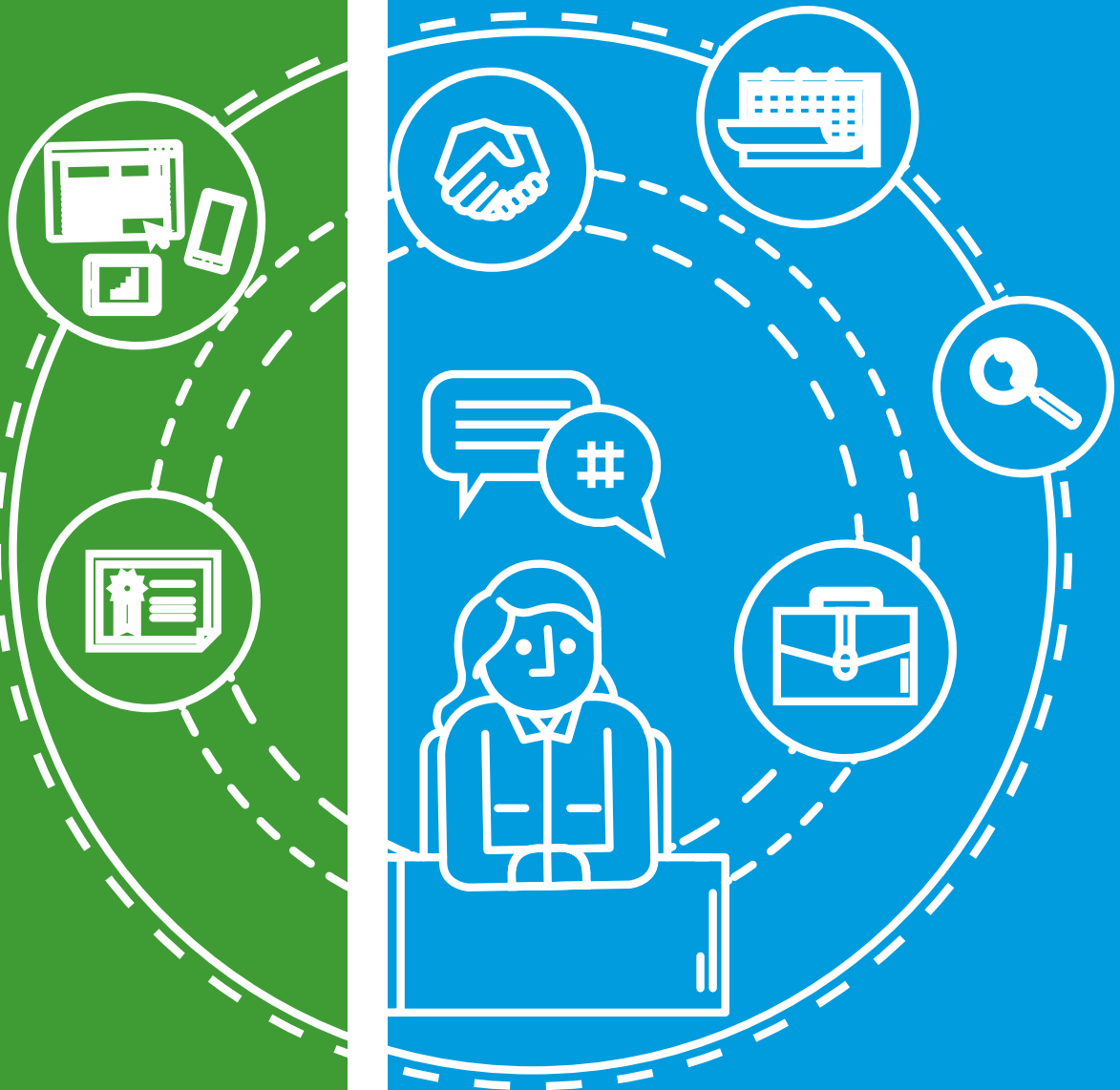


2022  
UPDATE



## ACADEMY TRUST HANDBOOK 2022

Insight series

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING



# INTRODUCTION

The Academy Trust Handbook 2022 (ATH) (formerly the Academies Financial Handbook) was published on 25 August 2022, and came into effect on 1 September 2022. In this Academies Insight publication we summarise the changes from the 2021 Handbook, and comment on changes we anticipate in the coming year. There continues to be an emphasis of the level and quality of internal scrutiny in trusts with the publication of the White Paper, continued cyber threats and newly emerging risks such as Environmental, Social and Governance (ESG). We have commented on how the handbook addresses gaining assurance and how trusts monitor and manage their risks.

## Changes to the handbook

As an acknowledgement of the delay in publishing the document the changes to the ATH this year have been kept to a minimum, with no new requirements for the sector creating additional pressure on trusts to ensure compliance at this stage. The changes reduce the administration burden on trust teams.

### Financial reporting

This change is a withdrawal of a filing requirement easing the burden on the trust's finance team. The Budget Forecast Return Outturn (BFRO) which academies had to submit to the ESFA in May each year has been withdrawn. Trusts continue to be required to submit an academies budget forecasts return (BFR) in July in accordance with deadlines published annually. The outturn information is now permanently included within the budget forecast return, and hence the withdrawal of the BFRO form.

### Special payments

The guidance around special payments has been clarified to state that it only refers to 'special' (non-statutory/non-contractual) payments. This should assist trusts in distinguishing payments that do or do not require authorisation.

### Indemnities

Trusts will be able to enter into indemnities which are in the **normal** course of business **without** seeking approval, for example catering or cleaning contracts. Previously all indemnities over certain thresholds required ESFA consent. The Trust needs to:

1. Make an assessment of the contract to ensure that it is in the normal course of business. The assessment should include the appropriateness of the indemnity relative to the commercial risk and limit liability as much as possible. It maybe that the trust has insurance to cover the risks;
2. Maintain a contract register of known indemnity clauses with the necessary assessments; and
3. Take appropriate legal advice before entering into any contractual agreement.

Trustees need to provide the appropriate level of oversight and challenge to ensure the appropriate assessments and records are maintained.

Trusts should ensure that those involved in procurement have been trained and understand the new requirements. Any indemnities included in contracts should be considered on a timely basis, ie when the tender for services is being prepared at the start of the process.

Further guidance can be found here: [Handling contractual indemnities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/handling-contractual-indemnities)

### Religious character, Related party transactions – at cost requirements

The ATH has extended the scope of the at costs requirements from dioceses to all religious authorities. The guidance now states that for academies with a religious designation, the provision of services to protect and develop their religious character and ethos, which can only be provided by their religious authority, are regarded as meeting the "at cost" requirement.

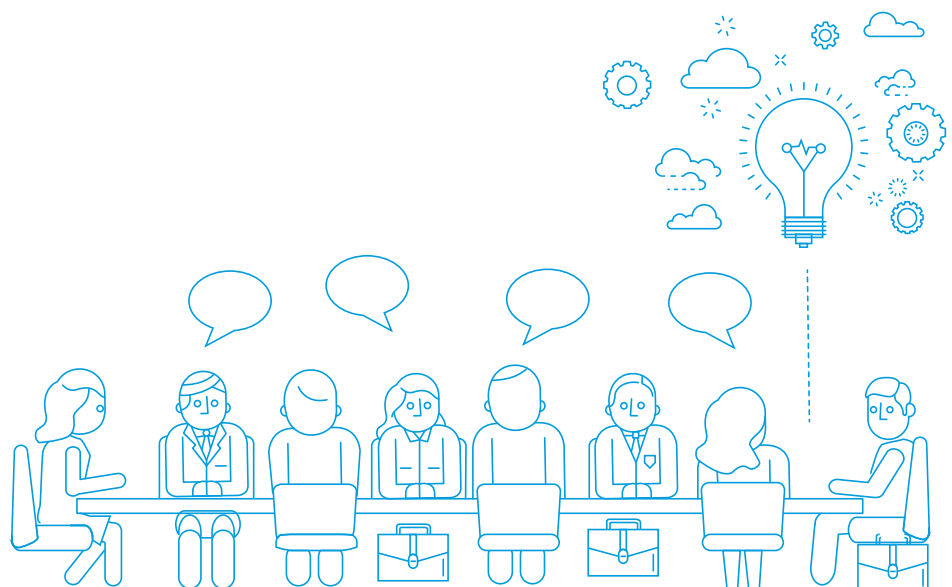
# FUTURE CHANGES

## Changes in future years

There are a number of changes that are in the process of being discussed by the ESFA and we anticipate these being incorporated into the document for the 2023 edition. Internal scrutiny continues to be high on the agenda (see below) and other areas of focus continue to be around the same themes from previous years such as executive pay, off payroll and related party transactions, as well as the future of leases.

Cyber security remains high on the agenda and from 1 September 2022 the DfE Risk Protection Arrangement cyber cover conditions have been clarified. In order to ensure trusts are covered for cyber incidents there are four conditions that must be met:

1. Requirement for offline backups;
2. All employees or governors who have access to the member's information technology system must undertake National Cyber Security Centre training;
3. A requirement to register with Police CyberAlarm; and
4. A requirement to have a cyber response plan in place.



# INTERNAL SCRUTINY

Whilst there have been no specific changes to the ATH in regards to internal scrutiny, the sector has not stood still with the publication of the White Paper, continued cyber threats and newly emerging risks such as Environmental, Social and Governance (ESG) for example. As we emerge from the pandemic, the education sector continues to face many challenges. Identifying and managing your risks is more important than ever.

## How do you know your risks are being managed?

Here are some key questions for trusts to think about:

- As an Executive Team or Committee/Board member, how do you receive assurance that systems are effective and compliant with the ATH and your own policies and procedures?
- How comfortable are you that risks are being managed and where does your assurance come from?

## How the Academy Trust Handbook addresses gaining assurance

The ATH outlines that trusts are required to have internal scrutiny, with areas for coverage identified 'on a risk-basis' (with reference to its risk register). The Handbook further confirms that 'the term internal scrutiny should be viewed in the same way as internal audit'.

Accordingly, all trusts must have a programme of internal scrutiny to provide the Board with independent assurance on the effectiveness of not only financial controls but also non-financial controls. Equally, Boards must be assured that risk management is operating effectively across the trust with the risk register being subject to regular review. Assurance remains a key factor in the management of risk, especially given that the majority of realised risk is a result of failure in the control environment.

## Risk Register analysis

RSM supports many trusts, and the sector, in identifying their risks, implementing risk management and gaining assurance that risks are mitigated, including through the risk management masterclasses run with Stone King and CST.

To assist in risk identification, RSM recently undertook an analysis of risk registers for Academy Trusts and the wider education sector identifying the highest risks in terms of frequency and severity of reporting and the direction of travel of risk. This can be used by trusts as a comparator tool for their own risk register.

To read our recent publication, please use the link below:

<https://bit.ly/3vAzj9R>

## Effective internal scrutiny

Following on from this work to identify risks, RSM is undertaking a survey to gain insights on the perception of internal scrutiny, how the Board use the trust's risk management system to assure itself that the key control environment is effective and how the internal audit function is used to inform views on effectiveness.

<https://bit.ly/3yRI6sc>

We will be publishing our findings in October/November 2022.

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