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Governance for academy trusts: Q&A

"I'm a new Trustee, getting my mind around the very extensive set of policies that the Trust have set, for implementation in each of our schools (with varying degrees of freedom for local tailoring). They all look fine and thorough, my concern is really over implementation and monitoring. Any tips on how the Board should get assurance that all these policies are actually being implemented in practice, are having the desired impact, and are not creating unplanned impacts or compliance costs?"

The process of formulating the policies should have provided some information around how well-versed management were in the policy areas and the likely risks.

It would be helpful to obtain feedback from management on the implementation of the policies – particularly any significant new elements.

In addition, it would be helpful to understand management's approach to monitoring these policies – for example, the central office often checks that policies are implemented across the schools.

Trustees may feel that they require independent verification that key elements of the policies are implemented and internal scrutiny can be utilised for this purpose.

Trustees may also consider what ongoing reporting they require from management to confirm that policies are being complied with (e.g. updates on safeguarding compliance, list of tenders over £x etc.).

In terms of balancing compliance and cost – most of the key areas are fairly tried and tested in the sector, but the ongoing feedback from management can help identify if there are any issues.

"Who is responsible for knowing about and dealing with a whistleblowing complaint?"

Section 6.17 of the Governance Handbook covers this point with links to further information.

"Should the CFO have an accountancy qualification?"

Section 1.37 of the Academies Financial Handbook covers this point.

"When you see a lot of financial figures how can you figure out things are going right or wrong?"

It is important to focus on certain key figures in the management accounts and forecasts.

The free reserves of the trust as a whole, and individual schools, are an important figure as they represent the residual buffer the schools have available to meet deficits. If this is a relatively low fraction of expenditure (3

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months is often used as a very broad, standard benchmark), this might indicate problems. Equally, if projected deficits are a significant fraction of free reserves, the Trust is also more likely to run into financial difficulty.

The surplus or deficit (again, at both trust and school levels) is an equally important figure – recurrent annual deficits are, of course, concerning. However, this figure should also be considered in the context of the free reserves – small deficits are less problematic with a higher reserves buffer to absorb them.

The staffing figure is the key line of revenue expenditure, as it is generally schools' largest cost – you should look to investigate or challenging any significant increases or variances in this line.

Equally, very significant or unusual decreases in income lines or jumps in expenditure totals might give cause for concern and should be checked to make sure that they don't represent an underlying issue.

"Guidance on the role of NEDs is available from (e.g.) the Institute of Directors and the Chartered Institute of Personnel and Development. Should Trustees follow this guidance in addition to that covered today?"

All of this guidance can be helpful, but must be viewed in the academy trust context. Academy Trusts usually have very few executive directors and therefore there is no shortage of independent input to challenge the executives.

"What does good practice say about the performance management of the CFO? Should it be done by both the CEO and the Chair / vice chair?"

The CEO is the line manager of the CFO and therefore it is natural for the CEO to be involved.

Given the role of the CFO at a governance level, it is important that there is trustee input into this. This could be through being formally part of the review meetings or just providing input into the overall process.

We are not aware of any specific ESFA guidance on this point.

"Where in the AFH does it say the full board should see management accounts every two months?"

Section 2.19 of the AFH 2020 notes that "Management accounts **must** be shared with the chair of trustees every month irrespective of the trust's size, **and with the other trustees six times a year**, even if they do not meet in each of those months. The board **must** consider these when it does meet, and minute it."

"Can 2 Members remove 3 Members in one resolution or should removal of members be done with individual resolutions?"

Any procedure to remove a member of a company limited by guarantee will be contained within that company's articles of association. These should be checked carefully before taking any action since the articles may not contain an express provision to remove a member (this is the case for the model articles of association for companies limited by guarantee). Our company secretarial team would be more than happy to review your articles of association and advise on the correct procedure. Please contact us if this would be of use and we can put you in contact with a member of our experienced team.

Please note, this information has been prepared to give you a general indication of the type of help we can provide, but it is not intended to be a comprehensive statement of law or current practice. Professional advice, subject to an agreed engagement letter, should be taken in light of your specific circumstances before any action is taken or refrained from. No liability is accepted by Buzzacott LLP for the opinions this information contains, or for any errors or omissions.