

ACADEMIES FINANCIAL HANDBOOK 2017: A SUMMARY OF THE KEY CHANGES

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The Education and Skills Funding Agency (ESFA) has released the new Academies Financial Handbook, effective from 1 September 2017. It sets out the principles of financial governance and management for all academy trusts, reflecting their status as companies, charities and public bodies.

There are no significant changes within this edition, but there continues to be an emphasis on achieving financial effectiveness through improvements to governance. This is highlighted in the forward, where Lord Nash highlights the importance of boards reviewing and refreshing their skills and knowledge.

So what are the key areas of change?

Roles of members and trustees

The ESFA has expanded its guidance on the roles of trustees and members. There is now a greater emphasis on having significant separation between the two, with the recommendation that the majority of members should be independent of the board of trustees. Employees of an academy trust **must not** be appointed as a member unless permitted by the articles of association. It should be noted that the current model articles of association do not permit members to be employees.

The revised Handbook also stresses that it is preferred that no other employees serve as trustees other than the senior executive leader. This is new to the latest edition and is not reflective of the current position for many academy trusts whose articles of association have provisions for appointed staff trustees.

'Dear Accounting Officer' letters

The annual letters to the academy trust accounting officers from the ESFA's accounting officer **must** be shared with their members, trustees, chief financial officer and other members of the senior leadership team, and **must** be discussed by the board of trustees and take appropriate action when required.

Financial health and efficiency

Where the ESFA has concerns about an academy trust's financial management, but not enough to issue a Financial Notice to Improve, they may prescribe the academy trust works with an expert in school financial health and efficiency to provide support and identify where

improvements can be made. The Handbook reminds academy trusts that financial health and efficiency toolkits are available to help them improve.

Board skills and effectiveness

A board of trustees should identify the skills and experience it requires and address any gaps through recruitment, and/or induction or training, particularly at key transition points such as when a trust is growing.

The Department for Education has *A Competency Framework for Governance* that can be used when reviewing its skills and experience. The *Governance Handbook* should be used when assessing a board's effectiveness.

EduBase

The academy trust's records of key individuals on EduBase **must** be kept up to date.

Executive pay

A new section on executive pay has been included in the revised Handbook, stating that decisions regarding levels of executive pay **must** follow a robust evidence-based process and reflect the role and responsibilities of the individual.

Repercussive transactions

Repercussive transactions are those which are likely to cause pressure on other trusts to take a similar approach and hence have wider implications.

Repercussive transactions now require ESFA approval, alongside those that are novel or contentious transactions.

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Staff severance payments

It has been clarified that the delegated authority limit for the non-statutory/non-contractual element of a staff severance payment limit of £50,000 is based on the gross

amount before any deductions for tax etc. It has also been noted that the ESFA need to refer such transactions to HM Treasury, therefore academy trusts need to allow sufficient time for proposals to be considered.

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