



Education
Funding
Agency

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Dear Accounting Officer

Each year I write to the accounting officers of all academy and free school trusts in my capacity as accounting officer for the Education Funding Agency. As well as wishing you and your schools a successful new academic year, I use this opportunity to highlight matters relating to your financial management and governance, which will be important during the year.

Lord Nash has made leadership in the sector a high priority for the new Parliamentary term. As your funding body our particular interest is on leadership in relation to financial management and governance, especially if you are to continue delivering the very best educational outcomes within the financial constraints that we face. I am pleased that the vast majority of trusts and accounting officers give proper weight to this leadership responsibility. In turn this gives me the evidence to underpin the case for academy freedoms, balanced against the responsibilities we all have for the proper use of public money.

Of course, one of the successes of the past year has been the increased collaboration and influence at a local level provided through the Regional School Commissioners (RSCs). EFA works closely with the RSCs to support the important decisions they take to promote and monitor academies and free schools in their area. But the insight that some of you provide as members of RSC headteacher boards is really important to ensure that the sector thrives and, where necessary, is challenged. I want to thank you for that work.

The accountability framework

My letter follows on from the publication of the updated [Academies Financial Handbook](#) in July, which came into effect on 1 September 2015. Whether you are an experienced accounting officer or new to the role, you need to be familiar with the handbook, understand your personal responsibilities described in it and make sure your trustees and school managers understand their responsibilities.

As accounting officer you are responsible, through me, to Parliament for regularity, propriety and value for money in the use of public funds, and also for the feasibility of the decisions you make. Along with these well-established responsibilities there are wider principles of public life (the [Nolan principles](#)) that apply to anyone working as a public office holder, which should underpin the behaviours of everyone in the trust.

This year sees relative stability in the accountability framework. Through the support and collaboration of academy trust accounting officers, business managers and your auditors

we have reached the stage where the current system is practical and robust. Nonetheless, whilst this year's changes are modest in number, they present important messages about governance and conduct and I have reflected on them below.

Governance and transparency

As well as delivering to the principles of public life, we must respond to increasing calls for greater transparency. This means we must all be open about who is involved in the governance of our public bodies, including academy and free school trusts, and how they are run.

The updated handbook explains the information about your governance arrangements that you must publish on your trust's website, which includes the names and any relevant business interests of your members, trustees and local governors, and the committee structures you operate. As you already have this information, the task becomes one of making sure the published information is both up to date and easily accessible. You are likely to find, therefore, that reliance wholly on publishing your financial statements is unlikely to be sufficient and, rather, you should have your governance information in a readily accessible part of your website.

This additional requirement sits alongside standard obligations on trusts to be accountable and transparent to their parents and communities. Management and educational performance is of great interest and so you must ensure that key information relevant to them is published on your website including details of your curriculum and educational results, and links to Ofsted findings. You must also publish your key governing documents including the funding agreement and articles of association.

As accounting officer it is essential that you remain aware of the wider duties placed on your trust and have in place robust systems to allow you and your board to review them as they affect the trust. One important case to mention here is the [new Prevent duty](#) which came into force on 1 July, requiring specified institutions including schools, early years and childcare providers to have due regard to the need to prevent people from being drawn into terrorism. If you have any concerns in this area please contact our helpline (020 7340 7264) or via e-mail at counter.extremism@education.gsi.gov.uk.

Independent judgement of trustees

In some instances roles may evolve where an individual is not appointed as a director or trustee but nonetheless directs or controls the board. Such shadow directors (or 'de facto trustees') may inhibit directors' ability to make independent judgements, and therefore could represent a significant risk factor. For this reason the new handbook makes clear that academy trusts must not have shadow directors or de facto trustees. If you think this situation may arise in your trust you should act to address it.

The financial challenge

Moving from the new matters of emphasis set out in the handbook, one of the most important matters you will need to address is the financial health of the trust. As you know,

we start the academic year facing a period of challenging public finances. Whilst the overall scale of financial challenge will become clearer after the Spending Review later in the autumn, you will already be seeing a tightening of budgets in the 2015 to 2016 academic year. Because of this it is more important than ever to make sure every pound is well spent to improve outcomes for the children and young people in your academies and free schools. You will need to be bearing down on costs, being innovative about efficiencies (both with staff and non-staff costs), using benchmarking data to understand financial performance and ensuring trustees and the school leadership team have the right information and financial expertise to help in this task. We will be supporting trusts to meet this challenge over the coming years, with easy access to models of good performance, financial advice and data. For example, our [efficiency toolkit for schools](#) looks at how schools use their resources and encourages a move towards long term strategic budget planning.

I expect trusts to set balanced budgets, as you are required to do so under the handbook. As I write this letter we are reviewing the budget forecast returns you have submitted. It is clear that a small minority of trusts are not able to set a balanced budget for 2015 to 2016 and we will be working with those trusts to understand the underlying position. It is very important that any trust with early indications of concern over their financial position contacts us with their plans to improve or maintain a healthy budget before recovery is too late.

Good cash management is a key element of the financial challenge. You are required to manage the trust's cash position, avoid going overdrawn and reconcile cash regularly, which reflects the principles in [Managing Public Money](#) (the government's wider guidance on how to handle public funds). You should also be striking a balance between putting cash to educational use in good time, and avoiding payments in advance of need.

Your annual value for money assessment allows the trust to identify what has already been achieved and to plan for the future. This year we have integrated the value for money assessment into your financial statements and you therefore no longer need to make a separate return. This should reduce both the burden and the cost for you. There is guidance in the [Academies Accounts Direction](#) to help you.

The annual business cycle

We have now settled into an annual business cycle that uses the [EFA Information Exchange](#) and the e-bulletin to remind you of key deadlines for submissions and also to tell you when you can expect important documents and communications from us – for example, as part of the funding allocation round. You will know, therefore, from articles about the Accounts Direction in the e-bulletin that you must submit your financial statements for the period ending 31 August 2015 to us by 31 December 2015, unless you are a new trust opting to defer your first financial statements to 31 August 2016. If you do submit financial statements for the period ending 31 August 2015, and you had open academies within your trust in the period, you must also submit an [accounts return](#) which is due by 31 January 2016.

We are continuing to develop online capabilities which should reduce your costs and improve the quality of data further; the budget forecast online form is an example of that approach. We have also introduced a function into the Information Exchange allowing you to check and update the names and contact details that we hold for your key personnel (members, trustees, chair of trustees, accounting officer and chief financial officer). This will make compliance with the handbook easier for you and begins to make the service more personalised.

Other resources

Following the release of our updated publications we have recorded several new [online presentations and webinars](#) explaining the accountability framework and this year's changes, which I would encourage you to watch. There is also a presentation from an accounting officer about how they go about their role, which I strongly recommend to you.

In the meantime, as we begin the new academic year, I would like to end by wishing your trust every success and look forward to your pupils achieving great results.

I would be grateful if you could share this letter with your trustees and your senior management team.

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