have been met in full.

We will support the Trust as it implements the required changes through regular contact and clear routes of escalation to resolve any questions or queries you might have. However, if the Trust is unable to deliver the necessary improvement and fails to make sufficient progress against the original conditions, we reserve the right to issue a revised Notice and add further specific 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 our satisfaction, it will be considered to have failed to comply with the terms of the ATH. Failure to comply will be deemed a funding agreement breach and may lead to the termination of the funding agreement between the Trust and the Department.

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.

We 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], who will be your main point of contact related to this Notice to Improve. In line with the requirements set out in our publishing policy, the Trust has 10 working days to offer any final comments on factual accuracy to ESFA colleagues before publication. The Trust is required to publish the Notice on its website within 14 days of it being published on gov.uk and retain it there until the Notice is lifted.

We recognise that this may be an uncertain time for the Trust and its staff. We are mindful of creating additional pressures on individuals involved. Therefore, we ask the Trust to ensure appropriate provision is in place to support all its staff, as necessary. You may find the Education staff wellbeing charter (<https://www.gov.uk/guidance/education-staff-wellbeing-charter>) helpful.

We will continue to keep clear and regular lines of communication open with you. As such, [REDACTED], will be in contact shortly to answer any questions you may have, and to discuss the next steps in more detail including any support the Trust may require to drive the necessary improvements.

We look forward to hearing from you.

Yours sincerely



Dame Kate Dethridge
Regional Director for South East, DfE



Lindsey Henning

Director, Schools Financial Support & Oversight , ESFA

CC. Harmeet Sahota, Accounting Officer

Narinderpal Singh Rana, Chair of the Slough Sikh School Trust

Members: Daljit Kaur, Daljit Singh, Jujar Singh, Onkar Singh, Ralph Tabberer

Notice to Improve

This Notice to Improve (the 'Notice') is a consequence of Sikh Academies Trust (the 'Trust')

- Failing to submit audited financial statements which met the requirements of the Charity Commission's Statement of Recommended Practice (SORP) and Academy Accounts Direction as required in the Academy Trust Handbook (ATH) paragraph 4.1.
- Failing to disclose related party transactions, between the trust and Slough Sikh School Trust (SSST), relating to the sub-lease held by SSST at Khalsa Primary School in their financial statements in 2021/22 and in 2022/23, and failing to maintain sufficient records evidencing how SAT's interests were represented and conflicts of interest were managed (ATH 5.38, 5.40).
- Failing to carry out an internal scrutiny programme in 2022/23 as required in the ATH paragraph 3.20.
- Failing to fully implement a comprehensive financial recovery plan in a timely manner and requiring further emergency support in 2023/24.

Conditions

1. The Trust is required to comply with all of 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 ESFA is fully implemented.
4. 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 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, 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 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 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, we 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 SIKH 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.

Condition	Evidence required to show compliance with the notice	Timescale
<p>1. The Trust is required to:</p> <ul style="list-style-type: none"> a) Comply with the funding agreement requirement to submit all audited reports, accounts and statements to ESFA on time and without qualification. b) Submit an Academies budget forecast return (BFR) by the deadline required by ESFA. c) Contact ESFA at an early stage if it believes it is not able to follow, or is falling behind, the schedule set out in their Trust financial plan. 	<p>ESFA receives the Trust’s audited financial statements by 31 December 2024, each year until the Ntl is lifted.</p> <p>ESFA receives the Trust’s BFR by 31 August, each year until Ntl is lifted.</p> <p>Returns show recovery in line with the Trust financial plan in-year at end January and end May.</p>	<p>Submit audited reports, accounts, and statements by 31 December 2024, and each year thereafter until the Ntl is lifted.</p> <p>Submit BFR by date required, each year until Ntl is lifted.</p> <p>Reforecasting in-year of budget at 5 months (at 31 January) and 9 months (at 31 May), each year until the NTI is lifted.</p>
<p>2. We will expect the trust to continue 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/DfE, based on progress against the Trust financial plan:</p> <ul style="list-style-type: none"> • 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. 	<p>Trust submits the required information to ESFA/DfE on time for a minimum of 12 months and until further notice.</p>	<p>The management reports must be submitted to the ESFA/DfE by 15th of each month, for a minimum of 12 months, until further notice.</p>

<ul style="list-style-type: none"> • A balance sheet showing the position at the end of the last calendar month and forecast to the end of the academic year; and • A detailed monthly cash flow forecast rolling 12 months ahead. • Details of any further aged creditors, which cause cash flow pressures. • Provide separate accounting details for any 'central' or 'core' teams within the trust. 		
<p>3. The Trust is required to ensure its annual report and accounts are prepared in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.</p>	<p>Annual accounts that are fully compliant with the SORP and Academy Accounts Direction.</p>	<p>Ongoing as per requirement of ATH.</p>
<p>4. The Trust requests approval from ESFA, in advance, for any actions under the revoked freedoms in paragraph 6.18 of the ATH 2023. These requests should be sent using the ESFA enquiry form. Retrospective approval will be deemed as a breach of the ATH.</p>	<p>The Trust must submit a request for approval for any actions relating to the delegated freedom revoked under the terms of the Ntl.</p>	<p>Until the Ntl is lifted.</p>
<p>5. All Related Party Transactions must be pre-approved by the ESFA/DfE.</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 Ntl.</p>
<p>6. The Trust ensures all debtors in relation to lettings and leases held on their buildings are pursued.</p> <p>The Trust takes reasonable steps to ensure payments due for rent and cost of amenities are received on a consistent and regular basis.</p> <p>The Trust ensures that the cost of amenities are reviewed at least every two years and are set at an appropriate rate in line with costs.</p>	<p>Minutes of finance or board committee meeting evidencing the review of amenities costs for the use of Khalsa Primary School and agreement made re calculation of costs and schedule of payment for outstanding rent and amenities costs.</p> <p>Bank statements evidencing receipt of outstanding amounts owed for amenities and rent per agreed dates.</p>	<p>Within 8 weeks</p> <p>Within 8 weeks for any outstanding amounts and then on an ongoing basis</p>

7. The trust must provide the ESFA/DfE with its latest internal audit findings for 2023/24 and any actions taken by 15 December 2024.	Internal audit findings and narrative/ table of actions taken by 15 December 2024.	By 15 December 2024
8. Trust to consider strengthening governance by appointing further independent trustees to the board, which are to be agreed in advance with the DfE – by 15 December 2024. If the number of trustees changes, the Articles of Association to be updated the newest model to reflect the changes in numbers.	Provide DfE with evidence of board minutes at which this condition was discussed and considered by 15 December 2024. Minutes should record the outcomes of the discussion and the rationale for the decisions. If required, Trust to clears the new Articles of Association with the DfE and uploads them on the website by 31 January 2025.	By 15 December 2024 By 31 January 2025 (if required)
9. The trust must work with the ESFA to appoint a DfE recommended advisor/advisors to support them with the delivery of a long-term strategy towards better financial health and school outcomes.	The trust must appoint the individual/s recommended by the ESFA to support the Trust with the delivery of their recovery plan; and a long-term strategy for growth.	Confirmation of the advisor/s must be made within 3 months of receiving the notice to improve. The overall timing of this support will be dictated by the amount of progress that SAT make on their recovery plan itself.