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Education & Skills
Funding Agency

Guidance

Financial support for academy trusts in financial difficulty

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Academy trusts are responsible for managing their own finances and should have the leadership and management capability to resolve any issues themselves. In exceptional circumstances, a trust may require financial support to protect its pupils' interests and education. If your academy trust has financial concerns, you must make sure that trustees are willing to consider and explore all possible options before deciding to request financial support from ESFA. There are tools to help you do this as part of the [schools resource management](#) and [governance](#) GOV.UK pages.

ESFA, working closely with the [regional schools commissioner](#), will support and challenge you throughout this process to find the best outcome for your academy trust. We expect trusts to have explored these materials fully to understand their options and describe what actions they are already taking. We continue to make decisions on a case by case basis, and will only approve financial support in the most serious circumstances, taking into account the financial, educational and governance aspects of the trust. If approved, financial support will be repayable to ESFA within an agreed timeframe – we will only agree non-repayable funding where there is no other means to protect pupils' interests.

We expect trustees to take their financial management and governance responsibilities seriously. There are consequences if an academy trust is found to

be poorly managed. These are set out in the [schools causing concerns guidance](#) and the [Academies Financial Handbook](#).

1. Short-term advance

Strategic aim	Eligibility criteria once all non-funded options explored	Proposed value	Potential conditions of funding
To enable an academy trust to manage cashflow effectively over a 12-month period	<p>Academy trusts:</p> <ul style="list-style-type: none"> • must have an ESFA-agreed repayment plan showing full recovery within a 12-month period • should have strong compliance and financial management for this short-term arrangement, meeting the requirements of the Academies Financial Handbook <p>If there are concerns or evidence of non-compliance, ESFA will consider a financial notice to improve (FNtl).</p>	Up to a maximum of £200,000	<p>ESFA may:</p> <ul style="list-style-type: none"> • require the academy trust to undertake integrated curriculum financial planning analysis • deploy a school resource management adviser (SRMA) • require the academy trust to implement reasonable recommendations from an SRMA and explore DfE frameworks for schools • require the academy trust to reduce excessive salaries and/or consider re-structuring of staffing • require the academy trust to implement new policies on leadership pay that demonstrate value for money and trustee scrutiny • observe meetings of the board of trustees • require the academy trust to review board and executive team capability, and consider leadership change to build ESFA confidence • mandate additional board members to address any skills gaps within trustees • request latest internal audit findings and actions taken in response to the results • require the trust to hold board and finance committee meetings at least 6 times a year, and provide agreed management accounts to us after each meeting

- require the trust to hold an Annual General Meeting (AGM) of members

2. Enabling financial recovery

Strategic aim	Eligibility criteria once all non-funded options explored	Proposed value	Potential conditions of funding
To secure a return to financial stability for a trust in cumulative deficit within an agreed timeframe	<p>Academy trusts:</p> <ul style="list-style-type: none"> • must have an ESFA-agreed repayment plan showing full recovery as soon as is realistic, ideally within 3 years • should have met the requirements of the Academies Financial Handbook on compliance and financial management <p>If there are concerns or evidence of non-compliance, ESFA will consider a financial notice to improve (FNtl).</p>	Up to a maximum of £200,000	<p>ESFA may:</p> <ul style="list-style-type: none"> • require the academy trust to undertake integrated curriculum financial planning analysis • deploy a school resource management adviser (SRMA) • require the academy trust to implement reasonable recommendations from an SRMA and explore DFE frameworks for schools • require the academy trust to reduce excessive salaries and/or consider re-structuring of staffing • require the academy trust to implement new policies on leadership pay that demonstrate value for money and trustee scrutiny • undertake a review of governance arrangements • observe meetings of the board of trustees • require the academy trust to review board and executive team capability, and consider leadership change to build ESFA confidence • mandate additional board members to address any skills gaps within trustees • undertake a review of financial management arrangements • request the latest internal audit findings and actions taken in

response to the results

- require the trust to hold board and finance committee meetings at least 6 times a year, and provide agreed management accounts to us after each meeting

- require the trust to hold an Annual General Meeting (AGM) of members

**From
£200,000
up to
£1million**

In addition to the above conditions, ESFA may:

- require enhanced financial monitoring with agreed regular submission of additional financial information

- require the academy trust to consider moving to the latest model funding agreement

- require the academy trust to consider joining another academy trust

- apply a Qualifying Floating Charge¹

**Over
£1million**

ESFA may apply any/all of the above conditions.

3. Building capacity

Strategic aim	Eligibility criteria once all non-funded options explored	Proposed value	Potential conditions of funding
To prevent financial failure at a trust with a projected cumulative deficit that could be not achieved through unfunded options	<p>Academy trusts:</p> <ul style="list-style-type: none">• must not be eligible for funding from their local authority (LA) falling rolls fund• must have an ESFA-agreed repayment plan showing full recovery, ideally within 3 years• must have reliable pupil forecasts (including LA opinion) demonstrating return to sustainable pupil numbers	<p>Up to a maximum of £200,000</p>	<p>ESFA may:</p> <ul style="list-style-type: none">require the academy trust to undertake integrated curriculum financial planning analysis• deploy a school resource management adviser (SRMA)• require the academy trust to implement reasonable recommendations from an SRMA and explore DfE frameworks for schools• require the academy trust to reduce excessive salaries and/or

• **should** have met the requirements of the Academies Financial Handbook on compliance and financial management

If there are concerns or evidence of non-compliance, ESFA will consider a financial notice to improve (FNtl).

consider re-structuring of staffing

- require the academy trust to implement new policies on leadership pay that demonstrate value for money and trustee scrutiny

- require the academy trust to undertake a review of governance arrangements

- observe meetings of the board of trustees

- require the academy trust to review board and executive team capability, and consider leadership change to build ESFA confidence

- mandate additional board members to address any skills gaps within trustees

- require the academy trust to undertake a review of financial management arrangements

- request the latest internal audit findings and actions taken in response to the results

- require the trust to hold board and finance committee meetings at least 6 times a year, and provide agreed management accounts to us after each meeting

- require the trust to hold an Annual General Meeting (AGM) of members

From £200,000 up to £1million

In addition to the above conditions, ESFA may:

- require the academy trust to consider moving to the latest model funding agreement

- require enhanced financial monitoring with agreed regular submission of additional financial information

Over £1million

ESFA may apply any/all of the above conditions and will consider issuing an FNtl.

4. Facilitating transfer – financially triggered

Strategic aim	Eligibility criteria once all non-funded options explored	Proposed value	Potential conditions of funding	
To secure the rapid transfer of academies out of a closing trust, into one that will stabilise the school and protect pupils' interests	<p>Eligibility for this funding is dependent on:</p> <ul style="list-style-type: none"> the regional schools commissioner (RSC) identifying an appropriate academy trust/sponsor for the best interests of pupils, parents and local community standard transfer funding alone not being sufficient to stabilise the transferring academy financially the incoming trust agreeing to a repayment plan for recoverable elements of the funding (within 3 years if possible) the outgoing trust committing to providing full financial reporting to meet assurance requirements through the trust's closure process <p>If there are concerns or evidence of non-compliance at the outgoing trust, ESFA will consider a financial notice to improve (FNtI) to that trust.</p> <p>ESFA may consider other measures to ensure wind up of the closing trust is completed properly.</p>	<p>Up to a maximum of £200,000</p>	<p>ESFA may:</p> <ul style="list-style-type: none"> require the academy trusts to reduce excessive salaries and/or consider re-structuring of staffing require the academy trusts to implement new policies on leadership pay that demonstrate value for money and trustee scrutiny request the latest internal audit findings and actions taken in response to the results require the incoming academy trust to consider moving to the latest model funding agreement require enhanced financial monitoring of the outgoing academy trust with agreed regular submission of additional financial information require the trust to hold an Annual General Meeting (AGM) of members 	
			<p>From £200,000 up to £1million</p>	<p>In addition to the above conditions, ESFA may:</p> <ul style="list-style-type: none"> apply a Qualifying Floating Charge¹ if financial support is required by the outgoing trust
			<p>Over £1million</p>	<ul style="list-style-type: none"> ESFA may apply any/all of the above conditions and will consider issuing an FNtI

5. Facilitating transfer – educationally triggered

Strategic aim	Eligibility criteria once all non-funded options explored	Proposed value	Potential conditions of funding
To protect the financial stability of the incoming trust, enabling prioritisation of school improvement	<p>Eligibility for this funding is dependent on:</p> <ul style="list-style-type: none"> • the regional schools commissioner (RSC) identifying an appropriate academy trust/sponsor for the best interests of pupils, parents and local community • standard transfer funding alone not being sufficient to stabilise the transferring academy financially • the outgoing academy trust agreeing repayment if remaining operating • the incoming academy trust agreeing to a repayment plan for recoverable elements of the funding (within 3 years if possible) if outgoing academy trust is closing • other non-funded options not enabling the financial stability required to deliver school improvement 	Up to a maximum of £200,000	<p>ESFA may:</p> <ul style="list-style-type: none"> require the incoming academy trust to undertake integrated curriculum financial planning analysis • deploy a school resource management adviser (SRMA) • require the academy trust to implement reasonable recommendations from an SRMA and explore DfE frameworks for schools • require the academy trusts to reduce excessive salaries and/or consider re-structuring of staffing) • require the academy trusts to implement new policies on leadership pay that demonstrate value for money and trustee scrutiny/challenge • require both academy trusts to consider moving to the latest model funding agreement • require enhanced financial monitoring of the outgoing trust with agreed regular submission of additional financial information • request the latest internal audit findings from the outgoing trust and actions taken in response to the results • require the trust to hold an Annual General Meeting (AGM) of members
		<p>From £200,000</p>	<p>ESFA may apply any/all of the above conditions.</p>

up to
£1million

Over £1million ESFA may apply any/all of the above conditions.

1. In general terms, a Qualifying Floating Charge (QFC) is a device to enable ESFA to secure the repayment of funding we advance to an academy trust. The department is the “Lender” or ‘Charge Holder’, and the academy trust is the “Chargor”. Failure to meet the covenant of the charge (eg failure to adhere to an agreed repayment schedule) could lead to the trust becoming insolvent if ESFA takes enforcement action. In this situation, the QFC would allow ESFA to:

- appoint an administrator (of the department’s choosing) to help achieve academy transfer outcomes
- ensure the funding could be recovered
- potentially disqualify an unfit director

ESFA must secure the agreement of the academy trust before applying the QFC. The removal of the QFC occurs if the academy trust complies and repays the funding in accordance within the terms of the charge. [↔](#) [↔2](#)

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