
Academies Financial Handbook

Introduction

The Academies Financial Handbook (AFH 2018) is produced annually by the Education and Skills Funding Agency (ESFA). All academy trusts are required by their funding agreements (see page 145) to have regard to the guidance in the document.

The title is slightly misleading as although its major function is to set out financial requirements, it also covers governance and staffing.

Checklist

- ▶ All senior executive leaders and trustees should read the document annually.
- ▶ Check that the requirements within the AFH 2018 relating to governance/trustee responsibilities have been met.
- ▶ The AFH 2018 recommends that there is separation between those who are members of the trust and those who are also trustees/directors – check whether there is any overlap.
- ▶ Ensure that all trustees and any non-trustees sitting on trustee board committees which relate to finance are aware of the requirements in the AFH 2018.
- ▶ The trustee board must establish an audit committee.
- ▶ If the trust's income is more than £50 million the audit committee must be separate to any finance committee.
- ▶ The trustee board should establish a finance committee.
- ▶ Check who sits on the finance and audit committees to see whether the composition meets the requirement of the AFH 2018.
- ▶ Check that the trustee board has met the requirements of the AFH 2018 in relation to the appointment of a senior executive leader.
- ▶ Check that the trustee board has a written scheme of delegation of financial powers.

- ▶ Check that the ESFA's Accounting Officer's annual letter to accounting officers has been shared with trustees.

Notes

- ▶ All funding agreements require academy trusts to conduct their business within the terms and requirements of the AFH. It is consequently the 'quickest' way for the DfE/ESFA to 'direct' academy trusts to act in a certain way. This is why the document has come to include more on governance as it is the only means of directing change, short of enacting legislation.

Academies general

Introduction

Academies are state-funded independent schools in England. The responsibility for the schools is vested in an academy trust; this can be a single academy trust (SAT) responsible for one school or multi-academy trust (MAT) responsible for more than one school. In both cases the trust is a charitable company limited by guarantee. Academy trusts are exempt charities and their principle regulator is the Department for Education (DfE).

Schools within a MAT have no separate legal entities; the trustee board is the responsible and accountable authority.

The legislation under which Academies were originally created was the Learning and Skills Act 2000, which the Academies Act 2010 then built on to open academy status to many more schools.

Checklist

The various forms of academies are:

- ▶ Academy – this is a mainstream primary or secondary phase school which converted from a maintained school.
- ▶ Alternative Provision Academy – this is an academy for children and young people who have been excluded from other schools, usually but not exclusively mainstream schools.
- ▶ Free School – this is an academy which is new to the state-funded sector. It could be in response to the need for additional school places in a local authority area, or in response to an application by a group seeking to extend choice in an area or it could be an independent fee-paying school transferring into the state sector. Studio Schools and University Technical Colleges (UTCs) are specific types of free schools.
- ▶ Special Academy – these are academies specifically for children and young people with special educational needs and disabilities. They will usually 'specialise' so that they cater for children with similar forms of SEND (e.g. autism).

- ▶ Studio School – these are small schools (usually with around 300 pupils) teaching mainstream qualifications through project-based learning. This means working in realistic situations as well as learning academic subjects. Students work with local employers and a personal coach, and follow a curriculum designed to give them the skills and qualifications they need in work, or to take up further education.
- ▶ UTCs specialise in subjects such as engineering and construction – and teach these subjects along with business skills and using IT. Pupils study academic subjects as well as practical subjects leading to technical qualifications. The curriculum is designed by the university and employers, who also provide work experience for students. They are sponsored (i.e. established) by universities, employers or further education colleges.
- ▶ Students are admitted at age 13/14 to both Studio schools and UTCs and this had made it challenging for them to thrive, as in most cases students start secondary school at age 11 and there is a reluctance to change school again at 14. Several of both have closed as a result of lack of numbers.

Procedure

- ▶ There are set procedures to be followed to apply for academy status or open a new school.
- ▶ For an academy to be established an academy order must be granted by the Secretary of State for Education. This can be done in a variety of ways:
 - ▷ the governing body of a maintained school may apply to convert to academy status;
 - ▷ a school which is deemed to be inadequate by Ofsted following an inspection will automatically be the subject of an academy order; and
 - ▷ sponsors/an existing academy trust can apply to open a new school.

Notes

- ▶ Although legally still possible, in reality the DfE is highly reluctant to accept applications from single schools to convert to academy status. All schools wishing to convert are encouraged strongly to do so with a group of schools and form a MAT or seek to join an existing MAT.

More Information

- ▶ *Academy Governance Handbook*, Chapter 1.

Academy committee – decision-making powers/ terms of reference

Introduction

ACs exist at individual academy level in MATs. They are committees of the trustee board and have no powers in their own right.

A MAT's trustee board is the legally accountable body for all decisions taken in the trust. This does not mean that the trustee board needs to take all decisions; many can and should be delegated, to the chief executive, other staff, trustee committees and ACs. Some trusts delegate monitoring and scrutinising functions to the ACs, but no specific decision-making powers.

Checklist

- ▶ The trustee board must determine what functions will be delegated to ACs.
- ▶ Delegated decision-making powers must be recorded in the SoD.

Procedures

- ▶ The trustee board must decide annually on the composition and terms of reference for ACs. This must be done at a properly constituted and quorate trustee meeting. Decisions must be recorded in writing in the SoD.
- ▶ The trustee board must set down the procedures under which ACs will operate and which, if any, decisions they are entitled to make.

Notes

- ▶ What is delegated to AC level is very much a matter for the trustee board and will vary depending on the culture of the board, the geographical spread of the MAT, the number of schools and the number of pupils. In general, the larger the MAT the more likely it is to need to delegate some functions to ACs or cluster committees.

More information

- ▶ *Academy Governance Handbook*, Chapter 6.

Academy committee – general

Introduction

Academy committees (ACs) exist at school level in MATs. In articles of association they are usually, although not exclusively, referred to as local governing bodies (LGBs) but many MATs have also renamed them advisory or academy councils (AdCos) (AcDCs).

The articles of association for MATs will certainly provide for ACs to exist. Usually it is for the MAT trustee board to decide whether each academy school needs its own AC, whether there should be one AC over several schools, or whether there should be any ACs at all.

Checklist

- ▶ Check your articles of association to see what they say about the establishment of ACs.
- ▶ Ensure your scheme of delegation (SoD) for governance functions is clear about what decision-making powers, if any, are delegated to ACs.
- ▶ Ensure that there is no duplication between the functions being carried out by the trustee board and ACs.

Notes

- ▶ In larger MATs it is simply not possible for the trustee board to monitor and scrutinise academy level detail in the same way as the trustee board in a SAT or a small MAT can. But this monitoring of school level details still needs to be carried out. This is the function of ACs. There are a range of functions they can fulfil. These are:
 - ▷ gaining an understanding of how the school is led and managed;
 - ▷ monitoring the implementation of trust policies and whether the school is meeting agreed targets;
 - ▷ establishing whether school finances are managed well;
 - ▷ engaging with local stakeholders;
 - ▷ being a point of consultation and representation; and
 - ▷ reporting to the board.

- ▶ Not all ACs will have all these functions and it is important to note that whatever they are called these bodies are committees of the trustee board and have no powers beyond those granted to them by the trustee board (see also scheme of delegation). The trustee board has the power to remove these delegated functions at any time.
- ▶ In small MATs it is possible to govern without ACs.
- ▶ It is vital that the division of responsibilities between the trustee board, the executive and ACs is clear and set out explicitly in the SoD. Lack of clarity in the SoD has been a common problem across many MATs and leads to confusion, misunderstanding and sometimes mistrust.
- ▶ It is important to establish good levels of communication between the trustee board and any ACs, which allow for both upwards and downwards communication.