



Education & Skills
Funding Agency

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16 July 2020

To accounting officers in academy trusts. Copied to chairs of trustees

Dear colleague

When I wrote to you in [April](#) we had entered extraordinary times. Few would have doubted the immense challenges that schools were facing in the light of COVID-19. But looking back, few will deny the incredible energy and resilience you have shown in helping make the first moves towards normality. Our collective actions in the coming months will never be more important in protecting the future prospects of our children and young people.

I fully appreciate this year continues to be a worrying period for you and so I want to thank you all for your professionalism, drive and good judgement as you help guide your trust through these challenging times.

Following my last letter, I would like to update you on further actions we are taking in relation to academy trusts' financial management during COVID-19, and draw your attention to some published documents which will help you maintain sound governance, good financial systems and a healthy and safe school environment. There is quite a good deal of information contained here which, on balance, I have judged it is best to draw together into one single document for you to be able to reference, rather than sending out multiple communications.

COVID-19 support

- [Support package for schools](#)

You will have seen the department's announcement on 19 June about [a £1 billion catch-up package](#) to support pupils who may have fallen behind due to lost teaching time as a result of COVID-19. As the Secretary of State has said: "This package will make sure that every young person, no matter their age or where they live, gets the education, opportunities and outcomes they deserve". When the claims process is finalised we will provide details in the [ESFA update](#).

- [School resource management advisers \(SRMAs\)](#)

As part of the department's COVID-19 recovery offer, we are using our cohort of SRMAs to support schools and trusts with financial or resourcing challenges. These optional 'resilience visits' can be adapted to your needs but, for example, could include budget advice or support to put in place plans to mitigate the impact of lost income during lockdown. Our intention is that

these, likely mainly virtual, visits will provide practical help and will not place unnecessary burdens on schools or trusts. The SRMA will produce a short report which will be shared with you (and which, as with routine SRMA reports, will remain confidential between you and the department), but with no requirement for you to take follow up action. Initial feedback suggests that these have been well received, with the CEO of St. Ives Infants School saying the visit: “saved us weeks of research. The impact of personalised support was that we can apply the suggestions with real purpose and be proactive... the SRMA was a real critical friend with a huge amount of knowledge”. We expect routine SRMA visits will resume in the autumn term, but these can be arranged before then if necessary.

Recent publications

We have published several key documents in recent weeks.

- [Academies Financial Handbook](#)

The 2020 edition of the [Academies Financial Handbook](#) was published in June and is effective from 1 September. As the trust’s accounting officer it is important that you read the handbook, and that the chair of trustees and chief financial officer also do. The new edition contains additional information in some key areas, in particular:

- [Governance](#) - We have introduced more information about trustees’ responsibility to take ownership of the trust’s longer term financial sustainability and to maintain it as a **going concern**. We also continue to emphasise the importance of members being kept informed about trust business so they can be assured that the board is governing effectively.
- [Executive Team](#) - The new handbook confirms that both the accounting officer and chief financial officer should be employees of the trust, and introduces a requirement for ESFA approval if, exceptionally, they are not. Approval will apply to new appointments made after the handbook comes into effect on 1 September 2020.
- [Internal scrutiny](#) - We are highlighting recent changes by the Financial Reporting Council prohibiting external auditors from providing internal audit services to the same client. For this purpose, we consider that internal scrutiny should be viewed in the same way as internal audit.

I also want to remind you to send an internal scrutiny summary report to us when submitting your audited accounts. I recognise that, as a result of COVID-19, you may not have been able to facilitate a full work plan for internal scrutiny at the time you had originally intended. However robust internal controls remain important so please do report what you have been able to review.

- [External audit](#) - We have included more detailed information about the role the audit and risk committee carries out in the oversight and findings of the external audit service.

As you prepare your plans for the new academic year please also remember that you must:

- [declare any related party transaction](#) using our online form before it is confirmed with the supplier, and seek ESFA approval if it exceeds £20k
- follow our guidance on [setting executive salaries](#). Please note that we are reviewing our data collection requirements in relation to executive pay in the accounts return. We will provide revised guidance about this, including the effect on prior year comparative data, early in the autumn.
- [maintain direct contact details](#) for your members and trustees
- undertake a [suitability check](#) if you appoint a new chair of trustees.

You might also want to check your complaints procedures are up to date. We have updated our information with [best practice guidance for academies complaints](#) and introduced model policies that you can adapt for your academies if you choose to. In the meantime, we will be maintaining the approach set out in my April letter about complaints. This means we will not be considering complaints about schools' compliance with complaints and exclusions regulations and only contacting schools in exceptional circumstances. This will remain the case until after the school summer holidays. We will, however, continue to consider requests for Secretary of State direction to admit, and complaints about admissions appeals maladministration, ensuring any requests for information or action are considerate of the current circumstances.

- [Academies Accounts Direction](#)

The Academies Accounts Direction helps you prepare your annual accounts. The main change in the [latest edition](#) published in June is a new statutory requirement for larger trusts to publish information about their energy efficiency and consumption in their trustees' report. To support you with this we have also published a [good practice guide on carbon reporting](#).

Clear and transparent financial reporting remains as important as ever and compliance with the Accounts Direction is an important way of achieving this. Please ensure your chief financial officer is familiar with all of the changes included in the 2019/20 edition.

COVID-19 has posed significant challenges to the operation of academy trusts. To guide you in reflecting these events in your 2019/20 accounts we will shortly be publishing a supplementary bulletin to the Accounts Direction which covers guidance on regularity and audit implications, trustees report content, and requirements for disclosure of financial support received. The bulletin has the same status as the Accounts Direction, and it is important that you read the two documents alongside each other.

- [Financial management good practice guides](#)

Feedback from the sector suggests that trusts find our [good practice guides](#) a helpful supplement to the Academies Financial Handbook and Accounts Direction. We will continue to introduce new guides as required, but if you have suggestions for additional areas we could cover, please let us know.

Resuming ESFA activities

As well as emphasising the ongoing importance of the Academies Financial Handbook, my letter in April also set out a number of steps we were taking to

reduce unnecessary burdens on academy trusts due to COVID-19. As more pupils gradually return to school it is important that our own activities also begin to resume. Whilst we will continue to handle these things sensitively and pragmatically, I want to update you on some key issues.

- ESFA audit and assurance visits

With the onset of COVID-19, our planned assurance visits to academy trusts were paused. Our current thinking is that financial management and governance reviews and funding audits will recommence towards the middle of the autumn term but that initially these will be done remotely. We are about to begin health and safety risk assessments for the re-introduction of on-site assurance visits. We will only commence visits once we have completed the assessments satisfactorily and consulted appropriate stakeholders. When we recommence visits we will engage fully with trusts in advance.

- Intervention activities and regulatory notices

We are recommencing intervention activities with trusts and, in line with this, will resume the issuing and publication of financial notices to improve (FNtIs) where appropriate. In line with section 4 of our updated [investigation publishing policy](#), we will be giving trusts 10 working days to offer any final comments on factual accuracy of FNtIs before publication.

- School resource management self-assessment tool (SRMSAT)

After consultation, we are changing the date for submission of your annual [SRMSAT](#) from November to the following March to give you more time to complete it after the end of the academic year. The next return will be due by 15 March 2021. The feedback received is that this timing better aligns with trusts' budgetary planning cycles.

Financial returns for 2020/21

As you know, we require academy trusts to submit financial statements to us by 31 December each year and the accounts return in mid-January. This is important for providing assurance to Parliament in relation to the sector's funding.

Having spoken to academy trusts and auditors in recent weeks, it is enormously encouraging to hear the positive action that the sector is taking to meet these deadlines, despite the additional challenges presented by COVID-19. By completing the financial statements early in the academic year, it should then allow you to focus more fully on your objectives for 2021.

However, there are many unknowns in terms of COVID-19's potential path and it is right, therefore, for us all to keep our plans under review. Having now completed ESFA's financial statements for the year ended 31 March 2020, we are considering our assurance and accounts delivery plans for 2020/21 and their interaction with the timetable for submission of trusts' financial statements. If it becomes clear from this review that the deadlines for financial statements and accounts returns are significantly at risk because of COVID-19, we will update you.

In the meantime, I set out below the current timetable for all [financial returns](#) to be submitted in the next academic year, and links to guidance for each of the forms. We will let you know when we update guidance using the weekly [ESFA update](#).

Return	Launch date	Deadline for submission
Land and buildings collection tool (LBCT)	6 Oct 2020	10 Nov 2020
Audited financial statements - Accounts submission coversheet - Auditor's management letter - Internal scrutiny annual summary report	13 Oct 2020	31 Dec 2020
Accounts return (AR)	10 Nov 2020	19 Jan 2021
Budget forecast return outturn (BFRO)	20 April 2021	18 May 2021
Budget forecast return three year (BFR3Y)	22 June 2021	27 July 2021

I hope that, by providing these dates now, we will help your resource planning over the coming months, so that the strong record of compliance with these returns can continue. The information we receive from your financial returns is critical to ESFA's responsibilities to oversee the financial health of the sector, maximising value for money and leading to a stronger sector.

If this is the first time you have submitted a return, you will need to register with the IDAMS registrations system to use an [IDAMS account](#).

The vast majority of trusts submit their returns on time, and this has improved significantly over recent years. For the last two years we have published a [list](#) of the trusts who were late with two or more returns in the preceding academic year. We named 43 trusts for 2018/19 (2017/18: 88 trusts named), out of a total population of just under 3,000.

For 2019/20 we will exclude from the scope of the naming policy the returns that were due since the COVID-19 outbreak. Hence in autumn 2020, we will publish a list of those trusts which were late in submitting two of the three returns that were due to be submitted up to January 2020. These were:

- land and buildings collection tool (due 4 November 2019)
- audited financial statements (due 31 December 2019)
- accounts return (due 20 January 2020)

In light of COVID-19 we are currently reflecting on our policy for naming those trusts that miss the submission deadlines listed in the table above in 2020/21.

Fraud risk management

Fraud, theft and irregularity are a constant risk to public funds. Cybercrime remains a significant issue and is becoming more complex. Our [academy trust guide to reducing fraud](#) is designed to help you manage this and other fraud risks, so do familiarise yourself with the advice it contains.

Periods of instability, such as we face now, bring an increased risk of fraud. You should ensure vigilance as fraudsters will actively exploit these difficult situations

for financial gain. Such periods also lead to increased pressure which in turn may lead to reduced internal controls and management oversight, making organisations more vulnerable to fraud risks. Key staff may be absent, and staff wanting to be helpful and flexible when dealing with suppliers can be more susceptible to targeted attacks from fraudsters. It is therefore vital that you continue to follow all procedures designed to protect them from fraud.

Health and Safety - Good Estates Management for Schools (GEMS)

Good estate management is essential to ensuring the health and safety of pupils and staff at school. It can also create a pleasant school environment that better supports teaching and learning, and helps schools use budgets more effectively. This will be particularly important as schools begin to recover from COVID-19, and many are already looking more closely at how they manage their estate.

[Good Estates Management for Schools \(GEMS\)](#) was published in April 2018 to provide resources and guidance to schools and responsible bodies, who have told us how this is helping them understand better key issues such as health and safety and to manage their estate more efficiently. If you are not already using GEMS, I encourage you to take a look and think about how the advice and resources it provides can help you. Schools have given us suggestions on how GEMS could be improved, and we have adopted these in our work on refreshing it. We are aiming to launch the updated version later this year, including updated health and safety guidance and a range of new tools and checklists.

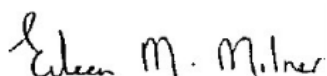
Academies sector annual report and accounts

The academies sector annual report and accounts for 2018/19 will be published before the end of July. This will set out the overall financial position of the sector and, as such, I would recommend you have a look at the document to get the macro-level view of the sector. We will include a link in the weekly [ESFA update](#) when it is published.

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

With all good wishes to you and your staff.

Yours sincerely



Eileen Milner
Chief Executive
Education and Skills Funding Agency