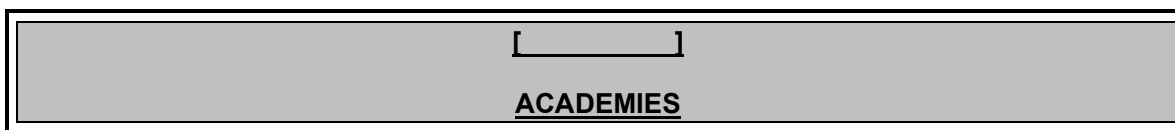


Catholic Multi Academy Model  
(for Mainstream and Special Academies)



**MASTER FUNDING AGREEMENT**

**For a Multi Catholic Academy**



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## **SCHEDULE 1**

Model Supplemental Funding Agreement for a Catholic Multi Academy

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## INTRODUCTION

- 1) This Agreement is made under Section 1 of the Academies Act 2010, between the Secretary of State for Education (“the Secretary of State”) and [ ] (the “Company”).
- 2) The Company is a company incorporated in England and Wales, limited by guarantee with registered Company number [xxxxxxxx].
- 3) The Company intends to establish and maintain, and to carry on or provide for the carrying on of a number of Academies in accordance with this Agreement and the Supplemental Agreements.
- 4) This Agreement and the Supplemental Agreements will apply in respect of an Academy from such time as a Supplemental Agreement relating to that Academy shall have been entered into between the Secretary of State and the Company.
- 5) The following expressions used in this Agreement have the respective meanings assigned to them by the numbered clauses of this Agreement referred to immediately after the reference to the expressions -
  - a) “Academies Financial Handbook” - clause 67;
  - b) "Academy Committee" – clause 15;
  - c) “Accounting Officer” – clause 62;
  - d) "Annual Letter of Funding" - clause 60;
  - e) "Capital Expenditure" - clause 37;
  - f) “Capital Grant” – clause 37;
  - g) "EAG" - clause 36;
  - h) "GAG" – clause 36;
  - i) “Recurrent Expenditure” – clause 36;
  - j) "specified work" – clause 19;
  - k) “Start-up Period” – clause 50;

l) "transferred staff member" – clause 20:

6) In this Agreement the following words and expressions shall have the following meanings:-

"Academy Financial Year" means the year from 1<sup>st</sup> September to 31<sup>st</sup> August or such other period as the Secretary of State may from time to time specify by notice in writing to the Company;

"Additional Directors" means Directors who may be appointed by the Secretary of State under the Articles of Association;

"Academy" means a Mainstream Academy or a Special Academy in respect of which a Supplemental Agreement has been entered into between the Secretary of State and the Company and the expression "Academies" shall refer to all or any of such Academies;

"admission requirements" – are annexed to the relevant Supplemental Agreement;

"this Agreement" means this agreement and its annexes and a reference in this Agreement to a numbered clause or annex is a reference to the clause or annex of this Agreement bearing that number or letter as the same may be amended or supplemented from time to time;

"Business Day" means any day other than a Saturday, Sunday, Christmas Day, Good Friday or a day which is a bank holiday with the meaning given to that expression in the Banking and Financial Dealings Act 1971;

"Catholic" means in full communion with the See of Rome;

"Control" in relation to a body corporate ('Entity') means either the legal or beneficial ownership of 30 per cent or more of the issued shares in the Entity ordinarily having voting rights or the power of a person ('A') otherwise to secure –

(a) either by means of the holding of shares in that Entity or having an interest conferring voting rights at general meetings of the membership of the Entity or of any other body corporate;

(b) by virtue or any powers conferred by the articles of association or other document regulating that Entity or any other Entity or partnership including, without limitation, the power to appoint or remove a majority of the governing body thereof, or

(c) by virtue of any agreement, understanding or arrangement between any person or persons,

that the affairs of the first-mentioned Entity are conducted in accordance with the wishes of A and 'Controls' shall be construed accordingly;

"DfE" means Department for Education;

"Diocesan Bishop" means the Bishop of the Diocese and includes any person, agency or office exercising ordinary jurisdiction in his name;

"Diocese" means the Catholic diocese in which the relevant Academy is situated;

"Further Directors" means Directors who may be appointed by the Secretary of State under the Articles of Association if a Special Measures Termination Event, as defined in the relevant Supplemental Agreement, occurs;

"Land" means all and any part of the land (including for the avoidance of doubt all buildings, structures, landscaping and other erections) leased or which is leased in the future to the Company by an LA for use by the Academies established by and under the control of the Company;

"LA" means the Local Authority in the area in which the relevant Academy is situated;

"Mainstream Academy" means an Academy having the characteristics referred to in clause 12;

"Memorandum" and "Articles" means the Memorandum and Articles of Association of the Company for the time being in force, a copy of the current version of which is annexed to this Agreement as Annex A;

"parents" means parents or guardians;

"persons" includes a body of persons, corporate or incorporate;

"Premises" means all and any part of the land (including for the avoidance of doubt all buildings, structures, landscaping and other erections) leased or which is leased in the future to the Company by the Trustees for use by the Academies established by and under the control of the Company;

"Principal" means the head teacher of an Academy;

“Principal Regulator” means the body or person appointed as the Principal Regulator under the Charities Act 2006;

"Property means the Land and the Premises;

references to “school” shall where the context so admits be references to a Academy;

“SEN” means special educational needs, and the expressions “special educational needs” and “special educational provision” have the meaning set out in section 312 of the Education Act 1996;

“Special Academy” means an Academy specially organised to make special educational provision for pupils with SEN;

“Supplemental Agreement” means an agreement supplemental to this Agreement, substantially in the form set out in Schedule 1 to this Agreement to be entered into by the Secretary of State and the Company pursuant to which the Company agrees to establish and maintain, and to carry on or provide for the carrying on, and the Secretary of State agrees to fund, an Academy in accordance with the terms and conditions of that Supplemental Agreement and this Agreement;

"Trustees" means the [Birmingham Roman Catholic Diocesan Trustees Registered being the body corporate under Part VII of the Charities Act 1993 for the Trustees of the Birmingham Diocesan Trust registered charity number 234216 of Cathedral House, St Chad's, Queensway, Birmingham B4 6EX]; <sup>1</sup>

- 7) The Interpretation Act 1978 shall apply for the interpretation of this Agreement and any Supplemental Agreement as it applies for the interpretation of an Act of Parliament.
- 8) Expressions defined in this Agreement shall have the same meaning where used in any Annex to this Agreement or Supplemental Agreement.
- 9) Questions arising on the interpretation of the arrangements in this Agreement shall be resolved by the Secretary of State after consultation with the Company
- 10) Section 1 (3) of the Academies Act 2010 states that -

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<sup>1</sup> [Drafting Note: Insert details of the relevant Diocesan Body holding the freehold of the Premises]



(3) An Academy agreement is an agreement between the Secretary of State and the other party under which-

(a) the other party gives the undertakings in subsection (5), and

(b) the Secretary of State agrees to make payments to the other party in consideration of those undertakings."

## **LEGAL AGREEMENT**

11) In consideration of the Company undertaking to establish and maintain, and to carry on or provide for the carrying on of, of a number of independent schools in England specially organised to make special educational provision for pupils with SEN ("**the Special Academies**") or having the characteristics referred to in clause 12 ("**the Mainstream Academies**"), the Secretary of State agrees to make payments to the Company in accordance with the conditions and requirements set out in this Agreement and Supplemental Agreements. If it is agreed between the Secretary of State and the Company that the Company will establish and maintain, and to carry on or provide for the carrying on of an Academy, the parties will enter into a Supplemental Agreement in relation to that Academy. For the avoidance of doubt, any obligations imposed upon or powers given to an Academy by this Agreement or any Supplemental Agreement are also imposed upon the Company.

## **CHARACTERISTICS OF A MAINSTREAM ACADEMY**

12) The characteristics of a **Mainstream Academy** are as set down in Section 1A(1) of the Academies Act 2010:

a) it is an independent school

b) it has a curriculum satisfying the requirements of section 78 of the Education Act 2002 (balanced and broadly based curriculum),

c) it provides education for pupils of different abilities,<sup>2</sup>

d) it provides education for pupils who are wholly or mainly drawn from the area in which the school is situated, and

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<sup>2</sup> This clause will not apply to any Supplemental Funding Agreement entered into in relation to an Academy which is a "selective school" within the meaning of Section 6[4] of the Academies Act 2010

- e) it is not an alternative provision Academy.

## **THE SEN OBLIGATIONS**

### **12A) In respect of *Special Academies*:**

- a) The Company must comply with all of the obligations imposed upon the governing bodies of maintained special schools in Chapter 1 of Part 4 of the Education Act 1996 and in Regulations in force at the date of this agreement or made from time to time under any provision in that Chapter (as amended from time to time<sup>3</sup>).
- b) Notwithstanding any provision in this Agreement, the Secretary of State may (whether following a complaint made to him or otherwise) direct the Company to comply with an obligation imposed by this Agreement where the Company has failed to comply with any such obligation.
- c) The Company must ensure that each Academy's website includes details of the arrangements for the admission of disabled pupils; the steps taken to prevent disabled pupils from being treated less favourably than other pupils; the facilities provided to assist access to the Academy by disabled pupils; and the plan prepared by the Academy Trust under paragraph 3 of Schedule 10 to the Equality Act 2010. Disabled pupils in this paragraph mean pupils who are disabled for the purposes of the Equality Act 2010<sup>4</sup>.

## **CHARACTERISTICS OF A CATHOLIC MULTI ACADEMY**

12B) In addition to clause 11 and/or to clause 12A above where applicable, the parties acknowledge that an additional characteristic of this Company is that it is a Catholic Multi Academy and that each Academy is to be conducted as a Catholic school in furtherance of the object of the Company set out in the Articles of Association.

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<sup>3</sup> Currently these duties are in section 313 (Duty to have regard to the Special Educational Needs Code of Practice 2001); section 317(5), (6) and (6A) (Duties in relation to the publication of information relating to arrangements and facilities for disabled pupils at the school); and 324(5)(b) (Duty to admit the child where a school is named in the statement); and The Education (Special Educational Needs)(Information)(England) Regulations 1999 (S.I. 1999/2506). For the avoidance of doubt, the obligations in paragraph 12 of this agreement are in addition to any obligations imposed upon Academy proprietors directly in legislation or regulations.

<sup>4</sup> This obligation is in addition to the obligation to comply with the duties to publish information imposed upon the governing bodies of maintained special schools set out in The Education (Special Educational Needs) (Information) Regulations 1999 (as amended from time to time) which paragraph 12 has the effect of imposing.

## CONDITIONS OF GRANT

### General

13) Other conditions and requirements in respect of an Academy, unless specified otherwise in a Supplemental Agreement, are that:

a) the school will be at the heart of its community, promoting community cohesion and sharing facilities with other schools and the wider community;

b) there will be assessments of pupils' performance as they apply to maintained schools and the opportunity to study for relevant qualifications in accordance with clause 30 (d);

c) in respect of **Mainstream Academies**, the admissions policy and arrangements for the school will be in accordance with admissions law, the Diocesan Bishop's model admissions policy from time to time to the extent permitted by law, and the DfE Codes of Practice, as they apply to maintained schools;

d) teachers' levels of pay and conditions of service for all employees will be the responsibility of the Company;

e) there will be an emphasis on the needs of the individual pupils including pupils with SEN, both those with and without statements of SEN;

f) there will be no charge in respect of admission to the school and the school will only charge pupils where the law allows maintained schools to charge.

g) the Company shall as soon as reasonably practicable establish an appropriate mechanism for the receipt and management of donations and shall use reasonable endeavours to procure donations through that mechanism for the purpose of the objects specified in the Articles.

### Governance

14) Each Academy will be governed by the Company. The Company shall have regard to (but for the avoidance of doubt shall not be bound by) any guidance as to the governance of Academies that the Secretary of State may publish.

15) The Company shall establish, for each Academy, an Academy Committee under a legally binding Scheme of Delegation in the form attached to the Articles of Association. The role of the Academy Committee and the membership of it shall be set out in the Scheme of

Delegation but the Company will, as a minimum, ensure that:

- a) two parents of pupils at the Academy (to be elected by the parents of registered pupils at the Academy) shall be members of the Academy Committee;
- b) up to two employees at the Academy (to be elected by employees of the Academy) shall be members of the Academy Committee; and
- c) any advice of the Academy Committee is brought to the attention of the Directors of the Company.

### **Conduct**

16) Each Academy shall be conducted in accordance with:

- a) the Articles, which shall not be amended by the Company without the written consent of the Secretary of State, such consent not to be unreasonably withheld;
- b) all provisions by or under statute which confer rights or impose obligations on Academies including, without limitation, the independent schools standards prescribed under section 157 of the Education Act 2002 to the extent they apply to the Academy
- c) the terms of this Agreement and the relevant Supplemental Agreement.

### **Criminal Records Bureau Checks**

17) The Company shall comply with the requirements of the Education (Independent School Standards) (England) Regulations 2010 (or such regulations as may for some time being be applicable) in relation to carrying out enhanced criminal records checks, obtaining enhanced criminal records certificates and making any further checks, as required and appropriate for members of staff, supply staff, individual Directors and Academy Representatives.

### **Pupils**

18) Each **Mainstream Academy** will be an all ability inclusive<sup>5</sup> school whose requirements for:

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<sup>5</sup> If one of the Mainstream Academies is a "selective school" within the meaning of Section 6(4) of the Academies Act 2010 then the Supplemental Funding Agreement for that Academy will provide that that Academy is not required to be an all ability inclusive school.

- a) the admission of pupils to the Academy are set out in the relevant annex to the Supplemental Agreement;
- b) the admission to the Academy of and support for pupils with SEN and with disabilities (for pupils who have and who do not have statements of SEN) are set out in Annex B to this Agreement;
- c) pupil exclusions are set out in Annex C to this Agreement.

18AA) Each **Special Academy** will be a special school whose requirements for:

- a) the admission of pupils to the Academy are set out in the relevant annex to the Supplemental Agreement;
- b) pupil exclusions are set out in Annex C to this Agreement.

#### **Designated Teacher for Looked after Children**

18A) The Company will in respect of each Academy act in accordance with, and be bound by, all relevant statutory and regulatory provisions and have regard to any guidance and codes of practice issued pursuant to such provisions, as they apply at any time to a maintained school, relating to the designation of a person to manage the teaching and learning programme for children who are looked after by an LA and are registered pupils at the school. For the purpose of this clause, any reference to the governing body of a maintained school in such statutory and regulatory provisions, or in any guidance and code of practice issued pursuant to such provisions, shall be deemed to be references to the Directors of the Company.

#### **Teachers and other staff**

19) Subject to clause 20, the Company shall not employ anyone under a contract of employment or for services to carry out planning and preparing lessons and courses for pupils, delivering lessons to pupils, assessing the development, progress and attainment of pupils, and reporting on the development, progress and attainment of pupils (“specified work”) who is not either:-

- a) a qualified teacher within the meaning of regulations made under section 132 of the Education Act 2002; or

b) otherwise eligible to do specified work under the Education (Specified Work and Registration) (England) Regulations 2003 (SI 2003/1663), which for the purpose of this clause shall be construed as if the relevant Academy were a maintained school.

20) Clause 19 does not apply to anyone who:

- a) was transferred to the employment of the Company by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006; and
- b) immediately prior to the transfer, was employed to do specified work; and
- c) immediately prior to the transfer, was not:
  - i) a qualified teacher within the meaning of regulations made under section 132 of the Education Act 2002 and registered with full registration with the appropriate body, or
  - ii) eligible to do specified work under the Education (Specified Work and Registration) (England) Regulations 2003 (SI 2003/1663)

("transferred staff member"). The Company shall use its best endeavours to ensure that any transferred staff member who undertakes specified work and does not meet the requirements of either clause 19(a) or clause 19(b) meets such requirements as soon as possible.

21) The Company shall ensure that all teachers employed at each Academy have access to the Teachers Pension Scheme and, in so doing, will comply with the statutory provisions underlying the scheme.

22) The Company shall ensure that all employees at each Academy other than teachers have access to the Local Government Pension Scheme.

**Curriculum, curriculum development and delivery and RE and collective worship**

23) The curriculum provided by each Academy to pupils up to the age of 16 shall be broad and balanced.

23A) Not used.

23B) The Company shall publish information in relation to the current curriculum provision at each Academy. Such information shall include details relating to:

- a) the content of the curriculum;
- b) its approach to the curriculum;
- c) the GCSE options (and other Key Stage 4 qualifications) offered by each Academy;  
and
- d) how parents (including prospective parents) can obtain further information in relation to the curriculum at each Academy.

24) The Company shall ensure that the broad and balanced curriculum includes English, Mathematics and Science.

25) The Company shall make provision for the teaching of religious education and for a daily act of collective worship at each Academy.

26) Each **Mainstream Academy** is designated with a Catholic religious character in accordance with section 124B of the School Standards and Framework Act 1998 or further to section 6(8) of the Academies Act 2010 and in consequence:

- a) subject to clause 28, and paragraph 4 of Schedule 19 to the School Standards and Framework Act 1998 which shall apply as if the Academy were a voluntary aided school with a religious character, the Company shall ensure that provision is made for religious education to be given to all pupils at the Academies in accordance with the tenets of the Catholic religion ;
- b) subject to clause 28, the Company shall comply with the requirements of section 70(1) of, and Schedule 20 to, the School Standards and Framework Act 1998 as if each Academy were a foundation school with a religious character or a voluntary school, and as if references to 'the required collective worship' were references to collective worship in accordance with the tenets and practices of the Catholic religion;
- c) the Company shall ensure that the quality of religious education given to pupils at each Academy and the contents of each Academy's collective worship given in accordance with the tenets and practice of the Catholic religion are inspected. Such inspections shall be conducted by a person chosen by the Company in consultation with the Diocesan Bishop and each Academy shall secure that such inspection shall comply with the requirements set out in any statutory provision and regulations as if the Academy were a foundation or voluntary school which has been designated under section 69(3) of the School Standards and Framework Act 1998 as having a

Catholic religious character.

27) [Number not used]

28) Section 71(1) – (6) and (8) of the School Standards and Framework Act 1998 shall apply as if each Academy were a community, foundation or voluntary school, and as if references to “religious education” and to “religious worship” in that section were references to the religious education and religious worship provided by each Academy in accordance with clause 26.

28A) In respect of RE and collective worship at **Special Academies**:

- a) subject to c), the Company shall ensure that provision shall be made for religious education to be given to all pupils at each Academy in accordance with the requirements for agreed syllabuses in section 375(3) of the Education Act 1996 and paragraph 2(5) of Schedule 19 to the School Standards and Framework Act 1998;
- b) subject to c), the Company shall ensure that each Academy complies with the requirements of regulation 5A of the Education (Special Educational Needs) (England) (Consolidation) Regulations 2001 as if it were a maintained special school;
- c) Regulation 5A of the Education (Special Educational Needs) (England) (Consolidation) Regulations 2001 shall apply as if the Academy were a community or foundation special school, and as if references to “religious education” and to “religious worship” in that section were references to the religious education and religious worship provided by the Academy in accordance with this clause.

29) The Company shall have regard to any guidance issued by the Secretary of State further to section 403 of the Education Act 1996 on sex and relationship education to ensure that children at each Academy are protected from inappropriate teaching materials and they learn the nature of marriage and its importance for family life and for bringing up children. The Company shall also have regard to the requirements set out in section 405 of the Education Act 1996 which shall apply to each Academy as if it were a maintained school.

29A The Company agrees to act in accordance with Sections 406 (Political Indoctrination)



and 407 (Duty to secure balance treatment of political issues) of the Education Act 1996 as if it were a maintained school, subject to the following modifications:

- a) references to any maintained school shall be treated as references to each Academy;
- b) references to registered pupils shall be treated as references to registered pupils at each Academy;
- c) references to the governing body or the local authority shall, in each case, be treated as references to the Company; and
- d) references to the head teacher shall, in each case, be treated as references to the Principal of each Academy.

### **Assessment**

30) The Secretary of State will notify the appropriate body for assessment purposes about each Academy.

- a) The Company shall ensure that the Academy complies with any guidance issued by the Secretary of State from time to time to ensure that pupils take part in assessments and in teacher assessments of pupils' performance as they apply to maintained schools.
- b) The Company shall report to any body on assessments under clause 30 as the Secretary of State shall prescribe and shall provide such information as may be required by that body as applies to maintained schools.
- c) In respect of all Key Stages, the Company will submit each Academy to monitoring and moderation of its assessment arrangements as prescribed by the Secretary of State.
- d) The Company may not offer courses at any Academy which lead to relevant qualifications, as defined in section 96 of the Learning and Skills Act 2000, unless the Secretary of State gives specific approval for such courses.

### **Exclusions Agreement**

31) In respect of **Mainstream Academies**, the Company shall, if invited to do so by an LA, enter into an agreement in respect of an Academy with that LA, which has the effect that

where:

- a) the Company admits a pupil to that Academy who has been permanently excluded from a maintained school, that Academy itself or another Academy with whom the LA has a similar agreement; or
- b) the Company permanently excludes a pupil from that Academy

payment will flow between the Company and the LA in the same direction and for the same amount that it would, were that Academy a maintained school, under Regulations made under section 47 of the School Standards and Framework Act 1998 relating to the addition or deduction of a maintained school's budget following a permanent exclusion or the admission of a permanently excluded pupil. At the date of this Agreement, the applicable Regulation is Regulation 23 of the School Finance (England) Regulations 2011.

### **School Meals**

32) The Company shall, if requested to do so by or on behalf of any pupils at any Academy, provide school lunches for those pupils unless it would be unreasonable for it to do so. Subject to the provisions of clause 33 charges may be levied for lunches, but the Company shall otherwise fund the cost of such school lunches from its GAG.

33) In relation to a pupil who is himself or whose parents are in receipt of benefits mentioned in section 512ZB of the Education Act 1996 (or equivalent provision governing the entitlement to free school lunches of pupils at maintained schools), the Company shall ensure that a school lunch is provided for such a pupil free of charge to be funded out of the Company's GAG.

### **Charging**

34) Sections 402 (Obligation to enter pupils for public examinations), 450 - 457 (charges), 459 (regulations about information about charges and school hours) and 460 (voluntary contributions), 461 (recovery of sums as civil debt) - 462 (Interpretation re charges) of the Education Act 1996 (including, for the avoidance of doubt, any secondary legislation made further to those provisions) shall be deemed to apply to each Academy with the following modifications:

- a) references to any maintained school shall be treated as references to an Academy;

- b) references to registered pupils shall be treated as references to registered pupils at an Academy;
- c) references to the governing body or the local education authority shall, in each case, be treated as references to the Company;
- d) the charging and remissions policies required to be determined under section 457, and any amendment thereto, shall require the approval of the Secretary of State; and
- e) the Company may charge persons who are not registered pupils at an Academy for education provided or for facilities used by them at that Academy.

### **International Education Surveys**

34A The Secretary of State may, by notice in writing to the Company, require the Company to participate in an international education survey and the Company shall, upon receipt of such notice, participate in that survey and provide to the Secretary of State or to those carrying out the survey all such assistance and information as may reasonably be required for the purposes of the Academy's participation in that survey.

### **Pupil Premium**

34B The Company shall publish in each Academy Financial Year information in relation to:

- a) the amount of Pupil Premium allocation that it will receive during the Academy Financial Year;
- b) on what it intends to spend the Pupil Premium allocation;
- c) on what it spent its Pupil Premium in the previous Academy Financial Year;
- d) the impact in educational attainment, arising from expenditure of the previous Academy Financial Year's Pupil Premium.

## **GRANTS TO BE PAID BY THE SECRETARY OF STATE**

### **General**

35) The Secretary of State shall pay grants towards Capital and Recurrent Expenditure for each Academy. Except with the Secretary of State's prior agreement, the Company shall not budget for its expenditure in any Academy Financial Year in excess of expected income. The Company shall not enter into commitments which are likely to have substantial

implications for future levels of grant, or for the period for which grant may be required. No decision by the Company shall commit the Secretary of State to paying any particular amount of grant.

36) “Recurrent Expenditure” means any expenditure on the establishment, conduct, administration and maintenance of the Academy which does not fall within the categories of capital expenditure set out at clause 37. The Secretary of State shall pay two separate and distinct grants in respect of recurrent expenditure: General Annual Grant (“GAG”) and Earmarked Annual Grant (“EAG”).

### **Capital Grant**

37) “Capital Expenditure” means expenditure on:

- a) the acquisition of land and buildings;
- b) the erection, enlargement, improvement or demolition of any building including fixed plant, installation, wall, fence or other structure, or any playground or hard standing;
- c) the installation of electrical, mechanical or other services other than necessary replacements, repairs and maintenance due to normal wear and tear;
- d) the purchase of vehicles and other self-propelled mechanical equipment;
- e) the installation and equipping of premises with furnishings and equipment, other than necessary replacements, repairs and maintenance due to normal wear and tear;
- f) the installation and equipping of premises with computers, networking for computers, operating software and information and communication technology equipment, other than necessary updates or necessary replacements, repairs and maintenance due to normal wear and tear;
- g) the provision and equipping of premises, including playing fields and other facilities for social activities and physical recreation other than necessary replacements, repairs and maintenance due to normal wear and tear;
- h) works of a permanent character other than the purchase or replacement of minor day-to day items;
- i) any major repairs or replacements which are specified as constituting capital expenditure in any grant letter relating to them;

- j) such other items (whether of a like or dissimilar nature to any of the foregoing) of a substantial or enduring nature as the Secretary of State may agree shall constitute capital expenditure for the purposes of this Agreement;
- k) all professional fees properly and reasonably incurred in connection with the provision of any of the above;
- l) VAT and other taxes payable on any of the above.

“Capital Grant” means grant paid to the Company in respect of Capital Expenditure.

38) Where an Academy is to open in new premises, or where existing premises are to be substantially refurbished or remodelled to enable the Academy to open in such premises, the Secretary of State, may, in his absolute discretion be responsible for meeting the incurred Capital Expenditure for that Academy. To that end, the Secretary of State will consider providing funding in accordance with any arrangements as he considers appropriate.

38A) The parties acknowledge that while and to the extent an Academy operates from Property or any part of it pursuant to a lease with a third party (without limitation the Trustees and/or the LA) that in respect of the occupation of and use of that Property or any part of it the terms of the relevant lease shall prevail over any provisions in this Agreement.

39) Any Capital Expenditure incurred in respect of each Academy on which Capital Grant payments are sought from the Secretary of State will require the specific prior written agreement of the Secretary of State, which agreement shall not be unreasonably withheld or delayed.

40) Any payment of Capital Grant to the Company under this Agreement is subject to the fulfilment of the following conditions:

- a) such grants are used solely to defray expenditure approved by the Secretary of State;
- b) the Company certifying and providing evidence that all planning and other consents necessary for the development and all related infrastructure to be completed have been obtained or put in place:
- c) Any other conditions that the Secretary of State may specify; and

- d) the Company procuring the written consent of the Trustees in any event, and the LA where applicable, to any proposed works at the Property for which Capital Grant is requested or to the acquisition of any land and/or buildings.

40A) In recognition of the Trustees' interest in all Premises and the possible effect of Capital Grant paid by the Secretary of State in relation to Capital Expenditure on such Premises, the Secretary of State commits to the following:

- a) to acknowledging the Trustees' right to consent or to withhold its consent (acting reasonably) to the carrying out of any works to Premises which are to be paid for from any Capital Grant and/or the acquisition of any land to be used by an Academy;
- b) to recognise the Trustees' interest in ensuring that any works to Premises are carried out properly; and
- c) to acknowledge and take full account of any financial contribution that any third party, such as the Trustees, agrees to make or that the Company makes to the cost of such works other than through Capital Grant.

40B) The parties shall procure that any interest in land acquired for the purpose of an Academy is transferred to the Trustees in consideration of the grant of a lease to the Company on the same terms (*mutatis mutandis*) as the existing lease between the Company and the Trustees and, where possible, with a co-terminus expiry date.

### **Arrangements for Payment of Capital Grant**

41) Capital Grant will be paid by the Secretary of State to the Company on the basis of claims for grant submitted to the Secretary of State in the notified format with supporting invoices and certificates as required by the Secretary of State. If a dispute arises as to whether a claim is or is not acceptable both parties undertake to attempt to resolve it in good faith. In the event of such a dispute, the Secretary of State shall pay to the Company so much of the claim as shall not be in dispute.

### **General Annual Grant**

42) GAG will be paid by the Secretary of State to the Company in order to cover the normal running costs of each Academy. These will include, but are not limited to:

- a) teachers' salaries and related costs (including full and part time teaching staff and seconded teachers);
- b) non-teaching staff salaries and related costs (including pension contributions, educational support staff, administrative and clerical staff and manual and premises related staff);
- c) employees' expenses;
- d) the purchase, maintenance, repair and replacement:
  - (i) of teaching and learning materials and other educational equipment, including books, stationery and ICT equipment and software, sports equipment and laboratory equipment and materials;
  - (ii) of other supplies and services;
- e) examination fees;
- f) repairs, servicing and maintenance of buildings (including redecoration, heating, plumbing, lighting etc); maintenance of grounds (including boundary fences and walls); cleaning materials and contract cleaning; water and sewage; fuel and light (including fuel oil, solid and other fuel, electricity and gas); rents; rates; purchase, maintenance, repairs and replacement of furniture and fittings;
- g) insurance, provided that the Secretary of State shall not be obliged to pay GAG in relation to insurance to the extent that insurance and/or comparable arrangements are made available to the Company (whether at a cost to the Company or otherwise and whether made available by and/or on behalf of the Secretary of State or otherwise) save that, to the extent that such insurance and/or comparable arrangements as may be made available constitute a cost for the Company, the Secretary of State shall provide a contribution through GAG in relation to such cost;
- h) medical equipment and supplies;
- i) staff development (including in-service training);
- j) curriculum development;
- k) the costs of providing school meals for pupils (including the cost of providing free school meals to pupils who are eligible to receive them), and discretionary grants to

pupils to meet the cost of pupil support, including support for pupils with special educational needs or disabilities (taking account of the fact that separate additional money will be available for pupils with statements of special educational needs);

l) administration;

m) establishment expenses and other institutional costs.

42A) Clauses 43 to 54 apply in respect of **Mainstream Academies** only.

43) Subject to clauses to 51-52, GAG for each Academy Financial Year for each **Mainstream Academy** will include;

a) funding equivalent to that which would be received by a maintained school with similar characteristics, determined by the Secretary of State and notified in the Annual Letter of Funding or its equivalent, taking account of the number of pupils at each Academy;

b) funding in respect of functions which would be carried out by the LA if each Academy was a maintained school.

44) The GAG for each Academy Financial Year for each **Mainstream Academy** will also include, payable on a basis equivalent to that applied to maintained schools:

a) funding for matters for which it is necessary for that Academy to incur extra costs, for as long as those costs are deemed necessary by the Secretary of State; and

b) payments in respect of further, specific grants made available to maintained schools, where the relevant Academy meets the requisite conditions and criteria necessary for a maintained school to receive these grants.

45) Subject to clause 47, the basis of the pupil number count for the purposes of determining GAG for the Academy Financial Year in which a **Mainstream Academy** opens shall be the same basis as that used by the LA for determining the budget share of the predecessor maintained school as adjusted by numbers counted in any subsequent Schools Census, as determined by the Secretary of State. In subsequent years the basis of the pupil count will be as determined by the Secretary of State.

46) Subject to clause 47, the basis of the pupil number count for the purpose of determining GAG for a Mainstream Academy for Academy Financial Years after the Academy Financial Year in which the Academy opens will be:



- a) for the pupil number count for pupils in Year 11 and below, the Schools Census which is used to fund maintained schools for the financial year overlapping with the Academy Financial Year in question; and
- b) for the pupil number count for pupils in Year 12 and above, the formula which for the time being is in use for maintained schools for the calculation of pupil numbers for pupils in Year 12 and above for the purpose of calculating their level of funding.

47) Where either of the following conditions applies in respect of an Academy Financial Year, the basis of the pupil count shall be determined by the Secretary of State, taking account of any diseconomies of scale that the Academy will be under as a result of such condition(s) applying. The conditions are:

- a) not all planned year-groups will be present at the Academy (that is, not all the pupil cohorts relevant to the age-range of the Academy will have some pupils present); or
- b) the total number of pupils as measured in the Schools Census which is used to fund maintained schools for the financial year overlapping with the Academy Financial Year in question is less than 90% of the planned final size of the Academy, as specified in the Academy's Supplemental Agreement, and has not at any previous time been greater than 90% of that number.

48) For any Academy Financial Year in which GAG for a **Mainstream Academy** has been calculated in accordance with clause 45, no adjustment shall be made to the following Academy Financial Year's formula funding element of GAG for that Academy to recognise variation from the pupil count basis used.

49) For any Academy Financial Year in which GAG for a **Mainstream Academy** is calculated in accordance with clause 46, no adjustment will be made to the formula funding element in the following Academy Financial Year's formula funding element of GAG unless the Company demonstrates to the satisfaction of the Secretary of State that there has been a significant impact on costs, such as an extra class. For any other element of GAG the Secretary of State may make adjustments to recognise a variation in pupil numbers from that used to calculate the element of grant in question; the basis of these will be set out in the Annual Letter of Funding in respect of the Relevant Academy.

50) The Secretary of State recognises that:

- a) in relation to **Mainstream Academies** which open with intakes representing only a proportion of the final planned size of the Academy, payments based simply upon the

number of pupils present are unlikely to be sufficient to meet that Academy's needs in the Academy Financial Years before all age groups are present at their planned size (the "Start-up Period") because of a lack of economies of scale. The Secretary of State may pay an appropriately larger GAG in the Start-up Period than would be justified solely on the basis of the methods set out in clauses 43-49, in order to enable the Academy to operate effectively<sup>6</sup>;

- b) in relation to **Mainstream Academies** which open with pupils transferred from one or more maintained schools which have closed, additional GAG resources may be required to take account of transitional costs including any costs associated with supporting the integration of pupils from the closed schools and, where necessary, to offer a dual curriculum. If the Secretary of State has indicated that such additional GAG will be payable, the Company will make a bid for this addition to GAG based upon need and providing appropriate supporting evidence.

51) During the Start-up Period or during the period when year groups are present who have transferred from a predecessor school or schools, the Secretary of State will pay a further element of GAG additional to that calculated in accordance with the methods set out in clauses 43-49 to allow the relevant **Mainstream Academy** to:

- a) purchase a basic stock of teaching and learning materials (including library books, text books, software, stationery, science equipment and equipment for physical education) and other consumable materials;
- b) meet the costs associated with the recruitment and induction of additional teaching and other staff.

After the Start-up Period these costs will be met through the ordinary GAG.

52) The Secretary of State recognises that if he serves notice of intention to terminate a Supplemental Agreement in respect of an Academy the intake of new pupils during the notice period is likely to decline and that in such circumstances payments based simply upon the number of pupils attending the relevant **Mainstream Academy** are unlikely to be sufficient to meet that Academy's needs during the notice period. The Secretary of State undertakes to pay a reasonable and appropriately larger GAG with respect to that Academy in the notice period than would be justified solely on the basis of the methods set out in

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<sup>6</sup> Note that a larger GAG for the Start-Up Period is not applicable to schools applying to convert further to the Academies Act 2010.

clauses 43-49, in order to enable the Academy to operate effectively.

53) The Secretary of State also recognises that if this Agreement or a Supplemental Agreement is terminated for any reason by either party the number of pupils at the relevant **Mainstream Academy or Academies** is likely to decline. In these circumstances both parties undertake to attempt to resolve issues arising from such termination in good faith and with the aim of protecting the interests and the education of the pupils at the Academy or Academies.

54) Subject to clause 73, GAG paid by the Secretary of State in respect of a **Mainstream Academy** shall only be spent by the Company towards the normal running costs of that Academy.

54AA) Clauses 54A to 54H apply in respect of **Special Academies** only.

54A) Subject to clauses 54E – 54F, GAG for the 2011-12 Financial Year for each **Special Academy** will be the total of the following areas of funding; (see clause 54D)

- a) funding equivalent to that which would be received by a maintained special school with similar characteristics, determined by the Secretary of State and notified in the Annual Letter of Funding or its equivalent, taking account of the number of pupils at each Academy;
- b) funding in respect of functions which would be carried out by the LA if each Academy was a maintained special school.

54B) The GAG for each Academy Financial Year for each **Special Academy** will also include, payable on a basis equivalent to that applied to maintained special schools:

- a) funding for matters for which it is necessary for that Academy to incur extra costs, for as long as those costs are deemed necessary by the Secretary of State; and
- b) payments in respect of further, specific grants made available to maintained special schools, where the relevant Academy meets the requisite conditions and criteria necessary for a maintained school to receive these grants.

54C) GAG will be based on a number of places and/or pupils, as appropriate to the funding formula of the LA determined annually by the Secretary of State, who shall consult the Company and the LA before finally determining the number(s) to be used.

54D) Arrangements for the provision of GAG in subsequent funding years will be notified to each **Special Academy** at a date preceding the start of each Academy Financial Year. The Secretary of State may make provision for GAG to be adjusted in-year if the number of pupils attending the relevant academy at specified dates exceeds or falls below thresholds specified by letter. Arrangements for this will be set out in the Annual Letter of Funding.

54E) The Secretary of State recognises that a larger GAG may be appropriate to meet additional costs during the start-up period, and may pay start-up grant, on a basis determined by him, during that period, the length of which will be stipulated in the Annual Letter of Funding.<sup>7</sup>

54F) The Secretary of State recognises that if he serves notice of intention to terminate a Supplemental Agreement, the intake of new pupils during the notice period is likely to decline and that in such circumstances payments based on a number of places related to the number of pupils attending the relevant **Special Academy** are unlikely to be sufficient to meet that Academy's needs during the notice period. The Secretary of State undertakes to pay a reasonable and appropriately larger GAG with respect to that Academy in the notice period than would be justified solely on the basis of the methods set out in clauses 54A-54C, in order to enable the Academy to operate effectively.

54G) The Secretary of State also recognises that if this Agreement or a Supplemental Agreement is terminated for any reason by either party the number of pupils at the relevant **Special Academy or Academies** is likely to decline. In these circumstances both parties undertake to attempt to resolve issues arising from such termination in good faith and with the aim of protecting the interests and the education of the pupils at the Academy or Academies.

54H) GAG paid by the Secretary of State in respect of a **Special Academy** shall only be spent by the Company towards the normal running costs of that Academy.

### **Earmarked Annual Grant**

55) Earmarked Annual Grant ("EAG") shall be paid by the Secretary of State to the Company in respect of either Recurrent Expenditure or Capital Expenditure for such specific purposes as may from time to time be agreed between the Secretary of State and the Company and described in the Annual Letter of Funding for that Academy provided that where the EAG

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<sup>7</sup> Note that a larger GAG for the Start-Up Period is only applicable to Academies with approved Expressions of Interest.

relates to Capital Expenditure the Trustees and/or the LA where applicable, give their consent in advance to such purposes in writing. The Company shall only spend EAG in accordance with the scope, terms and conditions of the grant set out in the relevant Annual Letter of Funding.

56) Where the Company is seeking a specific EAG in relation to any Academy Financial Year, it shall submit a letter outlining its proposals and the reasons for its request to Academies Division, Sanctuary Buildings, Great Smith Street, London SW1P 3BT accompanied by the Trustees' and/or 'the LA's written consent to the specific purpose for which any Capital Expenditure element of the EAG is proposed.

### **Arrangements for Payment of GAG and EAG**

57) The Secretary of State shall notify the Company at a date preceding the start of each Academy Financial Year of the GAG and EAG figures in respect of each Academy which, subject to Parliamentary approval, the Secretary of State plans for that Academy Financial Year and of the assumptions and figures on which these are based.

58) If GAG or EAG is calculated incorrectly due to a mistake of the Secretary of State then:

- a) if this leads to an underpayment of GAG, the Secretary of State will correct the underpayment in subsequent Academy Financial Years;
- b) if this leads to an overpayment of GAG, the Secretary of State reserves the right to recover any overpaid grant in subsequent Academy Financial Years, as appropriate, having considered all the relevant circumstances and taking into account any representations from the Company.

59) If GAG or EAG is calculated incorrectly because the Company provides incorrect information to the Secretary of State then;

- a) if this leads to an underpayment of GAG, the Secretary of State may correct the underpayment in subsequent Academy Financial Years;
- b) If this leads to an overpayment of GAG, the Secretary of State reserves the right to recover any overpaid grant in subsequent Academy Financial Years, as appropriate, having considered all the relevant circumstances and taking into account any representations from the Company.

60) The amounts of GAG for an Academy Financial Year will be determined annually by the

Secretary of State. The amount of GAG for each Academy for the initial Academy Financial Year will be notified to the Company in a funding letter at a date preceding that year. For subsequent years the amount of GAG for each Academy will be notified to the Company in a funding letter preceding that Academy Financial Year (the "Annual Letter of Funding"). The Annual Letter of Funding for each Academy will not include the amount that the Company will receive in respect of grants for which information to enable timely calculation is not available or is incomplete, such grants will be notified as soon as practicable later in the year. Amounts of EAG for each Academy will be notified to the Company wherever possible in the relevant Academy's Annual Letter of Funding or as soon as practicable thereafter.

61) The Secretary of State undertakes to pay GAG for each Academy in monthly instalments on or before the twenty fifth day of each month, each such instalment to fund the salaries and other payroll costs for the relevant month of all monthly paid employees and all other costs payable during the next following month. The detailed arrangements for payment will be set out in each Academy's Annual Letter of Funding.

#### **Other relevant funding**

62) <sup>8</sup>Not used.

63) The Secretary of State shall meet costs incurred by the Company in connection with the transfer of employees from any predecessor school under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

64) The Company may also receive funding from a LA in respect of the provision detailed in statements of SEN for pupils attending an Academy in accordance with the provisions of Section 483A of the Education Act 1996 and regulations made under that section. The Company shall ensure that all provision detailed in statements of SEN is provided for such pupils.

65) [Not used]

65A) The Secretary of State shall meet the costs of any relevant statutory denominational inspection at any Academy requested by the Company pursuant to clause 26C) of this Agreement and notified by the Company to the Secretary of State provided these do not occur in relation to that Academy more often than once every three years.

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<sup>8</sup> NOTE. If the Academies are "sponsored academies", then see appropriate wording to be included as set out in Section B of the Appendix below.

## **FINANCIAL AND ACCOUNTING REQUIREMENTS**

### **General**

66) The Company shall appoint an Accounting Officer and shall notify the Secretary of State of that appointment.

67) In relation to the use of grant paid to the Company by the Secretary of State, the Company shall abide by the requirements of and have regard to the guidance in the Academies Financial Handbook published by the DfE and amended from time to time and as modified to take account of the fact that the Company manages more than one Academy, which sets out in detail provisions for the financial management of each Academy including guidance on financial systems and controls and accounting and reporting requirements, in so far as these are not inconsistent with any accounting and reporting requirements and guidance that it may be subject to by virtue of its being a charity.

68) The formal budget plan must be approved each Academy Financial Year by the Directors of the Company.

69) Any payment of grant by the Secretary of State in respect of each Academy is subject to his being satisfied as to the fulfilment by the Company of the following conditions:

- a) in its conduct and operation it shall apply financial and other controls which conform to the requirements both of propriety and of good financial management;
- b) arrangements have been made to maintain proper accounting records and that statements of income and expenditure and balance sheets may be produced in such form and frequency as the Secretary of State may from time to time reasonably direct;
- c) in addition to the obligation to fulfil the statutory requirements referred to in sub-clause f) below, the Company shall prepare its financial statements, Directors' report, Annual Accounts and its Annual Return for each Academy Financial Year in accordance with the Statement of Recommended Practice as if the Company was a non-exempt Charity and/or in such form or manner and by such date as the Secretary of State may reasonably direct and shall file these with the Secretary of State and the Principal Regulator each Academy Financial Year;

- d) a statement of the accounting policies used should be sent to the Secretary of State with the financial statements and should carry an audit report stating that, in the opinion of the auditors, the statements show a true and fair view of the Company's affairs and that the grants were used for the purposes intended;
- e) the Company shall ensure that its accounts are audited annually by independent auditors appointed under arrangements approved by the Secretary of State;
- f) the Company prepares and files with the Companies Registry such annual accounts as are required by the Companies Act 2006;
- g) the Company shall publish on its website its Annual Accounts, Annual Report, Memorandum and Articles of Association, Funding Agreement and a list of the names of the Directors of the Company;
- h) the Company insures or procures insurance by another person of its assets in accordance with normal commercial practice or under the terms of any subsisting leases in respect of the leasehold interest of the Property upon which each Academy is situated;

70) In addition, and at his expense, the Secretary of State may instruct auditors to report to him on the adequacy and effectiveness of the accounting systems and internal controls maintained by the Company to standards determined by the Secretary of State and to make recommendations for improving the financial management of the Company.

71) The books of accounts and all relevant records, files and reports of the Company including those relating to financial controls, shall be open at all reasonable times to officials of the DfE and the National Audit Office and to contractors retained by the DfE or the National Audit Office for inspection or the carrying out of value for money studies; and the Company shall secure that those officials and contractors are given reasonable assistance with their enquiries. For the purposes of this clause 'relevant' means in any way relevant to the provision and use of grants provided by the Secretary of State under this Agreement.

72) The Company shall submit indicative budgets relating to each Academy to the Secretary of State by not later than 15 February before the start of each Academy Financial Year. Such budgets shall set out clearly the prospective income and expenditure of the relevant Academy and shall differentiate, and give adequate details of:

- a) a statement of expected income for that Academy Financial Year including cash donations and gifts in kind from sources other than GAG, EAG and grants from the



Secretary of State towards Capital Expenditure and Recurrent Expenditure, distinguishing between income from public funds including the national lottery and income from other sources. Income from cash donations and gifts in kind from sources other than GAG, EAG and grants from the Secretary of State towards Capital Expenditure will not be taken into account by the Secretary of State in the calculation of GAG;

- b) a statement of proposed Recurrent Expenditure for that Academy Financial Year;
- c) a statement of proposed Capital Expenditure for that Academy Financial Year.

73) At the beginning of any Academy Financial Year the Company may hold unspent GAG for any Academy from previous Academy Financial Years amounting to such percentage (if any) as the Secretary of State may specify by notice in writing to the Company prior to the beginning of that Academy Financial Year of the total GAG payable for the Academy in the Academy Financial Year just ended or such higher amount as may from time to time be agreed. The Company shall use such carried forward amount for such purpose, or subject to such restriction on its use, as the Secretary of State may specify by notice in writing to the Company.

74) Notwithstanding clause 73 any additional grant provided over and above that set out in clauses 43-49 and made in accordance with clauses 50-52 may be carried forward without limitation or deduction until the Start-up Period or the circumstances set out in clause 52 come to an end.

75) Any savings of GAG not allowed to be carried forward under clauses 73-74 will be taken into account in the payment of subsequent grant.

76) The Company may also accumulate funds from private sources or public sources other than grants from the Secretary of State for application to the benefit of an Academy as it sees fit. Any surplus arising from private sources or public sources other than grants from the Secretary of State shall be separately identified in the Company's balance sheet.

77) None of the actions listed below shall be taken by the Company in relation to assets or property funded (whether in whole or in part) by the Secretary of State, without the prior written consent of the Secretary of State, granted or not as the case may be, in accordance with clauses 78 and 78A. The actions referred to are:

- a) except such as are given in normal contractual relations, give any guarantees, indemnities or letters of comfort;

- b) write off any debts or liabilities owed to it above a value for the time being specified by the Secretary of State nor offer to make any ex gratia payments;
- c) make any sale or purchase of freehold property; or
- d) grant or take up any leasehold or tenancy agreement for a term exceeding three years.

78) The Company shall provide 30 days notice to the Secretary of State, whether or not the circumstances require the Secretary of State's consent, of its intention to:

- a) give any guarantees, indemnities or letters of comfort;
- b) write off any debts owed to it or offer to make any ex gratia payments;
- c) make any sale or purchase of freehold property; or
- d) grant or take up any leasehold or tenancy agreement for a term exceeding three years.

78A) Where the Company applies to the Secretary of State pursuant to clauses 77, 81, 84, 85, 87 and/or 88 and/or where the proposed action relates to any land owned or leased by the Company or proposed to be owned or leased by the Company, the Secretary of State shall not give consent to any disposal, acquisition or grant of security or borrowing against or putting at risk of such land without first consulting the Trustees and having due regard to any representations made by them and wherever applicable shall comply with clause 40B but otherwise his consent shall not be unreasonably withheld or delayed.

79) Each discovered loss of an amount exceeding the amount for the time being specified by the Secretary of State and arising from suspected theft or fraud, shall be reported by the Company to the Secretary of State at the earliest opportunity.

80) It is the responsibility of the Company to ensure that each Academy balances its budget from Academy Financial Year to Academy Financial Year. For the avoidance of doubt, this does not prevent the Company from:

- a) carrying a surplus from one Academy Financial Year to the next; or
- b) carrying forward from a previous Academy Financial Year or Academy Financial Years a sufficient surplus or sufficient cumulative surpluses on grants from the Secretary of State to meet an in-year deficit on such grants in a subsequent financial

year; or

- c) incurring an in-year deficit on funds from sources other than grants from the Secretary of State in any Academy Financial Year, provided it does not affect the Company's responsibility to ensure that the Company balances its overall budget from Academy Financial Year to Academy Financial Year.

80A The Company shall abide by the requirements of and have regard to the Charity Commission's guidance to charities and charity trustees and in particular the Charity Commission's guidance in the Protecting Charities from Harm ('the compliance toolkit'). Any references in this document which require charity trustees to report to the Charity Commission should instead be interpreted as references to report to the Principal Regulator.

### **Borrowing Powers**

81) The Company shall not borrow against or so as to put at risk property or assets funded (whether in whole or in part) by the Secretary of State without specific approval of the Secretary of State, such approval may only be granted in limited circumstances and in accordance with clause 78A. The Company shall not operate an overdraft except to cover irregularities in cash flow. Such an overdraft, and the maximum amount to be borrowed, shall require approval by the Company in General Meeting and in writing by the Secretary of State, and shall be subject to any conditions which the Secretary of State may reasonably impose.

82) The Company shall provide 30 days notice to the Secretary of State of its intention to borrow, whether or not such borrowing requires the Secretary of State's approval under clause 81 above.

### **Disposal of Assets**

83A) For the avoidance of any doubt, the following clauses 83 to 89 inclusive of this Agreement do not apply to any Property which is the subject matter of a lease or leases granted by the Trustees and in which the Company's interest is as a tenant. Such Property shall not be considered to be a capital asset for the purposes of clauses 83 to 89 inclusive of this Agreement and/or clause 6.5 of any relevant Supplemental Agreement and the terms of the relevant lease or leases shall take precedence over clauses 83 to 89 of this Agreement and/or clause 6.5 of any relevant Supplemental Agreement.

83) Where the Company acquires a capital asset for a nil consideration or at an under value it shall be treated for the purpose of this Agreement as having incurred expenditure equal to

the market value of those assets at the time that they were acquired. This provision shall not apply to an asset transferred to the Company at nil or nominal consideration and which was previously used for the purposes of an Academy or a school at the Property and/or were transferred from an LA, the value of which assets shall be disregarded.

84) The sale or disposal by other means, or reinvestment of proceeds from the disposal, of a capital asset by the Company shall require the consent of the Secretary of State, granted (or not as the case may be) in accordance with clause 78A, where:

- a) the Secretary of State paid capital grant in excess of the value for the time being specified by the Secretary of State for the asset; or
- b) the asset was transferred to the Company from an LA for no or nominal consideration.

85) Furthermore, reinvestment of a percentage of the proceeds of disposal of a capital asset paid for with a capital grant from the Secretary of State shall require the Secretary of State's consent, granted (or not as the case may be) in accordance with clause 78A, and reinvestment exceeding the value for the time being specified by the Secretary of State or with other special features will be subject to Parliamentary approval. The percentage of the proceeds for which consent is needed is the percentage of the initial price of the asset which was paid by capital grant from the Secretary of State.

86) This clause applies in the event, during the lifetime of this Agreement, of the disposal of a capital asset for which capital grant of any amount was paid by the Secretary of State, where the asset was acquired by the Company. In this event, the Company shall repay to the Secretary of State the same proportion of the proceeds of the disposal as equates with the proportion of the original cost met by the Secretary of State, unless the Secretary of State agrees to some or all of the proceeds being retained by the Company for its charitable purposes.

87) This clause applies in the event, during the lifetime of this Agreement, that the Secretary of State consents to the disposal of an asset which was transferred to the Company from an LA for no or nominal consideration. In this event the Secretary of State may give consent, (or not as the case may be) in accordance with clause 78A with such conditions as to the proceeds of the disposal as he may consider reasonable and taking into account the amount of the proceeds to be reinvested by the Company.

88) Except with the consent of the Secretary of State, the Company shall not dispose of

assets funded (whether in whole or in part) by the Secretary of State for a consideration less than the best price that can reasonably be obtained, such consent not to be unreasonably withheld or delayed.

89) The Company shall provide 30 days notice to the Secretary of State of its intention to dispose of assets for a consideration less than the best price that can reasonably be obtained, whether or not such disposal requires the Secretary of State's consent under clause 88 above.

## **TERMINATION**

90) This Agreement shall commence on the date hereof and continue until terminated in accordance with clause 91 or until all Supplemental Agreements have terminated.

91) The Secretary of State may at any time by notice in writing to the Directors, copied to the Trustees and to the Diocesan Bishop terminate this Agreement and each of the Supplemental Agreements forthwith on the occurrence of any of the following events:-

- a) the Company calls a meeting of its creditors (whether formal or informal) or enters into any composition or arrangement (whether formal or informal) with its creditors; or
- b) the Company proposes a voluntary arrangement within Section 1 of the Insolvency Act 1986 (as amended); or
- c) the Company is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 provided that, for the purposes of this Clause, Section 123 (1)(a) of the Insolvency Act 1986 shall have effect as if the amount of £10,000 was substituted for £750. The Company shall not be deemed unable to pay its debts for the purposes of this clause if any such demand as is mentioned in the said Section is being contested in good faith by the Company; or
- d) the Company has a receiver and manager (with the exception of Receivers and Managers or Interim Managers appointed by the Charity Commission under the Charities Act 1993 or any subsequent re-enactment of that Act), administrator or administrative receiver appointed over all or any part of its undertakings, assets or income; or
- e) any distraint, execution or other process is levied or enforced on any of the Company's property and is not paid out, withdrawn or discharged within fifteen Business Days; or

- f) the Company has passed a resolution for its winding up; or
- g) an order is made for the winding up or administration of the Company.

The Company shall notify the Secretary of State as soon as possible after receiving any petition which may result in an order for the winding up or administration of the Company and shall provide an explanation to the Secretary of State of the circumstances giving rise to the service of such a petition.

92) If, following the exercise of the Secretary of State's powers to appoint Additional Directors or Further Directors, pursuant to the Articles of Association the Members pass an ordinary or special resolution to remove one or more of those Additional or Further Directors appointed by the Secretary of State, the Secretary of State may give the Company 12 months, or such lesser period as he considers appropriate in the circumstances, written notice to terminate this Agreement or, as the Secretary of State may in his absolute discretion decide, terminate any of the Supplemental Funding Agreements and such notice shall be copied to the Trustees and the Diocesan Bishop.

93) The Secretary of State's right to terminate this Agreement under clause 92 shall cease if he removes any of the Additional Directors or Further Directors which he has appointed pursuant to the Articles of Association.

### **Change of Control of the Company**

93A) The Secretary of State may at any time by notice in writing, subject to clause 93C) below, terminate this Agreement forthwith (or on such other date as he may in his absolute discretion determine) in the event that there is a change:

- a) in the Control of the Company;
- b) in the Control of a legal entity that Controls the Company.

Provided that where a person ('P') is a member or director of the body corporate (as a corporation sole or otherwise) by virtue of an office, no change of Control arises merely by P's successor becoming a member or director in P's place.

93B) The Company shall, as soon as it is reasonably practicable to do so after it has become aware of any change or proposed change of Control within the meaning of clause 93A), give written notice to the Secretary of State of such change or proposed change of Control.

93C) When notifying the Secretary of State further to clause 93B), the Company may seek the Secretary of State's agreement that, if he is satisfied that the person assuming Control is suitable, he will not in those circumstances exercise his right to terminate this Agreement further to clause 93A).

### **Effect of Termination**

94) In the event of the termination of this Agreement however occurring the Secretary of State shall procure that his nominee (if any) shall resign as a member of the Company and shall co-operate in making any associated amendments to the Articles of Association.

## **GENERAL**

### **Information**

95) Without prejudice to any other provision of this Agreement, the Secretary of State acting reasonably may from time to time call for information on, inter alia, any Academy's:

- a) curriculum;
- b) arrangements for the assessment of pupils;
- c) teaching staff including numbers, qualifications, experience, salaries, and teaching loads;
- d) class sizes;
- e) outreach work with other schools and the local community;
- f) operation of the admission criteria and over subscription arrangements for the Academy including numbers of applications for places and the number and characteristics of pupils accepted for admission – for Mainstream Academies only;
- g) numbers of pupils excluded (including permanent and fixed term exclusions);
- h) levels of authorised and unauthorised attendance;
- i) charging and remissions policies and the operation of those policies;
- j) organisation, operation and building management;
- k) financial controls; and

l) membership and proceedings of the Company and any Academy Committee.

96) The Company shall make such information available to the Secretary of State, in such form and manner and at such times as may reasonably be required. The Secretary of State shall provide the Company with such information as it may reasonably require of him for the running of an Academy.

#### **Access by the Secretary of State's Officers**

97) The Company shall allow access to the premises of any Academy at any reasonable time to DfE officials. All records, files and reports relating to the running of the Company and each Academy shall be available to them at any reasonable time. The Company shall provide the Secretary of State in advance with papers relating to each Academy prepared for meetings of an Academy Committee, of the Company's directors and of the members of the Company. Two DfE officials shall be entitled to attend and to speak at all such meetings, but shall withdraw from any discussion of an Academy's or the Company's relationship with the Secretary of State or any discussion of bids for funding to the Secretary of State. The Company shall take any steps which are required to secure its compliance with the obligations imposed by this clause of this Agreement.

98) The Company shall ensure that:

- a) the agenda for every meeting of an Academy Committee and the Company's directors;
- b) the draft minutes of every such meeting, if they have been approved by the person acting as chairman of that meeting;
- c) the signed minutes of every such meeting; and
- d) any report, document or other paper considered at any such meeting,

are made available for inspection by any interested party at the relevant Academy and, as soon as is reasonably practicable, sent to the Secretary of State.

99) There may be excluded from any item required to be made available for inspection by any interested party and to be sent to the Secretary of State by virtue of clause 98, any material relating to:

- a) a named teacher or other person employed, or proposed to be employed, at any Academy;



- b) a named pupil at, or candidate for admission to, any Academy; and
- c) any matter which, by reason of its nature, the Company is satisfied should remain confidential.

## **Notices**

100) Any notice or other communication concerning or to be issued in accordance with this Agreement shall be sent:

- a) in the case of a notice or communication to the Company to its registered office or such other addressee/address as may be notified to the Secretary of State, the Diocesan Bishop and the Trustees in writing from time to time by the Company; and
- b) in the case of a notice or communication to the Secretary of State to the Head of Academies Division, Department for Education, Sanctuary Buildings, Great Smith Street, London SW1P 3BT or such other address as may be notified to the Company, the Diocesan Bishop and the Trustees in writing from time to time by the Secretary of State; and
- c) in the case of a notice or communication to the Diocesan Bishop to the Director of Education at the Diocesan Education Service, St Annes House, 61 Coventry Road, Coleshill, Birmingham B46 3EA or such other address as may be notified to the Company, the Secretary of State and the Trustees in writing from time to time by the Diocesan Bishop; and
- d) in the case of a notice or communication to the Trustees to the Archbishop or Bishop (as the case may be) at Cathedral House, St Chad's Queensway, Birmingham B4 6EU or such other address as may be notified to the Company, the Secretary of State, and the Diocesan Bishop in writing from time to time by the Trustees; and

where any such notice or communication is sent by post, unless the contrary is proved, it shall be deemed, subject to satisfactory proof of posting, to be effected at the time at which the letter would be received in the ordinary course of post.

101) The service by the Secretary of State of a notice of termination of a Supplemental Agreement shall not prejudice the ability of the Company (if it wishes to do so) during the notice period to admit pupils to the relevant Academy in accordance with the provisions of this Agreement and the relevant Supplemental Agreement and to receive GAG and EAG in respect of them.

## **Appointment of Additional or Further Directors by the Secretary of State**

102) The Secretary of State undertakes to the Company not to exercise the powers under the Articles to appoint Additional Directors or Further Directors in the following circumstances:-

- a) if the matters giving rise to the appointment of the Additional or Further Directors relate, in the reasonable opinion of the Secretary of State, to the affairs of only one Academy; and
- b) if the Company has delegated, and continues to delegate, to the Academy Committee of such Academy all decisions and powers that the Secretary of State reasonably considers are necessary to enable such Academy Committee to address the matters that gave rise to the appointment of the Additional or Further Directors and to ensure that the relevant Academy Committee is capable of properly conducting the affairs of the relevant Academy on the Company's behalf; and
- c) if the Company replaces such Academy Representatives and/or appoints additional Academy Representatives to the Academy Committee as, in either case, the Secretary of State may by notice in writing to the Company specify; and
- d) provided that such delegation is not subsequently revoked or, without the prior written consent of the Secretary of State, varied in any material respect.

102C) The Secretary of State is entitled to consider the use of his intervention powers as set out in Articles 61, 61A, 62 and 62A of the Articles of Association if requested to do so in writing by the Diocesan Bishop in consequence of

- a) unacceptable standards as measured by the relevant statutory denominational inspection using criteria equivalent to those set out in Article 61A of the Articles of Association; or
- b) a serious breakdown in the way the Academy is managed or governed such that the ethos requirements of designation or as reflected in the Articles of Association are no longer being complied with.

102D) Where the Trustees and/or the Diocesan Bishop put forward a school improvement plan, whether or not in the circumstances where the Secretary of State may appoint Additional Directors or Further Directors, the Secretary of State will consider any proposals within it and in good faith will consider any resource or funding implications, without, for the avoidance of doubt, being under any obligation to agree to fund such proposals.

## **Complaints**

102A) If a complaint is made about matters arising in whole or in part prior to the opening of any Academy, as referred to in clause 2.4 of the relevant Supplemental Agreement, and all or part of that complaint was being or had been investigated by the Local Government Ombudsman under Part III or the Local Government Act 1974 ('Part III') or that complaint in whole or in part could have been investigated under Part III had the school the Academy replaced remained a maintained school, the Company:

- a) will abide by the provisions of Part III as though the Academy were a maintained school;
- b) agrees that the Secretary of State shall have the power to investigate the matter complained of as if it had taken place after conversion;
- c) agrees to act in accordance with any recommendation from the Secretary of State as though that recommendation had been made under Part III and the Academy were a maintained school.

102B) If the Secretary of State could have given an order and/or a direction under section 496 and/or section 497 of the Education Act 1996 to the governing body of the school the Academy replaced (as referred to in clause 2.4 of the relevant Supplemental Agreement) and that order and/or direction related to matters occurring within the 12 months immediately prior to conversion, the Company agrees:

- a) the Secretary of State may give orders and/or directions to the Company as though the Academy were a maintained school and sections 496 and 497 applied to the governing body of that maintained school;
- b) to act in accordance with any such order and/or direction from the Secretary of State.

## **General**

103) This Agreement shall not be assignable by the Company.

104) The Secretary of State and the Company recognise the difficulties in catering in this Agreement and the Supplemental Agreements for all the circumstances which may arise in relation to the Academies and undertake in good faith to conduct such consultations as may from time to time be desirable in order to promote the interests of the Academies throughout the currency of this Agreement.

104A) Any term of this Agreement which confers a right or benefit on a LA, the Trustees and/or the Diocesan Bishop may be enforced by that party (or their successor) pursuant to the Contracts (Rights of Third Parties) Act 1999. Subject as aforesaid, this Agreement is not intended to confer any rights on any third party pursuant to the said Act.

This Agreement was executed as a Deed on

201[●]

Executed on behalf of by:

**[Either**

.....  
**Director**

In the presence of:

Witness.....

Address.....

Occupation.....]

**[Or**

.....  
**Director**

.....]  
**Director/Secretary**

The Corporate Seal of the Secretary of State for Education, hereunto affixed is authenticated by:

.....

**Duly Authorised**

## **APPENDIX OF**

### **ADDITIONAL OR ALTERNATIVE CLAUSES THAT MAY BE NEEDED DEPENDING ON THE TYPE OF ACADEMY**

#### **A. ACADEMIES WITH PFI ARRANGEMENTS**

**There are a number of PFI specific clauses that need to be inserted into the relevant Funding Agreements and Articles of Association where there are PFI arrangements in existence relating to the land/property of the Academy.**

**Your Project Lead will provide you with the additional clauses that will be needed.**

#### **B. SPONSORED ACADEMIES**

**For Academies with approved Expressions of Interest, add the following heading and clauses between clauses 41 and 42.**

##### **Implementation Grant<sup>9</sup>**

42) "Implementation Grant" means payments towards Recurrent Expenditure incurred for the establishment of an Academy prior to it opening.

43) The Secretary of State may enter into an agreement with a third party ("Project Management Company") for the provision of project management services to assist in the establishment of an Academy. Where such an agreement has been entered into, the Secretary of State shall pay Implementation Grant to the Project Management Company in accordance with that agreement.

44) If the Secretary of State has indicated that Implementation Grant will be payable, the Company shall prepare and submit to the Secretary of State a budget, for each Academy, showing expected Recurrent Expenditure to be incurred by the Company before the Academy opens and for which grant is sought. This budget must either be agreed to or modified by the Secretary of State as he considers appropriate ("Approved Implementation

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<sup>9</sup> Note that the Secretary of State will not pay Implementation Grant pursuant to these clauses in relation to schools applying to convert further to the Academies Act 2010.

Budget”).

45) Both parties recognise that as the project develops it may be necessary to revise individual costs in an Approved Implementation Budget and to move costs between budget headings in order to ensure that the project remains within its approved budget. Where the Company wishes to make such an adjustment of over £10,000, the reason for the change and a revised budget must be submitted to the Secretary of State for approval.

46) The Secretary of State will pay Implementation Grant to the Company on the basis of claims for grant submitted to the Secretary of State in accordance with the Approved Implementation Budget and in the notified format with supporting invoices, receipts and documents as required by the Secretary of State. If the grant claim is acceptable, the Secretary of State undertakes to pay the amount due within 21 days from the day on which it was received. If a dispute arises over whether a grant claim or part of it is acceptable, both parties undertake to attempt to resolve the dispute in good faith.

47) Any amount in the Approved Implementation Budget in respect of which the expenditure has not been incurred by the Company by the date on which the applicable Academy opens will lapse and no Implementation Grant will be payable in respect of that part of the Approved Implementation Budget. Any amount of Implementation Grant which has been paid but remains unexpended on relevant expenditure by the date on which the applicable Academy opens will, without prejudice to any other mode of recovery, be taken into account in determining the total amount of grant to be paid to the Company in respect of the applicable Academy after that Academy has opened. Any amount of Implementation Grant which is found to have been used on ineligible expenditure will, without prejudice to any other mode of recovery, be taken into account in determining the total amount of grant to be paid to the Company.

**Further, for Academies with approved Expressions of Interest insert the following wording at clause 62:**

The Company may apply to the Secretary of State for financial assistance in relation to proposed redundancies that it may make. On an application to the Secretary of State, he may (at his absolute discretion) agree to meet a proportion of the Company’s costs arising from the inclusion of Academies in the Schedules to the Redundancy Payments (Continuity of Employment in Local Government)(Modification) Order 1999. In response to an application for financial assistance, the Secretary of State may agree to meet the costs of

the employees' prior eligible service, being service prior to opening of the Academy, but the Company will be required to meet the costs of service after the opening of the Academy.