



Education & Skills  
Funding Agency

Education and Skills Funding Agency  
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[ESFA-enquiry-form](#)

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**To chief executives in multi-academy trusts and principals in single academy trusts.  
Copied to chairs of trustees**

Dear colleague

I am writing to you in your capacity as the trust's accounting officer.

It is now approaching a year since I joined ESFA and became its accounting officer, with responsibility for the spending of over £60 billion of public money. It is a responsibility I take very seriously when I think that the futures of so many of our young people depend upon that money being spent on the right things, in the right manner and without waste. Such principles must surely be at the heart of each of our roles as accounting officers.

So I am writing to you today about your own role as you also carry the responsibility for using taxpayer's money wisely. Your job as accounting officer is about ensuring budgets are used as Parliament intended, about being confident that high standards of conduct and behaviour are maintained and about making sure that value for money is achieved. Your oversight of these things in your trust is so important if we are to achieve the best possible outcomes educationally.

But sometimes oversight means being prepared to challenge when we see activity or behaviour that appears inappropriate, particularly where public money is concerned. So whilst we all know that leadership involves placing trust in others, it also requires us to apply a degree of both curiosity and scepticism and, where appropriate, to make sure that challenge happens constructively and effectively. I see this as one of my core duties as accounting officer for ESFA. I encourage you to adopt this approach in the management of your trust's money and to promote it across the organisation.

**Academies Financial Handbook**

I also want to give you every support in your role so that we develop and maintain excellent and effective financial management across the sector. The new edition of the [Academies Financial Handbook](#) that we published in June is an important tool to help with this, setting out the essential principles and requirements that you must follow, and strengthening messages in some key areas. Please review the new handbook and ensure that your trust is complying. Of the changes made to it this year, there are four that I want to highlight where strong oversight is vital.

- **Related party transactions** (handbook sections 3.10.4 and 6)

We are introducing more robust arrangements to ensure that transactions with related parties remain transparent, receive sufficient oversight and are well managed. Where these transactions are handled badly it can cause financial and reputation damage to the trust, and have a negative impact on public perceptions of the whole sector. From 1 April 2019, therefore, you will be required to declare all related party transactions to ESFA in advance and to seek ESFA approval for those that exceed £20,000 either individually or cumulatively.

As accounting officer, you must ensure adequate controls and oversight so that everyone in your trust follows the rules for related party transactions and can be seen to do so. This means having a competitive purchasing procedure that complies with our 'at cost' policy, a clear record of the reason for selecting a particular supplier and no involvement by anyone at the trust with a personal interest in the transaction. If you are a trustee, you have a statutory duty to ensure such conflicts of interest are avoided, and so breaches are a serious issue.

More generally, one of your options when making purchases is to consider the national [deals for schools](#) that aim to make buying simpler and can provide better value for money.

- **Controlling executive pay** (2.4.4)

In recent months I have written to a number of trusts to challenge on high pay, in particular those paying a salary over £150,000, or paying two or more salaries over £100,000, so that we can see clear evidence for the trust's decisions. We have also published the names of trusts paying at least one member of staff over £150,000 in the Academies [Sector Annual Report and Accounts](#).

In the new handbook, we have strengthened expectations about the process for setting executive pay, making it much clearer that trusts' approach must be transparent, proportionate and justifiable. It outlines a number of new expectations focussed on boards providing independent and objective scrutiny of pay. I shall also continue to provide challenge on this issue.

Additionally, from this year your Accounts Return will need to report which post holders have annualised full time equivalent pay over £100,000. This will include the job role and job description of each individual and whether their role is predominantly curriculum and education leadership, or school business management leadership.

- **Scrutinising the budget** (2.3.3)

The handbook has always required trusts to set a balanced budget and prepare monthly financial management reports so that you can be satisfied, as accounting officer, that spending is being properly monitored and controlled during the year. This is not changing. However, the board also has an important oversight role to play. This is why we are making clear in this year's handbook that all trustees need to see your financial reports six times a year and in the case of the chair this must be every month.

None of this dilutes your responsibilities as accounting officer, but recognises that a core function of governance is to hold executive leaders to account for their effective performance. Please ensure you work openly and collaboratively with your board so that your financial plans deliver the best outcomes and that variances from the plans are addressed.

- **Acting on audit findings (4.3.1)**

Your external auditors perform an important function by providing an independent opinion on your annual accounts. As set out in the new handbook, I want to encourage you to draw maximum benefit from the advice they provide. It will help you identify areas of financial management and governance that require improvement and may highlight where you are not fully compliant with the handbook. We encourage your external auditors to share good practice, and have just hosted a conference for audit firms which focussed on how they can help build quality in the sector.

Where your external auditor makes a recommendation about your financial systems you must take appropriate action to put right any shortcomings in the trust's procedures. In ESFA we review academy auditors' findings each year, which shows that most trusts achieve good standards and engage well with the process. However, we may raise our concerns with you if we believe timely action is not being taken to implement audit recommendations.

In our reviews of trusts' accounts for the period ended 31 August 2017 we have found that the main areas of non-compliance raised by auditors continue to be related party transactions, procurement and tendering, financial reporting to managers and trustees and weak independent checks within the trust. The handbook requires that you implement a sound internal control framework and, integral to this, carry out regular checks overseen by an audit committee or equivalent, to give assurance to the board that financial controls are fit for purpose and being complied with. Your trust may buy in auditors for this or do it in-house, making a balanced decision as to what is appropriate. But whichever approach you take, please ensure that recommendations are implemented promptly and sensibly. The new handbook requires that you provide the findings from this work to your trustees and you may also be asked to supply them to ESFA.

You should also remain alert to issues that might lead to irregularity and impropriety such as those raised in section 9.1.22 of the [2018 Academies Accounts Direction](#). Further insight is provided in ESFA's [investigation reports](#).

## **Financial returns**

On 5 March, I wrote to confirm the [dates when your financial returns must be submitted](#) to ESFA in 2018/19, and that this includes a new requirement for a 3-year budget forecast. It was encouraging to tell you that the vast majority of trusts made their returns on time last year. However, I also explained that we would be taking a firmer stance with the small number that are late by publishing the names of trusts who do not submit two or more of their returns by the deadlines in any year. We have now notified those trusts due to be

published on the first list. If your trust is one of these, please consider carefully what you need to do to meet the due dates in future. The returns that will be in scope from 2018/19 are the land and buildings collection tool (due 5 November 2018), the financial statements (due 31 December 2018), accounts return (due 21 January 2019), budget forecast return outturn (due 21 May 2019) and budget forecast return (due 30 July 2019).

### **Providing governance and executive details**

In order for us to get the right messages to you, and ensure transparency in your governance arrangements, I want to remind you that your trust must notify ESFA about the [appointment or vacating of governance roles](#) using the 'Get information about schools' (GIAS) system.

The Academies Financial Handbook requires that you provide the names of:

- the chair of trustees
- the trust's accounting officer (chief executive or principal)
- the trust's chief financial officer
- other trustees and members
- any local governing body chairs and governors

Chairs of trustees, chairs of local governing bodies, accounting officers and chief financial officers are also required to provide an email address.

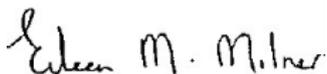
### **Better financial reporting programme**

I also want to tell you about some work the Department is doing to improve the process for trusts submitting financial data to us, and to support your decision-making by providing more timely and relevant information from the data we collect. We are working with representatives from academy trusts, financial management systems suppliers and auditors to shape how we can do this and to test a number of approaches before considering a wider launch. We will provide updates to you as the programme develops.

Finally, please ensure that you share this letter with your board of trustees and arrange for it to be discussed at your next board meeting.

Thank you for your continued hard work. I wish your trust every success in the coming academic year.

Yours sincerely



**Eileen Milner**

Chief Executive, Education and Skills Funding Agency