



BAXTER BULLETIN JUNE 2019
Academies Financial Handbook 2019

The ESFA have just published the Academies Financial Handbook 2019 (“AFH” – you can access it [here](#)).

The foreword by Lord Agnew stresses the importance of internal scrutiny, the importance of the work of the audit committee and a new requirement to share an annual summary with ESFA. The role of Clerk as a means of providing expert advice to the Board is also emphasised, along with the vital importance of budget reporting.

The Handbook for 2019 “feels” a little different to its predecessors – while much of the content remains unchanged, it has been re-ordered and some content has been moved to alternative sections. There are more headings in the 2019 handbook, more links within it to additional supporting guidance and overall, we think it is easier to read and navigate.

Principal Changes

The principal changes to regulations are summarised on page 8 of the AFH. These are repeated below for convenience, with additional commentary/explanation where the changes are felt to have most likely impact. Note in particular some important changes and clarifications in the area of internal scrutiny, reflecting its importance, described in Lord Agnew’s foreword. Bold numeric references in brackets refer to the relevant sections of the AFH.

- There is updated information about trustees’, arguably with greater emphasis on trustees’ responsibilities and robust governance. Statutory duties **(1.12)** and features of effective governance **(1.11)**, while not new, are now spelled out in the AFH.
- There is more about the clerk to the board **(1.38)**, including a link to the Clerking competency framework and DfE’s development programme **(1.39)**.
- Links to information on good estates management **(2.14)**.
- More about the requirements for producing management accounts including what they contain **(2.18 to 2.23)**. The management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.
- Explaining the board’s review of executive pay includes other payments/benefits to such individuals, i.e. not just salary **(2.30 and 2.31)**.



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Principal Changes (Continued)

- More information on gender pay gap reporting **(2.32)** – applies to trusts that employ 250 or more employees.
- More about ensuring senior employees are on payroll **(2.33)**
- Mandating a risk register **(2.36)**. Maintenance of a risk register was a “should” in the 2018 handbook. It is now a “must”.
- More about whistleblowing **(2.41 to 2.46)**. Whistleblowing procedures must be in place, approved by the trustees and should include the appointment of at least one trustee and one member of staff with whom concerns can be raised. All staff must be made aware of the process and the trust must ensure that concerns are responded to properly and fairly.
- More about notifying the Department of information about key individuals, including contact details for all members and trustees **(2.51 to 2.55)**. Changes to details of members, trustees, etc must be notified via the governance section of Get Information About Schools (“GIAS”), within 14 days of the change. All fields must be completed and the GIAS record must be kept up to date.
- Additional information to maintain internal scrutiny over controls and risks, including the role of the audit committee, and a new requirement to send an annual internal scrutiny report to ESFA **(3.1 to 3.22)**. An audit committee must be appointed (either combined with another committee or a separate, dedicated committee if trust income exceeds £50m) and it should meet at least 3 times a year. Its remit must include directing internal scrutiny and reporting to the board. The AO and CFO should not be members of the committee but they should attend and participate in discussions. The programme of work must not be performed by the AO or CFO (or any other member of the finance team). Internal auditors must be members of a relevant professional body. An annual summary of findings and recommendations must be prepared and submitted to ESFA when the audited accounts are submitted.
- Emphasising trusts’ audited accounts must be provided to the members **(4.4)**.
- Emphasising the need for prior ESFA approval for certain financial transactions **(5.1)**, although the limits of delegated authorities for such transactions has not materially changed **(5.64)** – appeared as Annex B in the 2018 AFH).



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Principal Changes (Continued)

- Providing additional clarification on the reporting and approval of related party transactions **(5.40 to 5.43)**.
- A requirement for trusts under a financial notice to improve to publish it on their website **(6.15)**.
- Listing the delegated authorities revoked if under a financial notice to improve **(6.17)**.
- More about how the Secretary of State may intervene over concerns about an individual managing an academy trust **(6.19 to 6.23)**.

We hope that you have found this update useful. If you have any queries or comments please don't hesitate to contact us.

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