



Education  
Funding  
Agency

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**Date: 8 September 2014**

## **Dear Accounting Officer**

From time to time and in addition at the start of the academic year, I write in my capacity as the Accounting Officer of the Education Funding Agency (EFA) to all accounting officers of academy, free school, UTC and studio school trusts (the 'academy'). My annual letter is an opportunity to reflect on your key responsibilities and to highlight any changes that may have taken place over the previous year. As my letter ranges over financial management and governance matters, I would encourage you to share it with your trustees and senior leadership team.

Your responsibilities as an accounting officer are set out in the Academies Financial Handbook (AFH). The [2014 handbook](#) comes into effect from September 2014. In particular, the new edition reflects important messages to promote effective governance and to support accountability. Please make sure that you review the new edition and that your trustees and staff are familiar with the changes. It includes at the beginning of the handbook what I hope is a useful summary of the changes made from the previous edition.

## **Reviewing governance**

The statutory duties of your trustees provide the cornerstone for much of what the handbook has to say about governance and accountability. The trustees must exercise reasonable care, skill and diligence, they must promote the success of the trust as distinct from promoting their personal position, and they must avoid conflicts of interest.

Few would argue with these requirements. But delivering good governance is as much about applying best practice as it is about following the rules and one of the ways to achieve this is through self-review. The 2014 AFH emphasises the importance of trustees reviewing their governance arrangements periodically, including consideration of the composition of the board in terms of skills, effectiveness, leadership and impact. This is certainly relevant if you have recently opened as an academy and it should remain a feature of the business plans of all trusts.

As accounting officer it is your responsibility, alongside your other trustees, to publish a governance statement with your annual accounts, and the handbook explains that your governance review should be reflected in it. You can read about the governance statement in more detail in the [Academies Accounts Direction](#).

## Managing relationships

When I wrote to you on [19 May](#) I highlighted the work we had been doing to review trusts' transactions with connected parties. As these transactions have to be disclosed in your accounts, the way in which you manage them goes a long way to demonstrating publicly the good governance of the sector. Our analysis has shown that the great majority of connected party transactions are established for sound business reasons and are properly managed. But failure to comply can cause damage. The new handbook therefore expands on some of the basic messages about avoidance of personal gain and conflicts of interest:

- Recognising influence: We have highlighted that the positions of control and influence held by key individuals in a trust, including the accounting officer, must be recognised and, consequently, that these individuals must avoid both real and perceived conflicts of interest, whether in relation to themselves or across the trust. We have linked this to the expectation that public officials should apply the [seven principles of public life](#) established by the Nolan Committee, including the principle of 'integrity' under which individuals must not act in order to gain benefit for themselves.
- Addressing public interest: The new handbook recognises that certain transactions with connected parties may generate higher levels of public interest than others. Whilst you must hold adequate records and make appropriate disclosures about all transactions with connected parties, we have emphasised its particular importance where the likelihood of public scrutiny is greatest. Any transactions involving chairs of trustees and accounting officers would generally fall into this category.
- Novel or contentious transactions: We have also highlighted that you must obtain our consent for any transactions with connected parties that may be novel or contentious. Novel transactions are those of which the trust has no experience, or are outside its normal business activity. Contentious transactions are those which might give rise to public criticism.

Breaching the principles and requirements for managing transactions with connected parties may result in the trust being issued with a financial notice to improve (FNtI), and where this happens the trust may be prevented from entering into further connected party transactions without the prior consent of the EFA until the FNtI is lifted.

## Promoting transparency

Submitting to scrutiny and transparency should be viewed positively. Both self-review and independent audit provide assurance to you and your trustees that your financial controls are operating effectively. As accounting officer you should also actively encourage transparency towards the public, as a means of demonstrating the regularity, propriety and value for money of the transactions for which you are responsible. There are some changes in the handbook to support this.

- Reflecting the recommendation of HM Chief Inspector following his review of Birmingham schools, you must now publish the relevant business and pecuniary

interests of your members and trustees on the trust's website. We have provided information in the handbook about what the register of interests should contain.

- You must also continue to publish your audited annual accounts, including the trustees' report, regularity statement and governance statement, on your website. But we have brought forward the date by which you should do this, to the end of January following the year to which the accounts relate – ie a month after you will have submitted the accounts to EFA.
- We have also brought forward the date for publishing your annual value for money statement, in line with the accounts, and have issued updated [vfm guidance](#).

The EFA takes a proportionate approach to our responsibility in overseeing compliance with the funding agreement and the handbook. From time to time, this means I will write to you with items that warrant your particular attention as a way of supporting compliance. One such matter I wanted to flag up is the requirement to publish your curriculum offer. All funding agreements issued since July 2011 have required academies to publish curriculum information, and new funding agreements issued this year require that the information is published on the academy website. I am sure you will agree that curriculum information is important for parents so that they know precisely what is taught and when, enabling them to support their children in their studies. It is also important information for parents when choosing new schools. Therefore, whilst some academies will not have this as a specific requirement within their funding agreements, I would encourage you to make sure this information is available on your website as a matter of good practice.

### **Other resources**

To coincide with the publication of the handbook we have released an [online presentation](#) explaining the main elements of the accountability framework and the changes we have made. There is also a presentation about connected party transactions, and recordings of the live webinars we held for trusts and for auditors in July. I commend these to you, as well as to your trustees and senior leadership team.

### **Funding for 2015 to 2016 academic year**

We wrote to you in July with information on the main changes to academy and free schools funding that you will see in the 2015 to 2016 academic year, including the [Fairer schools funding: arrangements for 2015 to 2016](#) announcement and changes to the rates for the [Education Services Grant](#). I appreciate this was at the start of the summer holiday for some of you but we wanted to make sure you were made aware of the funding announcements as soon as possible. To help you understand these funding changes in more detail there will be a rolling programme of online communications in the autumn. We will provide regular updates via the EFA e-bulletin.

### **Academies' engagement with Schools Forums**

Following some recent feedback we received from forum representatives I would like to re-iterate the importance of engaging with your schools forum. It is essential for academy

representatives to take an active role in gathering the views of local academies and free schools; correspondingly, it is vital that local academies/free schools engage with their schools forum representative. The autumn is an important period in the funding calendar when forums are discussing issues of importance for many academies, and it is in your interests that the academies' representatives on your local forum are representing the collective view of their colleagues. I strongly encourage you to make sure you have a good way of feeding in your views.

### **EFA Information Exchange (EIE)**

I would like to close with a mention of the EFA Information Exchange (EIE). This is our recently-launched [secure transactional website](#). It will enable you to exchange documents with us, find answers to common 'hot' questions, access digital forms for quick and accurate transactions and check key business-cycle dates. In the three months EIE has been live, we have used it for example for exchanging budget returns and for rates and insurance applications. The early feedback has been positive as it is driving out unnecessary costs and increasing accuracy. We will be putting the much used annual business cycle on the EIE in the next few weeks with links to activities you will need to carry out over the course of the year. Colleagues working on its development have asked me to express our thanks to those of you who have been very active in supporting the development of the EIE and I am very pleased to do so.

May I wish you, your trustees and staff and most of all your children and young people, a most successful year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Lauener', with a long, sweeping flourish at the end.

**Peter Lauener**

Chief Executive, Education Funding Agency