

## **Academies Financial Handbook 2016 (published for clerks' briefings)**

The new Academies Financial Handbook (AFH) was published on 1 July 2016. The new version will replace the 2015 version with effect from **1 September 2016**. A full copy is attached.

The changes are summarised on page 5 of the handbook however the main ones are also listed below:

### **GOVERNANCE**

- The AFH now emphasises that boards of trustees should identify the skills they need and address any gaps in their skills through recruitment or training. Even though this is not a new development the AFH clearly states that review of current governance arrangements should also take place for any local governing bodies and should not be restricted to the overall trust board only.
- **The AFH further aligns itself with the Governance Handbook by making the publication of governance arrangements on the trust website mandatory as well as publication of the Scheme of Delegation (SoD) where the trust is a Multi Academy Trust (MAT).** In some MATs the SoD may be referred to as a Local Governing Body Terms of Reference.
- The AFH emphasises that all trusts must have a Senior Executive Leader appointed as the Accounting Officer and that these roles must not rotate.
- The AFH also clarifies that trusts must publish the relevant business and pecuniary interests of their accounting officer regardless of them being a trustee. In addition, local governors are also included in identifying relevant interests from close family relationships.
- **Previously the AFH stated that trusts must notify DfE of the appointments and resignation of members, trustees, accounting officers, chief financial officers, chairs of trustees/local governing bodies and local governors. The new AFH now clarifies that this must be performed via the Edubase. The changes should be notified with 14 days of the change.**

### **FINANCIAL CONTROL**

- The AFH expressly states that variances between budget and actual income/expenditure must be understood and addressed. This means that trustees and chief financial officer must have a clear understanding as to why variances exist and how they will be addressed. This rule indicates that EFA expects to see good challenging questions from trustees and good, clear, coherent responses from the chief financial officer during trustees meetings.
- The AFH emphasises that exposure to investment products must be tightly controlled and the board has an investment policy in place. The EFA are keen on trusts having

good management processes in place to ensure investment risk is properly managed as this takes precedent over revenue maximisation.

- The AFH now stipulates that where the EFA has concerns about financial management, they may require the trust to report on its cash position.
- The AFH further emphasises that trusts should consider opting into the risk protection arrangement (RPA) unless its commercial insurance provider can provide better value for money.
- **Trusts are now required to have a whistleblowing procedure in place.** Previously the requirement to have a whistleblowing policy has been best practice for academy trusts but the EFA now have this as a mandatory requirement.
- **Trusts must implement reasonable risk management audit recommendations provided by their risk auditors.** As part of entering into the RPA, academy trusts are provided with risk management audits. The EFA are now making the implementation of the recommendations provided from such audits mandatory. Usually these recommendations are to help the trust prevent a potential breach in legislation. If trusts do not correct any breaches in legislation and need to make a claim, they run the risk of that claim being declined after consideration by the DfE/EFA.
- **The AFH requires that audit committee's oversight extends to the financial controls and risks at constituent academies in a MAT.**
- **The AFH stipulates that oversight must include the submission of information to the DfE/EFA such as pupil number returns and funding claims.**

The recommendation is that the AFH 2016 is read by all those involved in making decisions on behalf of the trust and in particular Annex B: Schedule of freedoms and delegations and Annex C: The Musts – otherwise, are you demonstrating strong governance and financial management?