

# Foreword

This publication provides a practical source of guidance and advice for:

- academy principals/headteachers
- finance directors (or other senior staff with responsibility for finance matters, including bursars and business managers)
- chairs of governors, and chairs and members of finance and audit committees.

It will also be valuable to other governing body members and interested parties, such as local authority officers, academy auditors, charities and businesses involved with or considering involvement with academies. It sets out the national and legislative context in which academies operate and describes roles and responsibilities.

Academy governing bodies have ultimate responsibility for the finances of an academy, but delegate specific powers and processes to committees and to the principal/headteacher and finance director, who remain accountable to the governing body. Planning and monitoring of an academy's financial position and its financial systems is normally undertaken by a finance committee (sometimes called a finance and general purposes or a finance and property committee). Effective governance and financial management depends on good quality, timely and relevant information forming the basis for decision making, scrutiny and action planning. The role of the finance committee is vital in ensuring that the governing body has adequate information to enable it to discharge its financial responsibilities and that the academy remains financially viable at all times.

The Young People's Learning Agency (YPLA) website describes academies as: *'charitable companies...also classified by the Office for National Statistics as central government public sector bodies... [and] ...therefore subject to public standards of accountability'*. This classification of academies as central government public sector bodies dates from 2005 and has been reinforced by parliamentary interest at the Public Accounts Committee (PAC) hearing in October 2010. Parliament clearly sees everything academies spend as public money, with all of the expectations this confers. A balance has to be struck between academies' autonomy and freedom to manage their finances in the interests of their students and the requirement to demonstrate how public money is used.

Chair of the PAC, Margaret Hodge, MP, said *'Having two distinct strands to the programme – the sponsored academies aiming to raise educational standards in deprived areas, and the new converter academies created from schools already performing well academically – increases the department's challenge of ensuring sound management and accountability'*.

The most likely route for assurance will be through the reports of academies' own auditors and their own internal review functions, reporting to the academy governing body. One manifestation of the classification of academies is that they have been included in Whole of Government Accounts (WGA) and are additionally reporting to the Government's 31 March 2011 year-end to meet the WGA requirement. Academies are required to appoint an accounting officer (generally the principal) who will have personal responsibility for regularity

(spending money for the purposes intended by Parliament), propriety (handling money honestly and avoiding conflicts of interest) and value for money.

The Secretary of State for Education sets out the financial requirements and guidance for academies, through the Department for Education (DfE) and the funding and regulatory agency for academies (currently the YPLA. The YPLA is to be succeeded by the Education Funding Agency from 2012).

The funding agreement between the Secretary of State and academy trusts refers to the need for academies to comply with the requirements of the *Academies Financial Handbook* (AFH). The AFH provides advice on the financial systems and controls that academies should have in place to meet expected standards of accountability. The requirements of the funding and regulatory agency will include annual financial statements, self-assessment of financial health, evidenced by a financial plan, and a self-assessment of financial management and governance. These are extensions of what school business managers and bursars in local authority maintained schools should be doing already.

There is a growing recognition among academies that schools that have recently converted, or are considering converting, would benefit from a clear and detailed understanding of the expectations on an academy's financial managers, which may go well beyond the core requirements of the funding and regulatory agency.

This publication will complement the AFH to become a companion and friend for those responsible for the governance of academies and the management of academy finances. Drawing on the overall financial requirements specified in academy funding agreements, the AFH and CIPFA's own guides to other bodies in the education sector, this publication provides an understanding of the context for governance of academies and guidance on a wide range of financial management, funding and accounting issues.

This publication seeks to help academies satisfy the monitoring needs of the funding and regulatory agency, and to meet Companies Act and Charity Commissioner requirements, without imposing unnecessary administrative burdens on governing bodies or senior staff. The overall aim is to ensure that there is, and there is seen to be, effective use of public funds, and that the mechanisms are in place to ensure accountability for their use.