Education & Skills
Funding Agency

Academy trust handbook 2022

also known as the Academies financial handbook

For academy members, trustees, accounting officers, chief financial officers and auditors

Effective from 1 September 2022

August 2022

Academy trusts **must** comply with this handbook as a condition of their funding agreement. It provides an overarching framework for implementation of effective financial management and other controls, consistent with your obligations as publicly funded bodies. Other resources are available to help you get the right systems in place.

In addition, managing your resources will support best value and promotes public accountability.

Feedback

To provide feedback about the handbook or to contact ESFA for guidance please complete an enquiry form.

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Foreword

The past two years have been amongst the most challenging that any of us working in education can remember. While the priority has rightly been on the provision of education, the importance of strong financial management and governance for trusts has also been of critical importance. I would like to thank all of you involved in the leadership and governance of trusts for your strong management during this period. Your skills will be ever more critical as we face the pressures of inflation in the months ahead.

Looking forward, for everyone who is passionate about education, this is a uniquely critical period as we help our children and young people recover lost learning as a result of the pandemic and rebuild their confidence in the importance of school based learning. Our vision for schools is to help our young people to fulfil their potential, with excellent teaching, high standards of curriculum and a stronger school system.

Academies remain at the heart of this system and our priority is to grow strong trusts so that all schools can benefit from the support they can provide and improve outcomes for children.

Excellent financial management and governance are essential facilitators of these aspirations for education. But it is important that we continually review the financial and governance framework to ensure it remains both effective and proportionate. For this year, we are making a small number of changes to ensure trusts continue to enjoy the right level of day-to-day autonomy which are summarised on page 8 of the handbook.

I do hope you find this updated edition a valuable tool over the coming year. I know that it has been produced as a collaborative effort with the sector, and I would like to thank those of you who have contributed to its development, especially the members of our working group. We will continue to rely on your insight as the regulatory framework evolves.

Baroness Barran

Parliamentary Under Secretary of State for the School System

Who should read this handbook

Find out if this handbook applies to you.

Read this handbook if you have responsibility for governing, managing or auditing an academy trust. This includes:

- academy members, chairs of trustees, trustees, local governors and audit and risk committee members
- academy accounting officers, chief financial officers and governance professionals (clerks to the board)
- academy auditors.

The handbook comprises short topics explaining requirements that trusts **must** follow.

Depending on your role, you may need to read other material, which is signposted throughout.

What the handbook covers

The handbook:

- describes the governance and financial responsibilities of academy trusts reflecting their status as charitable companies acting in the public interest
- refers to trusts' statutory responsibilities covering safeguarding and health and safety
- explains when trusts **must** obtain ESFA approval in advance for financial transactions. Trusts **must** ensure they are familiar with these requirements as described in part 5. ESFA may intervene where trusts do not seek ESFA approval in advance
- balances the need for effective financial governance with the freedoms that trusts need over their day to day business
- sets out the areas of HM Treasury's Managing Public Money applying to trusts, and reflects The 7 principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) to which public office holders **must** adhere
- covers all types of academy including single academy trusts, trusts with multiple academies, free schools, studio schools, university technical colleges, alternative provision and special academies
- **must** be complied with as a requirement of trusts' funding agreements with the Secretary of State
- sets out that ESFA may intervene where it has concerns about the trust's compliance with financial management requirements and describes potential consequences for trusts and individuals.

Using the handbook

In the handbook:

- '**must**' – identifies requirements. A list is at part 8
- '**should**' – identifies minimum good practice which trusts should apply unless they can demonstrate that an alternative approach better suits their circumstances.

What has changed in this edition?

The changes are as follows.

Financial Reporting: Confirming withdrawal of the Budget Forecast Return Outturn [paragraph 2.15].

Special Payments: Clarifying in paragraph 5.12 that **prior approval of staff severance payments** in accordance with HM Treasury's Guidance on Public Sector Exit Payments applies **only to 'special' (non-statutory/non-contractual) payments**.

Indemnities: Confirming that trusts will be able to enter into indemnities which are in the **normal course of business** without seeking approval [paragraph 5.19].

Religious Character: Extending the scope of paragraph 5.57 from dioceses to all religious authorities, confirming when the 'at cost' requirement is met.

Part 1: Roles and responsibilities

The duties of key people responsible for running academy trusts.

1.1 Trusts perform an important role in advancing education in the public benefit. Accordingly, trustees and management **must** have the skills, knowledge and experience to run the academy trust. Understanding your role will help ensure the trust complies with legal and contractual duties.

Members

What members do

1.2 Every trust has members who have a similar role to shareholders of a company limited by shares. They:

- are the subscribers to the memorandum of association (where they are founding members)
- may amend the articles of association subject to any restrictions created by the funding agreement or charity law
- may, by special resolution, appoint new members or remove existing members other than, where there is one, the foundation/sponsor body and any members it has appointed
- have powers to appoint trustees as set out in the trust's articles of association and powers under the Companies Act 2006 to remove trustees
- may, by special resolution, issue direction to the trustees to take a specific action
- appoint the trust's external auditors and receive (but do not sign) the audited annual report and accounts (subject to the Companies Act)
- have power to change the company's name and, ultimately, wind it up.

How many members should there be?

1.3 The academy trust **must** have at least three members, although the Department's strong preference is that trusts should have at least five members. Having more members:

- provides for a more diverse range of perspectives
- ensures members can take decisions via special resolution without requiring unanimity.

Suitability of members

1.4 Trusts **must** ensure that their members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008, which prohibits individuals

from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction.

Can employees be members?

1.5 No. Members **must not** be employees of the trust, nor occupy staff establishment roles on an unpaid voluntary basis.

Can trustees be members?

1.6 There should be significant separation between the individuals who are members and those who are trustees. If members sit on the board of trustees this may reduce the objectivity with which the members can exercise their powers. The Department's strong preference is for a majority of members to be independent of the board of trustees.

Working with the trustees

1.7 Whilst responsibility to conduct the trust's strategic business sits with the trustees, if the governance of the trust by the board of trustees becomes dysfunctional, the members will have a strong interest in ensuring the board has plans to address the issues, or otherwise to remove the board or individual trustees and re-appoint trustees with the skills necessary for effective governance.

1.8 It is important, therefore, for members to be kept informed by trustees about trust business so they can be assured that the board is exercising effective governance. This **must** include providing the members with the trust's audited annual report and accounts as stated in paragraph 4.4.

Find out more about the role of members in section 5 of the Governance Handbook and the academy trust governance: structures and roles guidance.

Trustees

Who are the trustees?

1.9 The trustees of the academy trust are both charity trustees and company directors. This handbook refers to them as trustees.

1.10 However, in some academy trusts, such as church academies, those on the board are known instead as 'directors'. In church academies, the term 'trustees' is reserved for those on the board of the separate trust owning the land.

1.11 The trust's articles of association will set out conditions determining the minimum number of trustees the trust will have. All trusts should have reserved places for

parents, carers or other individuals with parental responsibilities in their governance structure; trusts should hold elections to fill these places, as appropriate.

- Single academy trusts should have at least two such places on the board.
- Trusts with multiple academies should have at least two such places on the board or at least two such places on each local governing body where the trust has established them.

Find out more about:

- Model articles of association for academy trusts
- DfE's governance structures and role descriptors guidance.

What should trustees focus on?

1.12 The trustees should focus on three core functions:

- ensuring clarity of vision, ethos and strategic direction
- holding executive leaders to account for the educational performance of the organisation and its pupils, and the performance management of staff
- overseeing and ensuring effective financial performance.

Find out about Understanding your data to help trustees support and challenge the executive team.

1.13 The trustees **must** apply the highest standards of conduct and ensure robust governance, as these are critical for effective financial management. They should follow the Governance Handbook, which describes the following features of effective governance in more detail and will aid compliance with the Academy Trust Handbook:

- **strategic leadership** that sets and champions vision, ethos and strategy
- **accountability** that drives up educational standards and financial performance
- **people** with the right skills, experience, qualities and capacity
- **structures** that reinforce clearly defined roles and responsibilities
- **compliance** with statutory and contractual requirements
- **evaluation** of governance to monitor and improve its quality and impact.

Do trustees have statutory duties?

1.14 Yes. They **must** comply with the trust's charitable objects, with company and charity law, and with their contractual obligations under the funding agreement. Company directors' duties are described in sections 170 to 181 of the Companies Act 2006, but in summary are to:

- act within their powers
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare interest in proposed transactions or arrangements.

As an organisation, the trust has a range of obligations under current legislation and statutory guidance. Trusts' obligations include such matters as safeguarding, health and safety and estates management. Ensuring strong governance in these areas will be a key priority for the board.

Safeguarding

1.15 Academy trust boards have a duty to:

- safeguard and promote the welfare of children
- have regard to any statutory guidance on safeguarding issued by the Secretary of State
- ensure the suitability of staff, supply staff, volunteers, contractors and proprietors.

Find out more about this duty in:

- The Education (Independent School Standards) Regulations 2014

and read further guidance in:

- Working together to safeguard children
- Keeping children safe in education (KCSIE), which contains guidance on legal requirements including Disclosure and Barring Service (DBS) checks, directions made under section 128 of the Education and Skills Act 2008 prohibiting individuals from taking part in academy trust management, and teacher prohibition checks

1.16 When carrying out the Prevent duty as required under section 26 of the Counter Terrorism and Security Act, trusts are required to follow the Home Office's 'Revised Prevent duty guidance: for England and Wales' and the DfE's general advice 'Protecting children from radicalisation: the prevent duty'.

Find the guidance at:

- Revised Prevent duty guidance: for England and Wales

- Protecting children from radicalisation: the prevent duty

Health and safety

1.17 The main legislation covering this area is the Health and Safety at Work etc. Act 1974 and its regulations. Under the Act the academy trust, as an employer, is responsible for the health and safety of its staff, pupils, and any visitors.

1.18 Trust boards should follow the Department's 'Health and Safety: responsibilities and duties for schools' as well as 'Health and Safety Executive (HSE) guidance for Education'.

Find out more at:

- Health and Safety at Work etc. Act 1974
- Health and Safety: responsibilities and duties for schools
- Health and Safety Executive guidance for Education

1.19 Academy trusts have a duty to manage asbestos in their schools effectively, compliant with the Control of Asbestos Regulations 2012.

Find out more about:

- Managing Asbestos in Your School or College – DfE guidance to help academy trusts understand their duties in relation to asbestos management
- Asbestos registers and management plans – essential for safe management of asbestos
- Duty to manage asbestos guidance - detailed advice from the Health and Safety Executive
- Asbestos management checklist for schools – questions to help academy trusts check whether suitable precautions are in place
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 – including trusts' legal duty to notify the Health and Safety Executive in certain circumstances where asbestos has been disturbed or damaged

Estates management

1.20 An academy trust's estate is both an asset and a mechanism to deliver outcomes for pupils. The DfE expects academy trusts to manage their school estate strategically and maintain their estate in a safe working condition.

Find advice, standards and tools for academy trusts at Good Estate Management for Schools. This includes guidance on developing an estates strategy and asset management plan, and a self-assessment to identify estate management priorities.

What else do trustees consider?

1.21 The trustees **must** ensure regularity and propriety in use of the trust's funds, and achieve economy, efficiency and effectiveness – the three elements of value for money. The trustees **must** also take ownership of the trust's financial sustainability and its ability to operate as a going concern.

Find out about the Top 10 'musts' for trustees.

What does the chair of trustees do?

1.22 The chair is responsible for ensuring the effective functioning of the board and has a vital role in setting the highest expectations for professional standards of governance and accountability for the board. It is the chair's responsibility to give the trust board clear leadership and direction, keeping it focused on its core functions. The chair's role will be informed by the governance professional's (clerk's) advice and support. ESFA will help chairs and their boards to do this, if required.

Find out more about the role of the chair: Governance structures and roles.

Can employees be trustees?

1.23 From 1 March 2022 any newly appointed senior executive leader can only be a trustee if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it. The Department's strong preference is for no other employees to serve as trustees, nor for trustees to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of accountability. This does not prevent trustees from carrying out internal scrutiny as described in paragraph 3.17.

Can trustees delegate?

1.24 Yes. The board **must** appoint an audit and risk committee – either a dedicated committee or combined with another committee, in accordance with section 3.6, to advise the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and risk management arrangements, to direct a programme of internal scrutiny and to consider the results and quality of external audit.

1.25 The board may also delegate functions to other committees. Each committee (other than those in a trust with multiple academies constituted as a local governing body) **must** contain a majority of trustees, but it may also include other people the board chooses to appoint.

Find out more about internal scrutiny and the audit and risk committee.

1.26 Academy trusts **must** not have de facto trustees (defined in appendix 1 of the Charities SORP) or shadow directors (defined in section 251(1) of the Companies Act 2006).

Skills and experience

1.27 The board should identify the skills and experience it needs, including financial knowledge, and address gaps through recruitment, and/or induction, training and other development activities. This is particularly important at key transition points. The board should also address this for local governing bodies. The Governance Handbook identifies training material to help trustees develop and engage fully with their role. This includes a competency framework for governance that trusts should refer to in determining whether they have skills gaps.

1.28 New trusts producing audited accounts for the first time **must** include in their first governance statement what they have done to review and develop their governance structure and the composition of the board.

1.29 Subsequently, established trusts should include an annual assessment, including a review of the board's composition in terms of skills, effectiveness, leadership and impact.

1.30 Trusts should refer to the features of effective governance in the Governance Handbook (strategic leadership, accountability, people, structures, compliance and evaluation).

1.31 They can also refer to the 20 key questions for the governing board to ask itself, and 21 questions for multi-academy trust boards published by the All-Party Parliamentary Group on Education, Governance and Leadership.

External reviews of governance

1.32 An objective independent external review of the effectiveness of the board can be a more powerful diagnostic tool than a self-evaluation. External reviews are particularly important before the board undertakes any significant change - for example before a trust grows significantly, or in cases where concerns around governance arise. The Department's strong preference is that external reviews of governance are also conducted routinely as part of a wider programme of self-assessment and improvement. Reviews should also consider the interaction between members and trustees, including the extent to which members are able to assure themselves that the trustees undertake their duties effectively.

Find out more about:

- the role of trustees in section 5 of the Governance Handbook
- academy trust governance: structures and roles
- DfE school governance update
- Charity Commission guidance CC3: the essential trustee: what you need to know, what you need to do
- the automatic disqualification rules for individuals acting as trustees or senior managers in charities
- compliance with The Education (Independent School Standards) Regulations 2014 (legislation.gov.uk)
- trustees should also follow the other guidance available from the Charity Commission
- questions for the board to ask itself about its governance arrangements in the DfE School resource management self-assessment checklist
- external reviews of governance, section 7 of the Governance Handbook

The accounting officer

Who is the accounting officer?

1.33 The board of trustees **must** appoint, in writing, a senior executive leader who may be appointed as a trustee. In single academy trusts this should be the principal. In trusts with multiple academies it should be the chief executive or equivalent.

1.34 The board **must** also appoint, in writing, a named individual as its accounting officer. This should be the senior executive leader. The individual **must** be a fit and suitable person for the role. The roles of senior executive leader and accounting officer **must not** rotate. The accounting officer should be employed by the trust. The trust **must** obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint an accounting officer who will not be an employee.

1.35 The appointment of an accounting officer does **not** remove the trustees' responsibility for the proper conduct and financial operation of the trust.

Find out about the automatic disqualification rules for individuals acting as senior managers or trustees in charities.

Departure of the senior executive leader (accounting officer)

1.36 When the senior executive leader is planning to leave the trust (for example retirement or resignation), the board of trustees should approach their Regional Director in advance to discuss their structure and options, including plans for recruitment.

Find out more about the Regional Directors .

What does the accounting officer do?

1.37 The accounting officer role includes specific responsibilities for financial matters. It includes a personal responsibility to Parliament, and to ESFA's accounting officer, for the trust's financial resources.

1.38 Accounting officers **must** be able to assure Parliament, and the public, of high standards of probity in the management of public funds, particularly regularity, propriety and value for money.

1.39 Accounting officers **must** adhere to The 7 principles of public life.

1.40 The accounting officer **must** have oversight of financial transactions, by:

- ensuring the academy trust's property and assets are under the trustees' control, and measures exist to prevent losses or misuse
- ensuring bank accounts, financial systems and financial records are operated by more than one person
- keeping full and accurate accounting records to support their annual accounts.

The accounting officer's annual statement

1.41 The accounting officer **must** complete and sign a statement on regularity, propriety and compliance each year and submit this to ESFA with the audited accounts. The accounting officer **must** also demonstrate how the trust has secured value for money via the governance statement in the audited accounts.

The accounting officer's duty to raise concerns

1.42 The accounting officer **must** take personal responsibility (which **must not** be delegated) for assuring the board that there is compliance with the funding agreement and handbook.

1.43 The accounting officer **must** advise the board in writing if action it is considering is incompatible with the articles, funding agreement or handbook.

1.44 Similarly, the accounting officer **must** advise the board in writing if the board fails to act where required by the funding agreement or handbook. Where the board is minded to proceed, despite the accounting officer's advice, the accounting officer **must** consider the board's reasons and if the accounting officer still considers the action proposed by the board is in breach of the articles, the funding agreement or handbook, the accounting officer **must** notify ESFA's accounting officer immediately in writing.

Find out more about the accounting officer role in chapter 3 of Managing Public Money.

The chief financial officer

Who is the chief financial officer?

1.45 The board **must** appoint a chief financial officer (CFO), who is (and whose job title may instead be) the trust's finance director, business manager or equivalent, to whom responsibility for the trust's detailed financial procedures is delegated. The CFO should play both a technical and leadership role. The CFO should be employed by the trust, and the trust **must** obtain prior ESFA approval if it is proposing, in exceptional circumstances, to appoint a CFO who will not be an employee.

Skills and experience

1.46 The CFO and their finance staff **must** be appropriately qualified and/or experienced. Trusts **must** assess whether the CFO, and others holding key financial posts, should have a business or accountancy qualification and hold membership of a relevant professional body, dependent on the risk, scale and complexity of financial operations. ESFA encourages larger trusts (for example over 3,000 pupils) to consider the range of accountancy qualifications available from professional bodies such as the ICAEW, ACCA, CIMA or CIPFA (including CIPFA qualifications developed in partnership with ISBL), and take this into account when filling CFO vacancies.

1.47 CFOs should maintain continuing professional development and undertake relevant ongoing training.

Relevant apprenticeships are available at levels 4 and 6 for CFOs and other finance staff seeking qualifications for their level of responsibility. Trusts should consider using the apprenticeship levy for professional development of finance staff.

Support for the CFO

1.48 The CFO need not discharge all their duties personally. The trust may employ additional staff or contractors with the relevant skills and knowledge at the appropriate time.

Find out what the CFO role may cover in the Institute of School Business Leadership's Professional Standards, and its employers' guidance.

CFOs may find it beneficial to engage in a local or regional network of fellow school business professionals. Find one in the directory of school business professional networks.

The governance professional (clerk to the board)

1.49 The academy trust **must** appoint a governance professional to support the board of trustees who is someone other than a trustee, principal or chief executive of the trust. A governance professional can contribute to the efficient functioning of the board by providing:

- guidance to ensure the board works in compliance with the appropriate legal and regulatory framework, and understands the potential consequences of non-compliance
- independent advice on procedural matters relating to operation of the board
- administrative and organisational support.

1.50 For non-executive trustees a knowledgeable governance professional (or company secretary) is an essential part of their tool kit.

Find out about:

- the knowledge, skills and behaviours required to provide professional clerking to the board in the Clerking competency framework
- DfE's governance structures and role descriptors guidance

Disclosure and Barring Service checks

1.51 In complying with the Independent School Standards, and as set out in funding agreements, academy trusts **must** ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff.

1.52 Similarly all academy trust members, trustees and individuals on any committees including local governing bodies are required to have an enhanced criminal records certificate from the Disclosure and Barring Service (DBS), which does not include a barred list check (unless in addition to their governance duties they also engage in regulated activity).

Find out about DBS checks and regulated activity in schools within the statutory guidance Keeping children safe in education (KCSIE)

Part 2: Main financial requirements

The financial management requirements for academy trusts.

Financial oversight

2.1 Trustees and management **must** maintain robust oversight of the academy trust.

2.2 The trust **must** take full responsibility for its financial affairs, stewardship of assets and use resources efficiently to maximise outcomes for pupils.

Board meetings

2.3 The board and its committees **must** meet regularly enough to discharge their responsibilities and ensure robust governance and effective financial management. Board meetings **must** take place at least three times a year (and business conducted only when quorate), although trusts should consider meeting more frequently. If the board meets less than six times a year it **must** describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

Scheme of delegation

2.4 The board cannot delegate overall responsibility for the academy trust's funds. However, it **must** approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation should be reviewed annually, and immediately when there has been a change in trust management or organisational structure.

2.5 The academy trust should have a finance committee to which the board delegates financial scrutiny and oversight, and which can support the board in maintaining the trust as a going concern.

Basic control principles

2.6 The academy trust **must** have sound internal control, risk management and assurance processes. This should follow a tiered approach comprising:

- clearly communicated procedures, structures and training of staff
- appropriate day to day supervision and checks by management
- internal scrutiny overseen by an audit and risk committee
- external audit and assurance.

2.7 The control framework **must**:

- ensure delegated financial authorities are complied with

- maintain appropriate segregation of duties
- co-ordinate the planning and budgeting process
- apply discipline in financial management, including managing debtors, creditors, cash flow and monthly bank reconciliations
- plan and oversee capital projects
- manage and oversee assets, and maintain a fixed asset register
- ensure regularity, propriety and value for money in the organisation's activities
- ensure a risk register is maintained and reviewed by the board drawing on advice provided to it by the audit and risk committee
- reduce the risk of fraud and theft
- deliver independent checking of controls, systems, transactions and risks.

Find out how the trustees **must** ensure internal control and risk management is scrutinised and operating effectively.

Financial planning

2.8 The board of trustees **must:**

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA
- as part of its management of the trust's funds, set a policy for holding reserves and explain it in its annual report. Information on how the trust must report on reserves is set out in the Accounts Direction.

Setting a budget

2.9 The board of trustees, and any separate committee responsible for finance, **must** ensure rigour and scrutiny in budget management.

2.10 The board of trustees **must** approve a balanced budget, and any significant changes to it, for the financial year to 31 August, which can draw on unspent funds brought forward from previous years. The board **must** minute its approval.

2.11 The board **must** ensure budget forecasts for the current year and beyond are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and reflect lessons learned from previous years.

2.12 It should challenge pupil number estimates as these underpin revenue projections, and review these termly.

2.13 Boards are encouraged to take an integrated approach to curriculum and financial planning so that they are confident about planning the best curriculum for their pupils and delivering the trust's educational priorities with the funding they have available.

2.14 Boards should refer to DfE's material on improving school resource management including the top 10 planning checks for governors. To help manage capital assets and budgets they should refer to the Good estates management for schools guidance including the organisation self-assessment tool, top 10 estate checks for boards and material on strategic estate management.

Find out more to help with financial planning, financial performance and resource management, including tools for:

- financial benchmarking
- school resource management self-assessment checklist
- school financial efficiency metrics
- view my financial insights which provides trusts with an assessment of their financial data based on similar schools
- financial support for academy trusts in financial difficulty

Sending your budget to ESFA

2.15 The academy trust **must** submit to ESFA, in a form specified by ESFA, an Academies budget forecast return (BFR) each July in accordance with deadlines published annually.

2.16 These **must** be approved by the trustees before submission.

2.17 The board of trustees **must** notify ESFA within 14 calendar days of its meeting, if proposing to set a deficit revenue budget for the current financial year, which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook.

Find out more about:

- submitting your budget returns to ESFA
- deficit recovery

Monitoring the budget

2.18 The trust **must** prepare management accounts every month setting out its financial performance and position. Management **must** take appropriate action to ensure ongoing viability.

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

2.20 The board **must** ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

2.21 The format of monthly management accounts **must** include an income and expenditure account, variation to budget report, cash flows and balance sheet.

2.22 The trust **must** select key financial performance indicators and measure its performance against them regularly, including analysis in its annual trustees' report as explained in the Accounts Direction.

2.23 Where the board has concerns about financial performance, it should act quickly ensuring the trust has adequate financial skills in place.

Find out more from ESFA about:

- management accounting and operating as a going concern

Cash management

2.24 The trust **must** manage its cash position robustly. It **must** avoid becoming overdrawn on any of its bank accounts so that it does not breach restrictions on borrowing. It may be required to report on its cash position to ESFA where there are concerns about financial management.

Investments

2.25 The board of trustees may invest to further the trust's charitable aims, but **must** ensure investment risk is properly managed. When considering an investment the board **must**:

- act within its powers to invest as described in its articles
- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure investment decisions are in the trust's best interests
- review the trust's investments and investment policy regularly.

2.26 The board should follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. ESFA's approval **must** be obtained for novel, contentious and/or repercussive investments.

Procurement and spending decisions

2.27 The academy trust **must** be able to show that public funds have been used as intended by Parliament.

Procurement basics

2.28 The academy trust **must** ensure:

- spending has been for the purpose intended and there is probity in the use of public funds
- spending decisions represent value for money
- internal delegation levels exist and are applied
- a competitive tendering policy is in place and applied, and the procurement rules and thresholds in the Public Contracts Regulations 2015 and Find a Tender service are observed
- professional advice is obtained where appropriate.

2.29 The Department strongly recommends the deals for schools that make buying simpler and quicker, and can provide better value for money.

Find out more about:

- buying procedures and procurement law for schools
- buying for schools - how to plan and run an efficient procurement process
- how to compare your costs against other schools and access the school financial benchmarking tool
- additional guidance in annex 4.6 of Managing Public Money
- the duty for companies to report their payment practices and performance.

Setting executive pay

2.30 The board of trustees **must** ensure its decisions about levels of executive pay (including salary and any other benefits) follow a robust evidence-based process and are a reasonable and defensible reflection of the individual's role and responsibilities. No individual can be involved in deciding their remuneration.

2.31 The board **must** discharge its responsibilities effectively, ensuring its approach to pay and benefits is transparent, proportionate and justifiable, including:

- process – that the procedure for determining executive pay and benefits, and keeping them proportionate, is agreed by the board in advance and documented
- independence – decisions about executive pay and benefits reflect independent and objective scrutiny by the board and that conflicts of interest are avoided
- robust decision-making – factors in determining pay and benefits are clear, including whether educational and financial performance considerations, and the degree of challenge in the role, have been taken into account
- proportionality – pay and benefits represent good value for money and are defensible relative to the public sector market
- commercial interests – ensuring the board is sighted on broader business interests held by senior executives and is satisfied that any payments made by the trust to executives in relation to such interests do not undermine the transparency requirements for disclosing pay in accordance with the Academies Accounts Direction
- documentation – the rationale behind the decision-making process, including whether the level of pay and benefits reflects value for money, is recorded and retained
- a basic presumption that executive pay and benefits should not increase at a faster rate than that of teachers, in individual years and over the longer term
- understanding that inappropriate pay and benefits can be challenged by ESFA, particularly in instances of poor financial management of the trust.

Publication of executive pay

2.32 The trust **must** publish on its website in a separate readily accessible form the number of employees whose benefits exceeded £100k, in £10k bandings, for the previous year ended 31 August. Benefits for this purpose include salary, employers' pension contributions, other taxable benefits and termination payments. Trusts may wish to display this information in a tabular form showing in each column salary, pension etc. Where the academy trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the trust **must** also be included in the website disclosure where payment exceeds £100k as if they were an employee.

2.33 The trust is reminded of requirements under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for organisations with 250 or more employees to publish information on their website and on the government's reporting website about the gender pay gap in their organisation.

Tax arrangements for senior employees

2.34 The academy trust **must** ensure its senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment arrangements of individuals on the avoidance of tax. This is described in HM Treasury's Review of the Tax Arrangements of Public Sector Appointees, which explains that senior managers with significant financial responsibilities should be exclusively on payroll, and therefore subject to Pay As You Earn with income tax and NI contributions deducted at source. Failure to comply with these requirements can result in a fine by HM Treasury.

Find out more about:

- Setting executive salaries: guidance for academy trusts
- Principles for setting executive pay from the Confederation of School Trusts
- Executive pay: issues for consideration by governing boards of academy trusts from the National Governance Association
- Staffing and employment advice for schools
- List a teaching job at your school on Teaching Vacancies

Purchase of alcohol

2.35 The trust's funds **must not** be used to purchase alcohol for consumption, except where it is to be used in religious services.

Income generation

2.36 The academy trust should set fees for its chargeable services at full cost, but can apply an additional rate of return when in a commercial environment.

2.37 For the provision of mainstream boarding places, trusts **must** charge on a full cost recovery basis applying a rate of return of 8% on boarding charges. Fees and charges should be determined in accordance with ESFA's guidance on Managing boarding provision and annex 6.1 of Managing Public Money.

Risk management

Oversight of risk and the risk register

2.38 The trust **must** manage risks to ensure its effective operation and **must** maintain a risk register:

- Overall responsibility for risk management, including ultimate oversight of the risk register, **must** be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee.

- Other committees may also input into the management of risk at the discretion of the board.
- Aside from any review by individual committees, the board itself **must** review the risk register at least annually.
- Risks management covers the full operations and activities of the trust, not only financial risks.

Find out how the trustees **must** ensure effective risk-based internal scrutiny.

2.39 The trust's management of risks **must** include contingency and business continuity planning.

Find out more about:

- management of risk: principles and concepts including HM Treasury's suggested structure for a risk register
- risk management in ESFA's good practice guide.

The risk protection arrangement

2.40 The academy trust **must** have adequate insurance cover in compliance with its legal obligations or be a member of the academies risk protection arrangement (RPA). Not all risks are covered in the RPA.

2.41 The trust should consider the RPA unless commercial insurance provides better value for money. If the trust is not an RPA member, it should determine its own level of commercial insurance to include buildings and contents, business continuity, employers' and public liability insurance and other cover required.

2.42 The trust **must** cooperate with risk management auditors and risk managers, and implement reasonable risk management audit recommendations made to them.

Find out more about the risk protection arrangement.

Whistleblowing

Having a procedure

2.43 The academy trust **must** have procedures for whistleblowing, to protect staff who report individuals they believe are doing something wrong or illegal.

2.44 The trustees **must** agree the whistleblowing procedure and publish it on the trust's website.

2.45 The trust should appoint at least one trustee and one member of staff who other staff can contact to report concerns.

Informing staff

2.46 The trust **must** ensure all staff are aware of the whistleblowing process, and how concerns will be managed.

2.47 Staff should know what protection is available to them if they report someone, what areas of malpractice or wrongdoing are covered in the trust's whistleblowing procedure, and who they can approach to report a concern.

2.48 The trust **must** ensure all concerns raised with them by whistleblowers are responded to properly and fairly.

Find out more at:

- whistleblowing for employees, including a definition of whistleblowing
- school complaints and whistleblowing, including how ESFA handles complaints about academies
- the whistleblowing charity Protect (formerly Public Concern at Work), which provides confidential independent advice about wrongdoing in the workplace.

Being transparent about your governance

2.49 The trust **must** be transparent with its governance arrangements.

2.50 The trust **must** provide details of its governance arrangements in the governance statement published with its annual accounts, including what the board has delegated to committees and, in trusts with multiple academies, to local governing bodies. The trust **must** also publish on its website up-to-date details of its governance arrangements in a readily accessible format, including:

- the structure and remit of the trust's members, board of trustees, committees and local governing bodies (the trust's scheme of delegation for governance functions), and the full names of the chair of each
- for each of the trust's members serving at any point over the past 12 months, their full names, date of appointment, date they stepped down (where applicable), and relevant business and pecuniary interests including governance roles in other educational institutions
- for each trustee and local governor serving at any point over the past 12 months, their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them, and relevant business and pecuniary interests including governance roles in other educational institutions.

If the accounting officer is not a trustee their business and pecuniary interests **must** still be published
- for each trustee, their attendance records at board and committee meetings over the last academic year
- for each local governor, their attendance records at local governing body meetings over the last academic year.

2.51 The trust **must** make available for public inspection:

- the agenda for every meeting of the trustees, local governing bodies and committees
- the approved minutes of each meeting
- any report, document or other paper considered at each meeting.

The trust may exclude from any item any material relating to:

- a named teacher or other employee or proposed employee
- a named pupil or student at the academy, or candidate for admission or referral to it
- any matter which, by reason of its nature, the trustees are satisfied should remain confidential.

Provision of information

General information requests

2.52 The academy trust **must** provide ESFA, or its agents, with information ESFA requires to meet funding requirements. This information **must** be of sufficient quality and provided when and how ESFA and its agents request it. ESFA will consider the impact on the trust in the deadlines it specifies.

2.53 On occasion, ESFA will require urgent information from the trust, usually because of requests to ESFA to fulfil its duties to provide information to the Secretary of State and account to Parliament. ESFA will act reasonably in requests for information and have regard to costs and timescales of providing it, and its confidentiality. In requesting information, ESFA will consider information previously supplied by the trust to ESFA or other stakeholders with whom ESFA is able to share information.

Information about key individuals in the trust

2.54 The trust **must** notify DfE of changes to the governance information described in this section within 14 calendar days of the change.

2.55 Notification **must** be through the governance section of DfE's Get information about schools (GIAS) register, accessed via DfE Sign-in.

2.56 All mandatory fields specified in GIAS for the individuals **must** be completed and the trust **must** ensure its record in GIAS for the individuals is kept up to date.

2.57 The records required in GIAS for the trust are:

- members
- chair of trustees
- all other trustees
- accounting officer
- chief financial officer

including direct contact details for all.

2.58 The records required in GIAS for constituent academies in a trust with multiple academies are:

- headteacher
- chairs of local governing bodies (where adopted),
- local governors (where adopted)

including direct contact details for all.

Failure to provide information

2.59 If the trust does not return the information DfE requires by the deadline, or the information is not acceptable quality, ESFA may conduct investigations to collect it. ESFA may deduct the cost of the investigations from the trust's recurrent funding. DfE may take further actions it deems necessary, such as publication of the names of late returners, to enforce compliance where trusts fail to fulfil their duties to provide information.

Part 3: Internal scrutiny

The need for academy trusts to conduct checks to ensure systems are effective and compliant.

Purpose of internal scrutiny

3.1 All academy trusts **must** have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively.

Approach

3.2 Internal scrutiny **must** focus on:

- **evaluating** the suitability of, and level of compliance with, financial and non-financial controls. This includes assessing whether procedures are designed effectively and efficiently, and checking whether agreed procedures have been followed
- **offering advice and insight** to the board on how to address weaknesses in financial and non-financial controls, acting as a catalyst for improvement, but without diluting management's responsibility for day to day running of the trust
- **ensuring all categories of risk** are being adequately identified, reported and managed.

3.3 The trust **must** identify on a risk-basis (with reference to its risk register) the areas it will review each year, modifying its checks accordingly. For example, this may involve greater scrutiny where procedures or systems have changed.

Working with other assurance providers

3.4 Internal scrutiny should take account of output from other assurance procedures to inform the programme of work. For example, it should have regard to recommendations from the trust's external auditors as described in their management letter, and from relevant reviews undertaken by ESFA.

Independence and objectivity

3.5 Independence in internal scrutiny **must** be achieved by establishing appropriate reporting lines, whereby those carrying out checks report directly to a committee of the board, which in turn provides assurance to the trustees.

Directing internal scrutiny – the audit and risk committee

Requirement for a committee

3.6 The academy trust **must** establish an audit and risk committee, appointed by the board.

- Trusts with an annual income over £50 million **must** have a dedicated audit and risk committee.
- Other trusts **must** either have a dedicated audit and risk committee or can combine it with another committee, such as finance.

3.7 The audit and risk committee should meet at least three times a year.

Remit of the committee in relation to internal scrutiny

3.8 The audit and risk committee **must**:

- oversee and approve the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately through internal scrutiny
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.

Membership of the committee

3.9 Employees of the trust should not be audit and risk committee members, but the accounting officer and chief financial officer should attend to provide information and participate in discussions.

3.10 The chair of trustees should not be chair of the audit and risk committee. Where the finance committee and audit and risk committee are separate, the chair should not be the same.

3.11 Where the audit and risk committee is combined with another committee, employees should not participate as members when audit matters are discussed.

Operating the committee

3.12 The committee **must**:

- have written terms of reference describing its remit
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- review the ratings and responses on the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- agree who will perform the work

- consider reports at each meeting from those carrying out the programme of work
- consider progress in addressing recommendations
- consider outputs from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- have access to the external auditor, as well as those carrying out internal scrutiny, review their plans and reports and also consider their quality.

3.13 In trusts with multiple academies, the committee's oversight **must** extend to the financial and non-financial controls and risks at constituent academies.

3.14 Oversight **must** ensure information submitted to DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for trusts with multiple academies) by constituent academies, is accurate and in compliance with funding criteria.

Find out more in HM Treasury's audit committee handbook.

Delivering internal scrutiny

Principles

3.15 Internal scrutiny **must**:

- be independent and objective – for example it **must not** be performed by the trust's own accounting officer, chief financial officer or other members of the senior leadership or finance team
- be conducted by someone suitably qualified and experienced and able to draw on technical expertise as required
- be covered by a scheme of work, driven and agreed by the audit and risk committee, and informed by risk
- be timely, with the programme of work spread appropriately over the year so higher risk areas are reviewed in good time
- include regular updates to the audit and risk committee by the person(s) or organisation(s) carrying out the programme of work, incorporating:
  - a report of the work to each audit and risk committee meeting, including recommendations where appropriate to enhance financial and non-financial controls and risk management
  - an annual summary report to the audit and risk committee for each year ended 31 August outlining the areas reviewed, key findings, recommendations and conclusions, to help the committee consider actions and assess year on year progress.

3.16 Whilst the audit and risk committee is responsible for overseeing the internal scrutiny, the findings **must** also be made available to all trustees promptly.

Options

3.17 The trust **must** deliver internal scrutiny in the way most appropriate to its circumstances. Options include:

- employing an in-house internal auditor
- a bought-in internal audit service from a firm, other organisation or individual with professional indemnity insurance
- the appointment of a non-employed trustee
- a peer review by the chief financial officer from another academy trust. The trust should satisfy itself that the trust supplying the reviewer has a good standard of financial management and governance and should minute the basis for its decision. The peer reviewer should be independent of the trust.

3.18 The trust may combine the above options. The trust may also use other individuals or organisations where specialist non-financial knowledge is required.

3.19 To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced:

- auditors should be members of a relevant professional body
- trustees and peer reviewers performing the work should have qualifications in finance, accounting or audit, and appropriate internal audit experience. Trusts should work towards this position where it is not already the case.

3.20 Trusts should note that the Financial Reporting Council's Ethical Standard states that a firm providing external audit to an entity shall not also provide internal audit services to it. In order to minimise threats to objectivity and independence in the internal scrutiny of academy trusts, ESFA considers that the term internal scrutiny **must** be viewed in the same way as internal audit.

3.21 The trust **must** keep its approach to internal scrutiny under review. If it changes in size, complexity or risk profile, it should consider whether its approach remains suitable.

External reporting and transparency

3.22 The trust **must** confirm in its governance statement, accompanying its annual accounts, which of the internal scrutiny options it has applied and why. The outcome of the work **must** also inform the accounting officer's statement of regularity in the annual accounts.

3.23 The trust **must** submit its annual summary report of the areas reviewed, key findings, recommendations and conclusions (as presented to the audit and risk committee under section 3.15 by the person(s) or organisation(s) carrying out the programme of work) to ESFA by 31 December each year when it submits its audited annual accounts. If the trust uses additional individuals or organisations where specialist non-financial knowledge is required, as permitted under paragraph 3.18, it should reflect their findings, recommendations and conclusions as part of the summary document submitted to ESFA. The trust **must** also provide ESFA with any other internal scrutiny reports if requested.

Find out more in ESFA's internal scrutiny good practice guide, which:

- describes both financial and non-financial areas that internal scrutiny could cover, and
- provides a suggested structure for an internal scrutiny annual report.

Further information on internal audit is available at the Chartered Institute of Internal Auditors.

Part 4: Annual accounts and external audit

How academy trusts **must** report on their finances to give assurance to Parliament and the public about the use of resources.

Preparation and audit of accounts

4.1 The academy trust **must** maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction.

4.2 The accounts **must** be audited.

4.3 The accounting period of an academy trust will usually end on 31 August as described in its funding agreement.

4.4 The audited report and accounts **must** be:

- submitted to ESFA by 31 December
- published on the trust's website by 31 January
- filed with Companies House under company law, usually by 31 May
- provided to every member (under the Companies Act)
- provided to anyone who requests a copy.

Find out more about:

- preparation, audit and submission of your annual accounts in the Accounts Direction and Charites SORP
- the requirement to submit an annual confirmation statement to Companies House.

External auditors

Appointment of external auditors

4.5 Under the Companies Act 2006, academy trusts **must** appoint an auditor to give an opinion on whether their annual accounts present a true and fair view of the trust's financial performance and position (appointment being by the members, other than where the Companies Act permits the trustees to appoint – for example for the trust's first period of account). Trusts should retender their external audit contract at least every five years and **must** consider the relevant points in 4.17 when evaluating.

4.6 The audit contract and regularity engagement as described in 4.15 **must** be in writing and **must** not cover other services. If additional services are purchased, a

separate letter of engagement **must** be obtained specifying the work and the fee. Trusts should note that auditors are subject to the Financial Reporting Council's Ethical Standard which aims to strengthen auditor independence and prevent conflict of interest where additional services are provided to a client.

Find out more about choosing an external auditor.

Removal of external auditors

4.7 The letter of engagement **must** allow for removal of auditors, before the expiry of the term of office, in exceptional circumstances. Proposals to remove auditors **must** require a majority vote of the members, who **must** provide reasons for their decision to the board. There **must** be a requirement in the letter of engagement for the auditors to provide the trust with an explanation if the auditors resign within 14 calendar days of their resignation.

4.8 The board of trustees **must** notify ESFA immediately of the removal or resignation of the auditors. For removal, the trust **must** notify ESFA of the reasons, copying to ESFA any statement received from the auditor on this matter. For resignation, the trust **must** copy to ESFA an explanation from the auditors. A change in auditor at the expiry of their agreed term of office does not require notification to ESFA.

Group auditors and sector account

4.9 DfE will consolidate each academy trust's accounts into a sector annual report and accounts (SARA). DfE will use audited accounts returns and other information to generate the SARA, which the National Audit Office (NAO) will audit.

4.10 As each trust is a component of the SARA, the trust **must** prepare the financial information requested by DfE for this purpose.

4.11 Academy trusts' auditors will be required by DfE to audit certain information, and this requirement should be incorporated within the terms of engagement.

4.12 The NAO must reach an opinion on regularity for ESFA's own accounts, and for this will draw on the regularity opinions of trusts' auditors.

Find out more about the academies sector annual report and accounts.

Review of regularity

Accounting officer's statement

4.13 An accounting officer's statement on regularity, propriety and compliance **must** be included in the academy trust's annual accounts. This is a declaration by the

accounting officer that they have met their responsibilities to Parliament for the resources under their control during the year. It includes responsibility to ensure:

- efficient and effective use of resources (value for money)
- public money is spent for the purposes intended by Parliament (regularity)
- appropriate standards of conduct, behaviour and corporate governance are maintained (propriety).

4.14 The format of the statement is in ESFA's Accounts Direction. The accounting officer also has responsibility to advise the board of trustees and ESFA of instances of irregularity or impropriety, or non-compliance with the funding agreement or handbook.

Auditor's review of regularity

4.15 A review of the accounting officer's statement **must** be included within the remit of academy trusts' external auditors. The auditor's conclusions on regularity **must** be addressed jointly to the trust and ESFA.

Find out more about the accounting officer's statement and review of regularity in the Accounts Direction.

External audit oversight and findings – the audit and risk committee

4.16 The audit process can support trusts by identifying areas that may require improvement. The board of trustees, taking advice from the audit and risk committee, **must** ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

4.17 Specifically the audit and risk committee **must**:

- review the external auditor's plan each year
- review the annual report and accounts
- review the auditor's findings and actions taken by the trust's managers in response to those findings
- assess the effectiveness and resources of the external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering. Considerations may include:
  - the auditor's sector expertise
  - their understanding of the trust and its activities
  - whether the audit process allows issues to be raised on a timely basis at the appropriate level

    - the quality of auditor comments and recommendations in relation to key areas
    - the personal authority, knowledge and integrity of the audit partners and their staff to interact effectively with, and robustly challenge, the trust's managers
    - the auditor's use of technology
- produce an annual report of the committee's conclusions to advise the board of trustees and members, including recommendations on the reappointment or dismissal or retendering of the external auditor, and their remuneration.

Part 5: Delegated authorities

The financial freedoms and limits applying to academy trusts.

Requirement to obtain ESFA approval

5.1 The academy trust has autonomy over financial transactions arising in the normal course of business. However, some transactions have delegated authority limits beyond which trusts **must** obtain prior ESFA approval, regardless of the source of funds. A schedule of delegated authorities is at section 5.65. Trusts **must** ensure they are familiar with these requirements and ESFA may intervene where trusts do not seek the required ESFA approval in advance.

Use ESFA's contact form to request ESFA approval for any transactions beyond the academy trusts delegation limits. Such approval **must** be sought before the transaction takes place.

Disclosure

5.2 Irrespective of whether ESFA approval is required, the academy trust **must** disclose aggregate figures for transactions of any amount, and separate disclosure for individual transactions above £5,000, in its audited accounts for the following transactions:

- special payments – compensation [5.14]
- special payments – ex gratia [5.17]
- writing off debts and losses [5.19]
- guarantees, letters of comfort and indemnities [5.19]
- acquisition or disposal of freehold land and buildings [5.23]
- disposal of heritage assets [5.23]
- taking up or granting a leasehold on land and buildings [5.27]
- gifts by the trust [5.32].

5.3 The following transactions **must** be disclosed in total, and individually:

- special payments – staff severance, of any value [5.7].

5.4 Other than what is required under financial reporting standards, the Charities SORP and the Accounts Direction, disclosure can be anonymised.

Novel, contentious and repercussive transactions

5.5 Novel, contentious and/or repercussive transactions **must** always be referred to ESFA for approval, and the request **must** be made to ESFA before the transaction occurs. ESFA may refer such transactions to HM Treasury for approval, so trusts should allow sufficient time for proposals to be considered.

- Novel transactions are those of which the academy trust has no experience, or are outside its range of normal business.
- Contentious transactions are those that might cause criticism of the trust by Parliament, the public or the media.
- Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

Special payments

5.6 Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury calls these special payments, (see annex 4.13 of Managing Public Money), and are subject to greater control than other payments. They include:

- staff severance payments
- compensation payments
- ex gratia payments.

Special staff severance payments

5.7 Special staff severance payments are paid to employees outside statutory or contractual requirements when leaving public employment. They are different to ex gratia payments.

5.8 If an academy trust is considering a staff severance payment above statutory or contractual entitlements, it **must** consider the following issues before making a binding commitment:

- that the proposed payment is in the trust's interests
- whether the payment is justified, based on legal assessment of the trust's chances of successfully defending the case at employment tribunal. If there is a significant prospect of losing the case, a settlement may be justified, especially if the costs of a defence are likely to be high. Where a legal assessment suggests the trust is likely to be successful, a settlement should not be offered
- if the settlement is justified, the trust would need to consider the level of settlement. This **must** be less than the legal assessment of what the relevant body (e.g. an employment tribunal) is likely to award.

5.9 Staff severance payments should not be made where they could be seen as a reward for failure, such as gross misconduct or poor performance. The only acceptable rationale in the case of gross misconduct would be where legal advice is that the claimant is likely to succeed in an employment tribunal because of employment law procedural errors. In the case of poor performance, an acceptable comparison would be the time and cost of taking someone through performance management and capability procedures.

5.10 Where the academy trust is considering a staff severance payment including a non-statutory/non-contractual element of £50,000 or more, (gross, before income tax or other deductions), ESFA's prior approval **must** be obtained before making any binding offer to staff. ESFA will refer such transactions to HM Treasury, so trusts should allow sufficient time for proposals to be considered. Examples of approval requirements are as follows:

Statutory/contractual payment		Non-statutory/non-contractual payment	ESFA/HM Treasury approval required?
£30,000	+	£30,000	No
£60,000	+	£30,000	No
£30,000	+	£50,000	Yes – for £50,000

5.11 Academy trusts should demonstrate value for money by applying the same scrutiny to a payment under £50,000 as those over £50,000, and have a justified business case. Settlements **must** not be accepted unless satisfying the conditions in this handbook and in ESFA's guidance and submission template.

5.12 Additionally, in accordance with HM Treasury's Guidance on Public Sector Exit Payments, academy trusts **must** obtain prior ESFA approval before making a special staff severance payment where:

- an exit package which includes a special severance payment is at, or above, £100,000; and/or
- the employee earns over £150,000.

Find out more about severance payments.

Use of confidentiality clauses

5.13 Academy trusts **must** ensure confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest (whistleblowing) under the Public Interest Disclosure Act 1998.

Compensation payments

5.14 Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. If an academy trust is considering a compensation payment, it **must** base its decision on a careful appraisal, including legal advice where relevant, and ensure value for money.

5.15 Academy trusts have delegated authority to approve individual compensation payments provided any non-statutory/non-contractual element is under £50,000. Where the trust is considering a non-statutory/non-contractual payment of £50,000 or more ESFA's prior approval **must** be obtained. ESFA will refer such transactions to HM Treasury.

5.16 Trusts should consider whether cases reveal concerns about the effectiveness of internal control systems and take steps to correct failings.

Ex gratia payments

5.17 Ex gratia payments are another type of transaction going beyond statutory or contractual cover, or administrative rules. Annex 4.13 of Managing Public Money provides examples, including payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.

5.18 Ex gratia transactions **must** always be referred to ESFA for prior approval. HM Treasury approval may also be needed. If trusts are in doubt about a proposed transaction, they should seek ESFA advice.

Write-offs and entering into liabilities

5.19 The academy trust **must** obtain ESFA's prior approval for the following transactions beyond the delegated limits described below:

- writing-off debts and losses;
- entering into guarantees or letters of comfort; and
- entering into indemnities which are not in the normal course of business.

Find out more about:

- handling contractual indemnities (in the normal course of business.)
- additional guidance in annex 5.4 of Managing Public Money

5.20 The delegated limits, are:

- 1% of total annual income or £45,000 (whichever is smaller) per single transaction

- cumulatively, 2.5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have not submitted timely, unqualified accounts for the previous two financial years. This category includes new trusts that have not had the opportunity to produce two years of audited accounts.
- cumulatively, 5% of total annual income (subject to a maximum of £250,000) in any financial year per category of transaction for trusts that have submitted timely, unqualified accounts for the previous two financial years.

5.21 In relation to these limits:

- the trust should always pursue recovery of amounts owed to it, including overpayments, or erroneous payments. In practice, however, there will be practical and legal limits to how cases should be handled
- the trust should only consider writing-off losses after careful appraisal, including whether all reasonable recovery action has been taken with the debtor, the trust's insurers, or the risk protection arrangement, and should be satisfied there is no feasible alternative
- the amounts for write-offs are before successful claims from an insurer or the risk protection arrangement
- total annual income is defined as grant income as disclosed in the trust's last audited accounts. ESFA should be contacted if the trust has not yet published their first audited accounts.

5.22 Before accepting liabilities by issuing guarantees, a letter of comfort or indemnity, the trust should secure value for money by appraising the proposal through assessment of the costs and benefits of relevant options.

Acquisition and disposal of fixed assets

5.23 Academy trusts **must** obtain prior approval from ESFA for the following transactions:

- acquiring a freehold of land or buildings
- disposing of a freehold of land or buildings
- disposing of heritage assets, as defined in financial reporting standards, beyond any limits in the funding agreement for the disposal of assets generally.

5.24 Other than land, buildings and heritage assets, trusts can dispose of other fixed assets without ESFA's approval subject to achieving the best price that can reasonably be obtained, and maintaining the principles of regularity, propriety and value for money.

Find out more about submitting a school land transaction proposal.

Leasing

5.25 There are two types of lease:

- finance leases: these are a form of borrowing
- operating leases: these are not borrowing.

5.26 Trusts **must** obtain ESFA's prior approval for the following leasing transactions:

- taking up a finance lease on any asset for any duration from another party, which are subject to the borrowing restrictions described in paragraphs 5.33 and 5.34
- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of seven or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

5.27 Other than the above, trusts do not require ESFA's approval for operating leases.

5.28 Trusts **must** ensure any lease maintains the principles of value for money, regularity and propriety. Trusts should seek advice from their professional adviser and/or external auditor if they are in doubt over whether a lease involves borrowing.

Find out more in ESFA'S leasing good practice guide, which includes information on distinguishing between the two types of lease.

Managing General Annual Grant (GAG)

Managing surplus GAG

5.29 ESFA previously set limits on GAG carried forward by trusts from year-to-year. These limits have now been removed for eligible trusts (see section 5.60). ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

Pooling of GAG by trusts with multiple academies

5.30 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust **must not** pool PFI funding.

5.31 The trust **must** consider the funding needs and allocations of each constituent academy and **must** have an appeals mechanism. If a constituent academy's

principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

Gifts

5.32 Academy trusts should have a policy and register on the acceptance of gifts, hospitality, awards, prizes or other benefits that might compromise their judgment or integrity and should ensure all staff are aware of it. When making gifts, the trust **must** ensure the value is reasonable, is within its scheme of delegation, the decision is documented, and achieves propriety and regularity in the use of public funds.

Borrowing

5.33 Academy trusts **must** obtain ESFA's prior approval for borrowing (including finance leases and overdraft facilities) from any source, where such borrowing is to be repaid from grant monies or secured on assets funded by grant monies, regardless of the interest rate chargeable. Credit cards **must** only be used for business expenditure, and balances cleared before interest accrues.

5.34 However, academy trusts will only be granted permission for borrowing in exceptional circumstances, such as schemes introduced by the Secretary of State to meet broader policy objectives - for example the Department's Condition Improvement Fund for capital projects.

Find out more about the Condition Improvement Fund

Related party transactions

5.35 This part of the handbook deals with goods or services provided by or to individuals or organisations related to the academy trust.

Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (e.g. parent and subsidiary companies, key management personnel and close family members).

The above description is not comprehensive. Find the full definition in:

- section 33 of Financial Reporting Standard 102

- section 9.15 and appendix 1 of the Charities SORP.

The related parties section of ESFA's Accounts Direction provides further information.

Principles applying to related party relationships

5.36 Academy trusts **must** be even-handed in their relationships with related parties by ensuring that:

- trustees comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- all members, trustees, local governors of academies and senior employees complete the register of interests, in accordance with sections 5.45 to 5.48 of this handbook
- no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the trust
- there are no payments to trustees by the trust unless permitted by the articles, or by authority from the Charity Commission, and comply with any relevant agreement with the Secretary of State. Trusts will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest
- the Charity Commission's approval is obtained where the trust believes a significant advantage exists in paying a trustee for acting as a trustee
- payments provided to the persons referred to in section 5.49 satisfy the 'at cost' requirements in this handbook.

5.37 The trust should be aware of the Charity Commission's guidance for trustees CC11: Trustee expenses and payments.

5.38 The board of trustees **must** ensure requirements for managing related party transactions are applied across the trust. The board chair and the accounting officer **must** ensure their capacity to control and influence does not conflict with these requirements. They **must** manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with The 7 principles of public life.

5.39 Trusts **must** recognise that some relationships with related parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the board chair and accounting officer

- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
- relationships with external auditors beyond their duty to deliver a statutory audit.

5.40 The trust **must** keep sufficient records, and make sufficient disclosures in their annual accounts, to show that transactions with these parties, and all other related parties, have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

Reporting and approval of related party transactions

5.41 Trusts **must** report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.

5.42 Trusts **must** obtain ESFA's prior approval, using ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- a contract or other agreement exceeding £20,000
- a contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August.

5.43 For the purposes of reporting to, and approval by, ESFA contracts and agreements with related parties do not include salaries and other payments made by the trust to a person under a contract of employment through the trust's payroll.

Find out more about reporting related party transactions to ESFA and obtaining approval.

Approval of novel, contentious and/or repercussive related party transactions

5.44 Novel, contentious and/or repercussive related party transactions are subject to separate arrangements. Trusts **must** obtain ESFA's prior approval for any contracts and other agreements with related parties that are novel, contentious and/or repercussive, regardless of value. Approval **must** be sought using ESFA's enquiry form, not through the related party on-line form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair and/or the accounting officer.

Register of interests

5.45 The academy trust's register of interests **must** capture relevant business and pecuniary interests of members, trustees, local governors and senior employees, including:

- directorships, partnerships and employments with businesses
- trusteeships and governorships at other educational institutions and charities
- for each interest: the name and nature of the business, the nature of the interest and the date the interest began.

5.46 The register **must** identify relevant material interests from close family relationships between the academy trust's members, trustees or local governors. It **must** also identify relevant material interests arising from close family relationships between those individuals and employees. 'Close family relationships' is defined in section 5.49 (third bullet).

5.47 Trusts should consider whether other interests should be registered, and if in doubt should do so. Boards of trustees **must** keep their register of interests up-to-date at all times.

5.48 Trusts **must** publish on their websites relevant business and pecuniary interests of members, trustees, local governors and accounting officers. Trusts have discretion over the publication of interests of other individuals named on the register. The Charity Commission offers guidance in Manage a conflict of interest in your charity and CC29: Conflicts of interest: a guide for charity trustees.

At cost requirements

5.49 Subject to sections 5.54 to 5.57 a trust **must** pay no more than 'cost' for goods or services ('services' do not include contracts of employment) provided to it by the following persons ('persons' meaning both individuals and organisations):

- members or trustees of the academy trust
- individuals or organisations related to a member or trustee of the academy trust. For these purposes the following persons are related to a member, or trustee:
  - a relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
  - an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee
  - a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is

entitled to exercise more than 20% of the voting power at any general meeting of that company

- an organisation controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation can secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes

- any individual or organisation given the right under the trust's articles of association to appoint a member or trustee of the academy trust; or any body connected to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or any body connected to such individual or organisation.

5.50 A body is connected to another individual or organisation if it is controlled by the individual or organisation, or controls the organisation, or is under common control with the individual or organisation. For these purposes, control means:

- holding more than 20% of the share capital (or equivalent interest), or
- having the equivalent right to control management decisions of the body, or
- having the right to appoint or remove a majority of the board or governing body.

5.51 The 'at cost' requirement does not apply to the trust's employees unless they are also one of the parties described in section 5.49.

5.52 While these provisions do not apply to contracts of employment, the principles of value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual's skills and experience and to wider market rates.

5.53 If staff of an individual or organisation in section 5.49 are based in, or work from the premises of, the academy trust, that individual/ organisation and the trust **must** agree an appropriate sum to be paid to the trust for use/occupation of the premises, save to the extent that they are carrying out work for the trust.

5.54 The 'at cost' requirement applies to contracts with a related party agreed on or after 7 November 2013.

5.55 The 'at cost' requirement applies to contracts with a related party exceeding £2,500, cumulatively, in any one financial year. Where a contract takes the trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 **must** be at no more than cost.

5.56 In relation to organisations supplying legal advice or audit services to the academy trust, the ‘at cost’ requirement applies where the organisation’s partner managing the service is a member or trustee of the trust but not in other cases for those organisations. The published ethical standards for auditors prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.

5.57 For academies with a religious designation, the provision of services to protect and develop their religious character and ethos, which can only be provided by their religious authority, are regarded as meeting the “at cost” requirement.

5.58 Academy trusts **must** ensure any agreement with an individual or organisation referred to in section 5.49 to supply goods or services to the trust is properly procured through an open and fair process and is:

- supported by a statement of assurance from that individual or organisation to the trust confirming their charges do not exceed the cost of the goods or services, and
- on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply.

5.59 For these purposes the cost will be the **‘**full cost’ of all the resources used in supplying the goods or services and **must not** include any profit. Full cost includes:

- all direct costs (costs of materials and labour used directly in producing the goods or services)
- indirect costs (a proportionate share of fixed and variable overheads).

Find out more about the ‘at cost’ statement of assurance.

Applicability of delegations and freedoms

5.60 Some delegations and freedoms in part 5 of this handbook that go beyond the trust’s funding agreement do not apply to those trusts. They do not apply to trusts that are party to one or more funding agreements that:

- allow one or more of its academies to receive GAG based on estimated pupil numbers regardless of whether they are being funded on that basis, and
- allow the Secretary of State to recover GAG from those academies if estimated pupil numbers exceed census-based pupil numbers beyond a specified percentage, and
- do not require a move to pupil census-based funding permanently.

5.61 A move permanently means:

- the academy is subject to a funding agreement moving it to pupil census-based funding within a specified number of years, after which the agreement provides for it to be funded only in that way, or
- in the case of a free school it is subject to a funding agreement moving it to pupil census-based funding when all cohorts relevant to the age range have some pupils present; and allows the Secretary of State to recover all additional GAG from the free school if estimated pupil numbers exceed census-based pupil numbers.

5.62 The delegations and freedoms in the handbook that do not apply to trusts on estimates-based GAG funding are those relating to:

- acquisition and disposal of fixed assets (5.23)
- leaseholds and tenancy agreements of land and buildings (5.27)
- carry forward of unspent GAG from one year to the next (5.29)
- pooling of GAG (5.30).

5.63 The freedoms do not apply until the trust's funding agreements are updated to move all academies within the trust to pupil census-based funding permanently, as defined above.

5.64 In the case of a trust with multiple academies, if one or more of its constituent academies does not meet the criteria above for access to the delegations and freedoms, all academies within the trust will be unable to access the delegations and freedoms.

Summary of freedoms and delegations

5.65 This summary is not a substitute for the full handbook. Trusts' delegated authorities are subject to the conditions in section 5.60. Trusts under a notice to improve will have their delegated authorities revoked under section 6.21.

Novel, contentious and repercussive	Novel, contentious and repercussive transactions	ESFA agreement required [5.5]
Special payments	Staff severance and compensation	ESFA agreement required if £50,000 or more before tax [5.10 and 5.15]
	Ex gratia payments	ESFA agreement required [5.18]
Write-offs and liabilities (subject to £250,000 ceiling)	Writing-off debts and losses	ESFA consent required if exceeds: • 1% of annual income or £45,000 individually; or • 2.5% or 5% of annual income cumulatively [5.19 and 5.20]
	Entering into indemnities (beyond the normal course of business), guarantees or letters of comfort	
Acquisition and disposal of fixed assets	Acquiring freehold land/buildings	ESFA agreement required [5.23]
	Disposing of a freehold on land/buildings	ESFA agreement required [5.23]
	Disposing of heritage assets	ESFA agreement required [5.23]
	Other disposals	Trust has full discretion [5.24]
Leasing	Taking up a finance lease	ESFA agreement required [5.27]
	Taking up a leasehold on land and buildings	ESFA agreement if lease term seven years or more [5.27]
	Taking up any other lease	Trust has full discretion [5.26]
	Granting a lease on land and buildings	ESFA agreement required [5.27]
GAG	GAG carry forward	No limits if trust eligible [5.29]
	Pooling by trusts with multiple academies	No limits (except PFI) if trust eligible [5.30]
Borrowing	Loan, overdraft	ESFA agreement required [5.33]
	Credit cards (for business use)	Trust has full discretion provided charges not incurred [5.33]

Related party transactions	Supplies to the trust from related parties	ESFA agreement required over £20,000 and over associated limits in [5.42]

Part 6: The regulator and intervention

How ESFA oversees academy trusts and may intervene where concerns arise.

ESFA oversight

6.1 ESFA is an executive agency of DfE. ESFA's accounting officer is accountable to Parliament for how ESFA uses its funds and is personally responsible for the regularity, propriety and value for money of its expenditure. To do this, ESFA's accounting officer **must** be satisfied that academy trusts have appropriate arrangements for sound governance, financial management, value for money and accounting, and that trusts' use of public funds is consistent with the purposes voted by Parliament.

6.2 ESFA's accounting officer will send a 'Dear Accounting Officer' letter at least annually to academy trust accounting officers, covering issues such as developments in the accountability framework and ESFA findings. Accounting officers **must** share it with their members, trustees, chief financial officer and senior leadership team, arrange for the board to discuss it and take action, if necessary, to strengthen financial controls.

6.3 ESFA exercises the rights, powers and remedies in this handbook on behalf of the Secretary of State. If ESFA fails to use, or delays in using, these this does not mean it cannot do so later.

Access rights

6.4 ESFA or its agents may carry out audits and investigations at an academy trust. The trust **must** provide ESFA with access to all books, records, information, explanations, assets, premises and staff, and ESFA may take copies of relevant documents. ESFA may conduct interviews during its audits and investigations. ESFA will give reasonable notice in writing of proposed audits.

Investigations: Third party documentation

6.5 Where ESFA has concerns about financial management and/or governance at an academy trust, it may wish to obtain from third parties information or documentation about the trust which ESFA considers relevant for the purposes of its investigation. Academy trusts **must** provide ESFA with written authority giving permission for any third party to provide such information and documentation to ESFA or its agents on request of ESFA.

Retention of records

6.6 The trust **must** retain records to verify provision delivered by it, or its sub-contractors, in relation to this handbook and its funding agreement, at least six years after the period to which funding relates.

Financial management and governance self-assessment

6.7 New operational academy trusts **must** complete a financial management and governance self-assessment (FMGS) and submit it to ESFA within 3 months of opening their first academy.

6.8 To gain assurance over financial arrangements at academy trusts, ESFA will conduct financial management reviews, examining whether systems and control comply with the handbook.

Find out more about the financial management and governance self-assessment.

School resource management self-assessment checklist

6.9 All trusts **must** complete the School resource management self-assessment checklist and submit their completed checklist to ESFA by the specified annual deadline.

Funding audit

6.10 Funding audits allow ESFA to gain assurance on the pupil census and free school meals entitlement data provided by an academy trust to calculate its recurrent funding and establish whether this data is accurate and supported by evidence. The scope and timing of funding audits are determined annually.

Fraud, theft, irregularity and cybercrime

6.11 Academy trusts **must** be aware of the risk of fraud, theft and irregularity and address it by putting in place proportionate controls. Trusts **must** take appropriate action where fraud, theft or irregularity is suspected or identified.

6.12 The board of trustees **must** notify ESFA, as soon as possible, of any instances of fraud, theft and/or irregularity exceeding £5,000 individually, or £5,000 cumulatively in any financial year. Unusual or systematic fraud, regardless of value, **must** also be reported. The following information is required:

- full details of the event(s) with dates
- the financial value of the loss

- measures taken to prevent recurrence
- whether it was referred to the police (and if not why)
- whether insurance or the RPA have offset any loss.

6.13 ESFA may conduct or commission investigations into actual or potential fraud, theft or irregularity in any academy trust, either because of a notification from the trust itself or from other information received. ESFA may involve other authorities, including the police.

6.14 ESFA will publish reports about its investigations and about financial management and governance reviews at academy trusts.

6.15 ESFA also publishes guidance on reducing fraud. Trusts should refer to this and to the findings from ESFA's investigation reports, as part of its risk management approach.

Cybercrime

6.16 Academy trusts **must** also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred.

6.17 Trusts **must** obtain permission from ESFA to pay any cyber ransom demands. ESFA supports the National Crime Agency's recommendation not to encourage, endorse, or condone the payment of ransom demands. Payment of ransoms has no guarantee of restoring access or services and is likely to result in repeat incidents.

Find out more about:

- managing the risk of fraud and reporting it to ESFA.
- National Cyber Security Centre
- NCSC-Alert Further targeted ransomware attacks on education sector March 2021

Intervention powers

6.18 Where ESFA has concerns about financial management and/or governance in an academy trust, the Department may issue, and publish, a Notice to Improve (NtI). The trust **must** comply with the NtI. Failure to comply will be deemed a funding agreement breach. The funding agreement may be terminated due to non-compliance with a NtI.

6.19 The Department will notify the trust of the date of which the Department has published the NtI. The trust **must** then publish the NtI on its own website within 14 days and retain it on the website until the NtI is lifted by the Department.

6.20 A NtI describes what a trust **must** do to address concerns about financial management or governance. For example, a NtI may be issued due to an actual or projected deficit, cash flow problems, insolvency risk, irregular use of public funds, or inadequate governance and management (including weak oversight by trustees, poor internal scrutiny and breaches of related party requirements).

6.21 If a NtI is issued, the delegated authorities in sections 5.6 to 5.31 of this handbook are revoked, and all transactions of this nature **must** be approved in advance by ESFA, specifically:

- special staff severance payments
- compensation payments
- writing off debts and losses
- entering into guarantees, indemnities or letters of comfort
- disposals of fixed assets beyond any limit in the funding agreement
- taking up a leasehold or tenancy agreement on land or buildings of a duration beyond any limit in the funding agreement
- carry forward of unspent GAG from one year to the next beyond any limit in the funding agreement
- pooling of GAG.

The trust may also be prevented from entering into transactions with related parties without approval. These delegated authorities shall be returned once the NtI has been complied with, and improvement is sustainable.

6.22 Where the Department intervenes because of concerns about financial management and/or governance it may require the trust to submit additional information such as monthly income and expenditure accounts, cash flow statements and balance sheets to the ESFA.

Find out more about Notice to Improve (NtI).

Secretary of State directions

6.23 Where the Secretary of State has concerns about an individual managing an academy trust, they may take action to address those concerns.

6.24 Subject to the relevant provisions being present in the trust's funding agreement, the Secretary of State can require the trust to remove a member or trustee. This can include where the individual has been convicted, cautioned or engaged in relevant conduct and, as a result, the Secretary of State considers them unsuitable to take part in management of the academy trust.

6.25 The Secretary of State can also make directions under section 128 of the Education and Skills Act 2008 prohibiting individuals from taking part in academy trust

management. This could prevent an individual from acting as a trustee or executive leader of a trust. The circumstances are prescribed in regulations but can include where the individual is subject to a caution or conviction or has engaged in relevant conduct, and the Secretary of State considers that because of that caution, conviction or conduct that individual is unsuitable to take part in management of a school.

ESFA work with the Charity Commission

6.26 Where there is a concern, ESFA may refer trusts to the Charity Commission, reflecting the Commission's interest in addressing non-compliance with legal or regulatory requirements or misconduct or mismanagement in the administration of any charity, and in ensuring individuals running the charity (in particular, but not limited to, the trustees) do so in compliance with their legal duties. The Commission may use its regulatory powers as described in its Memorandum of Understanding with DfE.

Find out more about the Memorandum of Understanding between DfE and the Charity Commission.

ESFA work with the Insolvency Service

6.27 ESFA may refer academy trustees, as directors, to the Insolvency Service who may consider whether the conduct of a director is such that they are unfit to be involved in management of a company and whether or not it would be in the public interest for a disqualification order to be sought.

ESFA approach to academy resource management

6.28 Where ESFA has concerns about financial management of a trust, it may prescribe working with an expert in school resource management, such as a School Resource Management Advisor (SRMA). Trusts should make reasonable endeavours to implement improvements identified by an SRMA. Failure to do so may result in an NtI being issued. Working with an SRMA may also be prescribed as a condition of an NtI.

Find out more to help you improve financial planning and resource management including integrated curriculum and financial planning.

National Audit Office and Public Accounts Committee

6.29 The NAO has the right to access the accounts and relevant records of an academy trust for inspection, or for value for money studies. The trust **must** cooperate with NAO and their contractors and provide help, information and explanation as is reasonable and necessary.

6.30 The NAO's findings are considered by the Public Accounts Committee (PAC). The PAC has power to call anyone, including past and current accounting officers of a trust, to account for proper use of public funds.

Part 7: Definitions

Help with terms used in this handbook.

Academic year	The ‘school year’ from 1 September to 31 August.
Academy trust	The company having a funding agreement with the Secretary of State to run one or more academies.
Accounting officer	The academy trust’s senior executive leader, accountable for value for money, regularity and propriety. In SATs, this should be the principal. In trusts with multiple academies, it should be the chief executive or equivalent.
Accounting officer’s statement on regularity, propriety and compliance	The accounting officer **must** complete and sign this statement in the trust’s annual accounts.
Accounts Direction	ESFA’s guide for academies on preparing their annual accounts.
Accounts return	A return based on academy trusts’ annual accounts, required for the sector annual report and accounts, and for collecting benchmarking data.
Articles of association	The articles describe the trust’s charitable object(s) and governance arrangements.
Asset	Anything capable of being owned or controlled to produce value and held to have positive economic value. Can be ‘revenue’ (e.g. cash) or ‘capital’ (e.g. a building).
Balanced budget	A budget setting out projected income and expenditure drawing on unspent funds from previous years as necessary. Trusts do not have to balance income and expenditure in each year to zero and can carry forward unspent GAG (if eligible).
Board	The academy trust’s board of trustees. In some academy trusts, such as church academies, those on the board are known instead as directors.
Capital	Capital assets or funding are those from which an entity expects to derive benefit for more than one year: typically land, buildings, vehicles and information technology. They are usually called fixed assets.
Chief executive	The senior executive leader and head of the management team of a trust with multiple academies. Trusts may use alternative descriptions such as executive principal.

Chief financial officer	The individual leading the finance department: e.g. finance director, business manager or equivalent.
Companies House	The Registrar of Companies, which incorporates and dissolves companies, stores company information and accounts, and make this publicly available.
De facto trustee	A person not validly appointed as a trustee but exercising the functions that could only be properly discharged by a trustee. See also shadow directors.
Economy	Obtaining an outcome for the least possible input of resources.
Education and Skills Funding Agency (ESFA)	An executive agency of the DfE acting as agent of the Secretary of State.
Effectiveness	Obtaining the desired outcome.
Efficiency	Obtaining the best possible outcome for the resources input.
Exempt charity	An exempt charity does not have to register with the Charity Commission. The principal regulator of exempt trusts is DfE. Exempt trusts still need Charity Commission's approval for some transactions e.g. trustee payment for work as trustee.
Financial management and governance self-assessment (FMGS)	A return to ESFA by new academies and trusts, where they self-assess their financial management arrangements.
Financial year	For academy trusts, the same as the academic year, from 1 September to 31 August.
Funding agreement	The agreement between the academy trust and the Secretary of State, including funding arrangements, obligations and termination provisions.
General annual grant	Academy trusts' main revenue funding.
Going concern	An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Assessing an entity's ability to continue to adopt the going concern basis of accounting involves considering a period of at least 12 months from the date the annual accounts are authorised.
Principal	The head teacher of an academy and the senior executive leader of a single academy trust.

Private Finance Initiative (PFI)	Funding public infrastructure projects using private capital.
Propriety	Dealing with expenditure and receipts in accordance with Parliament's intentions and the principles of parliamentary control. This covers standards of conduct, behaviour and corporate governance.
Public funds	Funds deriving from parliamentary authority. All academy trusts' income, expenditure, assets and liabilities are consolidated into a sector account and will be considered by Parliament to be public unless otherwise demonstrated.
Regularity	Dealing with income and expenditure in accordance with legislation, the funding agreement, the handbook, and the trust's internal procedures. This includes spending public money for the purposes intended by Parliament.
Related party	Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (for example parent and subsidiary companies). This description is not comprehensive. A full definition is in section 33 of Financial Reporting Standard 102 and section 9.15 and appendix 1 of the Charities SORP. The related parties section of ESFA's Accounts Direction provides further information.
Risk protection arrangement	An alternative to insurance for academy trusts where losses are covered by government funds.
Secretary of State	The Secretary of State for Education.
Shadow director	A person in accordance with whose directions or instructions the directors of a company are accustomed to act. See also de facto trustee.
Special payments	Payments outside the normal range of activities approved by Parliament and therefore requiring greater control, including ex gratia payments, staff severance payments, compensation payments and other extra-statutory or extra-contractual payments.
Statement of Recommended Practice (SORP)	The Charity Commission document describing the format of charity accounts.
Value for money	Achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of resources, the avoidance of waste and extravagance, and prudent and economical administration.

Whistleblowing	When an employee reports suspected wrongdoing at work and makes a disclosure in the public interest, under the protection of the Public Interest Disclosure Act 1998.

Part 8: Schedule of requirements (the 'musts')

The requirements in the handbook brought together into one list: the '**musts**'. It abbreviates these requirements and so cannot be used as a substitute for the full handbook. Links to the relevant sections are included, which **must** be read in full.

Top 10 'musts' for chairs and other trustees

Personal responsibilities

- Apply highest standards of conduct and ensure robust governance, comply with charitable objects, with **duties as company directors,** with charity law and the funding agreement [1.13 and 1.14]

Structures

- Ensure the board of trustees **meets at least three times a year**, and conducts business only when quorate [2.3]
- Approve a written **scheme of delegation** of financial powers [2.4]

Relationships

- **Manage conflicts of interest,** be even-handed with **related parties**, and ensure goods or services provided by them are at **no more than cost,** beyond the limits in this handbook [5.35 to 5.59]

Money and oversight

- Ensure the board approves a **balanced budget** for the financial year and minutes their approval [2.10]
- Share **management accounts** with the chair of trustees monthly, with the other trustees six times a year, and consider when the board meets, taking action to maintain financial viability [2.19 and 2.20]
- Ensure decisions about **executive pay** follow a robust evidence-based process reflecting the individual's role and responsibilities, and that the approach to pay is transparent, proportionate and justifiable [2.30 and 2.31]
- Appoint an **audit and risk committee** (either dedicated or combined with another committee) to advise on the adequacy of the trust's controls and risks [1.24 and 3.6 to 3.14]

Accountability and audit

- **Submit audited accounts** to ESFA by 31 December [4.4]
- Ensure an appropriate, reasonable and timely response to **findings by auditors**, taking opportunities to strengthen financial management and control [4.16]

Roles and responsibilities

- Adhere to **The 7 principles of public life**
- Have the **skills, knowledge and experience** to run the trust [1.1]
- Have at least three **members**, although the Department's strong preference is for five [1.3]
- Have suitability checks in place for members to ensure they are not subject to a direction under section 128 of the Education and Skills Act 2008 [1.4].
- Not have **members** as employees, nor have members occupy staff roles on an unpaid voluntary basis [1.5]
- Ensure **regularity, propriety and value for money** [1.21, 1.38 and 2.7]
- Trustees to take ownership of financial sustainability and ability to operate as a **going concern** [1.21]
- Ensure **committees** contain a majority of trustees [1.25]
- Not have **de facto trustees** or **shadow directors** [1.26]
- Include a review of the trust's **governance structure** and board composition in the governance statement when producing audited accounts for the first time [1.28]
- Appoint a senior executive leader (should be **principal or chief executive**) [1.33]
- Appoint an **accounting officer** (the senior executive leader) with responsibility for **regularity, propriety and value for money** and for **assuring the board** about compliance with the funding agreement and handbook [1.34 to 1.44]
- Demonstrate in the governance statement how the trust has secured **value for money** [1.41]
- Include a **statement on regularity, propriety and compliance**, signed by the accounting officer, in the audited accounts [1.41 and 4.13]
- Appoint a **chief financial officer** to lead the finance department [1.45]
- Have appropriately qualified and/or experienced **finance staff** [1.46]
- Appoint a **governance professional** (clerk to the board**)** [1.49]
- Arrange DBS checks as appropriate [1.51 and 1.52]

Main financial requirements

- Maintain robust **oversight** of the trust [2.1]
- Take responsibility for **financial affairs**, stewardship of assets and use resources efficiently [2.2]

- Describe in the governance statement how the board has maintained **effective oversight** if meeting less than six times a year [2.3]
- Have **sound internal control,** risk management and assurance processes [2.6]
- Establish a **control framework** that includes:
    - ensuring **delegated financial authorities** are complied with, and **segregation of duties** maintained
    - co-ordinating the **planning and budgeting process**
    - discipline in financial management, including managing **debtors, creditors, cash flow and monthly bank reconciliations**
    - planning and oversight of **capital projects**
    - management and oversight of **assets** including maintenance of a fixed asset register
    - **regularity, propriety and value for money**
    - reducing **fraud** and theft
    - **independent checking** of controls, systems, transactions and risks
    - a **competitive tendering** policy [2.7 and 2.28]
- Prepare and monitor **financial plans** to ensure the trust remains a **going concern** and ensure rigour and scrutiny in budget management [2.8 and 2.9]
- Ensure **budget forecasts** are accurate, based on realistic assumptions and reflective of lessons learned from previous years [2.11]
- Submit a **budget forecast return** to ESFA [2.15 and 2.16]
- Notify ESFA within 14 days if proposing a **deficit revenue budget** for the current financial year which it cannot address after taking into account unspent funds from previous years, as this would be non-compliant with the funding agreement and this handbook [2.17]
- Prepare **management accounts every month** and take appropriate action. Measure **key financial performance indicators** regularly and analyse in annual trustees' report [2.18, 2.21 and 2.22]
- Manage **cash position** robustly and avoid becoming overdrawn [2.24]
- Have a cautious approach to **investments** in line with the handbook principles [2.25]
- Show that public funds have been **used as intended** by Parliament [2.27]
- Publish on trust's website the number of employees whose **benefits exceeded £100k**, in £10k bandings [2.32]
- Ensure senior employees' **payroll arrangements** meet HM Treasury's tax requirements [2.34]

- Not use trust's funds to purchase **alcohol** for consumption, except where it is to be used in religious services [2.35]
- Charge for **boarding provision** in line with this handbook [2.37]
- **Manage risks**, including contingency and business continuity planning and maintain a risk register. Board to retain oversight of risk and review risk register at least annually. [2.38 and 2.39]
- Have adequate **insurance** or be a member of DfE's risk protection arrangement [2.40]
- Implement reasonable risk management **audit recommendations** [2.42]
- Have published procedures for **whistleblowing** and respond properly and fairly [2.43 to 2.48]
- Be **transparent** with governance arrangements [2.49]
- Publish the trust's **governance arrangements** in its governance statement and in a **readily accessible form** on its website [2.50]
- Ensure governance documents are available for public inspection [2.51].
- Provide ESFA or its agents with **information** of sufficient quality to meet funding requirements [2.52]
- Notify DfE via Get information about schools within 14 days of changes in information about members, trustees, local governors, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer [2.54 to 2.58]

Internal scrutiny

- **Check financial and non-financial controls and risks** [3.1 to 3.5]
- Oversee controls and risks at **constituent academies** [3.13]
- Ensure **information submitted** to DfE and ESFA affecting funding is accurate and compliant [3.14]
- Ensure checks are conducted by someone **independent,** suitably **qualified and experienced** [3.15 to 3.21]
- Provide **internal scrutiny reports** to the audit and risk committee and make the **findings** available to all trustees promptly [3.15 and 3.16]
- **Internal scrutiny must be viewed in the same way as internal audit** [3.20].
- Confirm in the governance statement which **internal scrutiny** option has been applied and why [3.22]
- Provide **annual summary of internal scrutiny** to ESFA by 31 December, and provide other internal scrutiny reports on request [3.23]

Annual accounts and external audit

- **Produce audited accounts, publish** on the trust's website by 31 January and file with Companies House [4.1 to 4.4]
- **Appoint an external auditor** in writing, for the annual accounts [4.5 and 4.6]
- Put any **additional services** from the external auditor in a separate letter of engagement [4.6]
- Provide in the audit contract for the **removal of external auditors** [4.7]
- Notify ESFA immediately of the **removal or resignation of external auditors**, and the reasons [4.8]
- Prepare information, at DfE's request, for the **sector annual report and accounts** [4.9 and 4.10]
- Include a **review of the accounting officer's statement on regularity, propriety and compliance** within the external auditor's remit, and address the **auditor's conclusions on regularity** jointly to the trust and ESFA [4.15]
- **Audit and risk committee** to review the external auditor's plan, annual accounts, audit findings, management response and effectiveness of the external auditor and produce annual report of conclusions [4.17]

Delegated authorities

- Obtain ESFA's prior approval for transactions **beyond the trust's delegated** limits [5.1]
- Make **financial disclosures** in the annual accounts in line with this handbook [5.2 and 5.3]
- Refer **novel, contentious and/or repercussive transactions** to ESFA for prior approval [5.5]
- For **staff severance payments**, consider the following before committing:
    - whether the proposed payment is in the **trust's interests**
    - whether payment is **justified and value for money**, based on a legal assessment
    - review the **level of settlement**, which **must** be less than the legal assessment of what the relevant body (e.g. employment tribunal) is likely to award [5.8]
- Obtain ESFA's prior approval for the **non-contractual/non-statutory element** of a **staff severance payment** of **£50,000** or more (gross, before deductions) [5.10]
- Not accept a settlement for a **staff severance payment** unless satisfying the conditions in this handbook [5.11]

- Obtain prior approval for special staff severance payments of £100k or more which include a non-statutory/non-contractual element, and/or where the employee earns over £150k [5.12]
- Ensure **confidentiality clauses** do not prevent an individual's right to make **disclosures in the public interest** [5.13]
- For **compensation payments**, base on appraisal, including legal advice, ensuring value for money [5.14]
- Obtain ESFA's prior approval for **non-contractual/non-statutory compensation payments** of **£50,000** or more [5.15]
- Obtain ESFA's prior approval for **ex gratia payments** [5.18]
- Obtain ESFA's prior approval for **writing off debts and losses**, **guarantees, letters of comfort and indemnities** beyond limits in this handbook [5.19 and 5.20]
- Obtain ESFA's prior approval, before **acquiring and disposing of fixed assets** beyond limits in this handbook and ensure **disposal** achieves **best price** [5.23 and 5.24]
- Obtain ESFA's prior approval for **leases** beyond limits in this handbook [5.26 to 5.28]
- Not **pool PFI** funding across a trust with multiple academies [5.30]
- Consider the funding needs of individual academies if **pooling GAG**, and have an appeals mechanism [5.31]
- Ensure **gifts** by the trust have the decision documented, and have regard to propriety and regularity [5.32]
- Obtain ESFA's prior approval before **borrowing**, including finance leases and overdrafts, and only use credit cards for business expenditure [5.33]
- Ensure no member, trustee, local governor, employee or related individual or organisation uses their connection to the trust for **personal gain** [5.36]
- Ensure **no payments to trustees** unless permitted by the articles and comply with the terms of any agreement with the Secretary of State [5.36]
- Obtain Charity Commission prior approval for **paying a trustee for acting as a** trustee [5.36]
- Ensure the board chair and the accounting officer manage their relationships with related parties to **avoid real and perceived conflicts of interest** [5.38]
- Recognise that **related party transactions** may attract **public scrutiny** and require sufficient disclosure in annual accounts to support **accountability and transparency** [5.39 and 5.40]
- **Report all contracts and other agreements with related parties** to ESFA in advance [5.41]

- Obtain ESFA prior **approval for contracts and other agreements with related parties** beyond limits in this handbook [5.42 to 5.44]
- Capture in an up to date **register of interests** the relevant business and pecuniary interests of **members, trustees, local governors** and **senior employees** [5.45] and interests of other individuals as described in [5.46]
- **Publish relevant business and pecuniary interests** of members, trustees, local governors and accounting officers [2.50 and 5.48]

The regulator and intervention

- Arrange for **letters to trusts' accounting officers** from ESFA's accounting officer about the accountability framework to be discussed by the board and, where appropriate, strengthen the trust's systems [6.2]
- Provide ESFA with **access** to books, records, information, explanations, assets, premises and staff to assist with its audits [6.4]
- Provide ESFA with permission for any **third party** to provide requested information where there are concerns or an investigation is ongoing at a trust [6.5].
- **Retain records** for at least six years after the period to which funding relates [6.6]
- Send ESFA a **financial management and governance self-assessment** for new academy trusts, or constituent academies joining an existing trust [6.7]
- Submit school resource management self-assessment checklist to ESFA annually [6.9]
- Be aware of the risk of **fraud, theft and irregularity** and address with proportionate controls and appropriate action [6.11]
- Notify ESFA of **fraud or theft** over £5,000, individually or cumulatively, or of any value where unusual or systematic [6.12]
- Be aware of the risk of **cybercrime** and put in place proportionate controls and appropriate action where a cyber security incident has occurred [6.16]
- Obtain permission from ESFA before paying any **cyber ransom demands** [6.17].
- Comply with a **Notice to Improve** [6.18 and 6.20]
- Publish the **NtI** on the trust's website until it is lifted [6.19]
- **Waive delegated authorities** and obtain ESFA approval of certain transactions described in this handbook if the trust has an NtI [6.21]
- Cooperate with **NAO** and provide help, information and explanation [6.29]

Part 9: Further reading

Links to more information and guidance.

Accountability

Public Accounts Committee

Accounting officer

Association of School and College Leaders

Role of the accounting-officer (Confederation of School Trusts (CST))

Role of the accounting officer in an academy (Chartered Institute of Public Finance and Accountancy (CIPFA))

'Dear Accounting Officer' letters (ESFA)

Annual accounts and audit

Academies Accounts Direction (ESFA)

Academies accounts return (DfE)

Accounting and reporting by charities: statement of recommended practice ('SORP') (Charity Commission)

Charity reporting and accounting: the essentials (CC15d) (Charity Commission)

National Audit Office

Buildings

Condition Improvement Fund including links to terms and conditions (DfE)

School land transaction proposal (DfE)

Good estate management for schools (DfE)

Case studies

Academies investigation reports (ESFA)

Financial management and governance reviews (ESFA)

School resource management: case studies (DfE)

Charities

Charity publications and information (Charity Commission)

Setting up and running a charity (Charity Commission)

Chief financial officer

Directory of school business professional networks (DfE)

Role of the CFO in academies (CIPFA)

Finance Directors Forum

Institute of School Business Leadership

Governance professional (Clerk to the trust board)

Clerking competency framework (DfE)

Conflicts of interest

Conflicts of interest: a guide for charity trustees (CC29) (Charity Commission)

Manage a conflict of interest in your charity (Charity Commission)

Review of related party transactions in academies (ESFA)

Education and Skills Funding Agency

ESFA training (videos and webinars)

ESFA update

Good practice guides

Executive pay

Recruiting a headteacher (DfE)

Setting executive salaries: guidance for academy trusts (ESFA)

Financial management

Academy conversion: surplus and deficit balance transfer process (DfE)

Budget forecast (DfE)

Charities and investment matters: a guide for trustees (CC14) (Charity Commission)

Financial management and governance self-assessment (ESFA)

Good practice guides (ESFA)

Integrated curriculum and financial planning (DfE)

Managing a charity's finances (CC12) (Charity Commission)

Managing public money (HM Treasury)

Schools financial benchmarking (DfE)

School resource management (DfE)

Fraud

Academies: guide to reducing fraud (ESFA)

Academies investigation reports (EFSA)

Action Fraud (City of London Police)

Fraud risk management (Chartered Institute of Management Accountants)

Fraud Act 2006

Protecting charities from harm: compliance toolkit (Charity Commission)

Whistleblowing

Freedom of information

Information Commissioner's Office

Funding

Academies revenue funding allocations (ESFA)

Funding for 16-19 year olds in schools (ESFA)

Income

Managing boarding provision (DfE)

Internal control

Internal financial controls for charities (CC8) (Charity Commission)

Internal scrutiny

Audit committee handbook (HM Treasury)

New trusts

Information for new academies (ESFA)

Procurement

Business payment practices and performance: reporting requirements (Department for Business, Energy & Industrial Strategy)

Buying for schools (DfE)

Crescent Purchasing Consortium

Risk management

Charities and risk management (CC26) (Charity Commission)

Management of Risk – Principles and Concepts (HM Treasury)

Risk protection arrangement (DfE)

Tax

Charities and tax (HMRC)

Check employment status (HMRC)

PAYE (HMRC)

Review of the tax arrangements of public sector appointees (HM Treasury)

Trustees trading and tax: how charities may lawfully trade (CC35) (Charity Commission)

VAT (HMRC)

VAT: Refund scheme for academies (HMRC)

VAT registration (HMRC)

Severance payments

Academies severance payments (ESFA)

Trustees and governance

Automatic disqualification of persons as charity trustees or senior managers (Charity Commission)

Board members of Public Bodies: Code of conduct (Cabinet Office)

Changing your charity's governing documents (CC36) (Charity Commission)

Charity finances: trustee essentials (CC25) (Charity Commission)

Charities and charity trustees: an introduction for school governors (Charity Commission)

Good governance standard for public services (CIPFA)

Competency framework for governance (DfE)

Confederation of School Trusts

Governance Handbook (DfE)

Inspiring Governance

Making significant changes or closure (DfE)

National Governance Association

Statutory policies for schools (DfE)

The Essential Trustee: What you need to know, what you need to do (CC3) (Charity Commission)

Trustee board: people and skills (Charity Commission)

Trustee expenses and payments (CC11) (Charity Commission)

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If you have suggestions for future revisions please contact ESFA.

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